Title:
How To Save Millions Simply By Reducing The Cost Of Spending

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Summary:
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The Dollar-Value of Transactional Processing Costs

The end-to-end cost of processing high volume, low value purchases (such as travel, entertainment, contract labor hire, training, employee claims, stationery, publications, books, kitchen supplies, etc.) can be exorbitant. In fact, in many cases, it's higher than the purchase cost itself (even with the efficiencies delivered by an ERP application). The reason for this is that the total cost-to-transact includes many associated activities such as processing, administration, and bank fees, to name just three. In a typical business, 90% of purchases are low value; they represent less than 10% of total company purchase

spend. But because the cost of each transaction is normally much the same regardless of the purchase price, in reality, these low value purchases cost far more than the big purchases. Consequently, the majority of available company resources (e.g. employee time, effort, and money) may be dedicated to managing the low-value, high-volume transactions that constitute a relatively small percentage of overall company expenditure.

How to Reduce Transactional Processing Costs

An increasing number of businesses have taken steps to address this issue, and have enjoyed substantial operational savings and direct bottom-line improvements. They've significantly improved their operational efficiency and, in many cases, reduced their transactional processing costs by more than 90% per transaction. This represents substantial cost savings when considering the volume of transactions most companies process each year.

So how did they do it? What is the opportunity for those companies that still employ traditional methods?

Today, many businesses have found a straightforward, effective and efficient answer to this question. They employ a simple solution that combines the use of a traditional credit card with expense management software.


How does this work in practice?

The Process: Your employees use a corporate credit card to procure goods and services. The electronic transaction is sent to their individual PDA or PC (via any network or internet connection). The employee confirms the transaction and charge with the click of a button, and a fully coded transaction is then posted to your chart of accounts. You then make a single payment to the credit card provider for all purchases made using the card during the month. Everything is managed automatically in real time, including all of the controls, business rules, and management notifications that ensure purchases are approved and comply with corporate policy.

The Result: You're able to consolidate thousands of payments into a single transaction. With the supporting systems, you can analyze expenses and implement controls on a real-time basis.

Case Study

A company processes around 50,000 payment transactions per year, of which 80%

(40,000) are low-value/high-volume non strategic expenses. By implementing a ProMaster expense management system, they are able to save $56 per transaction, delivering a total cost saving of $2.24m per year (40,000 x $56.00 = $2.24m). Admittedly, this includes both 'hard' and 'soft' savings, but the business case is real, and is proven to deliver results in all industry sectors including R0I within six months.

Conclusion

For years now, companies have been using credit cards as a corporate payment tool for travel and entertainment costs. The extension of the concept into general business procurement has been made possible more recently by the release of new products from card issuers and the development of sophisticated expense management software systems that provide immediacy of control. Today the concept is a key addition to corporate improvement project portfolios, covering all non-strategic low value spends and potentially far more.