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PRIMER

Is a P-Card Program Right for Your Business?

As businesses across any industry scale, traditional purchasing processes often struggle to keep pace with that growth and end up creating operational bottlenecks. These bottlenecks, in turn, drive up costs and reduce operational efficiencies. For many businesses, purchasing card (P-card) programs can solve this challenge by enabling decentralized purchasing authority across approved users.

For organizations that often manage low-value, high-volume organizational spend, a well-structured and implemented P-card program enhances transparency into spend, increases operational efficiency, and reduces transaction costs. To realize these benefits, a P-card program requires robust governance, integration with key financial systems, and operational readiness at many levels.

WHEN IS A P-CARD PROGRAM RIGHT FOR YOUR ENTERPRISE?

In many organizations, traditional purchase order and invoicing processes often create unnecessary manual work for procurement and accounts payable teams, which then incur increased transactional overhead in both time and money. Rolling out a P-card program allows you to circumvent these obstacles to enable:

- Faster procurement cycle times
- Lower transaction costs
- Improved spend visibility
- Shorter supplier onboarding cycle

On top of these demonstrative organizational benefits, many P-card issuers also offer rebates and other financial incentives based on use and activity, which can lead to hardline financial benefits as well. But the benefits withstanding, how do you know if a P-card program is the right fit for your organization?

Scenario	Notes	Does This Apply to Your Organization?
Low-Dollar, High-Volume Purchases	When organizations process 1,000+ transactions of $1,000 or less annually, the administrative cost-to-serve may outstrip the value of the transaction itself.	☐ Yes ☐ No
Long Procurement Processes	Where approval processes and invoicing may create friction, a P-card program provides both autonomy and strong financial governance and oversight.	☐ Yes ☐ No
Highly Distributed Purchasing	For a business that has multiple sites or business units with purchasing needs, P-card programs allow businesses to get a handle on tail-spend purchasing effectively.	☐ Yes ☐ No
Extensive Supplier Base	Supplier onboarding and management can be especially cumbersome for organizations with a complex supplier base or one comprised of one-time or low-volume suppliers. P-card programs leverage established card networks to speed up onboarding and reduce administrative burden.	☐ Yes ☐ No
Organizational Need for Spend Transparency	Traditional PO and AP processes lack the ability to process and analyze transaction-level data effectively. Most P-card vendors offer out-of-the-box reporting and analytics functionality that well outpaces traditional solutions.	☐ Yes ☐ No

If you've checked "Yes" for one or more of the above, chances are a P-card program could be the right fit for your business.

While many organizations benefit from a P-card program, there are certain scenarios where this type of decentralized program may not be a fit. For instance, businesses within highly regulated industries with significant purchasing regulations, e.g., defense or aeronautics, are not positioned well to reap the benefits of a P-card program. Similarly, organizations that rely on highly centralized procurement or complex contracts and invoicing processes may not be a strong fit. The P-card process may not apply for items that require a three-way match or that require formal PO acknowledgment; capital purchases and high-risk spend categories would be excluded as well.

HOW DO YOU KNOW IF YOUR BUSINESS IS READY FOR P-CARDS?

Determining whether a P-card program makes sense for your business strategically is just one step – understanding if you're ready both operationally and technologically brings with it a whole new set of questions and considerations. Below, we've outlined four critical areas of organizational readiness that must be considered in addressing your business's ability to successfully implement a P-card program: Governance and Procedure, Technology and Data, Risk and Security, and Stakeholder Alignment.

Governance and Procedure

This area considers how an organization's governance, policies, and leadership alignment are designed to support a P-card program. With respect to governance and procedure, leaders should assess their organization for the following:

- Clearly defined and understood procurement policies, including approval thresholds, spending limits, and authority structures
- Defined purchasing categories (applicable to P-card use) that clearly identify inclusion and exclusion criteria and use-case guidelines for all stakeholders
- Leadership buy-in for decentralized spending, particularly as a P-card program may shift purchasing responsibilities down

Technology and Data

Leaders must ensure that the organization has the tools, solutions, and data to support the automation, validation, and analytics required for a P-card program to be a worthwhile investment. To support a P-card program, key indicators for readiness include:

- Robust ERP system capable of receiving and managing card data feeds
- Automated workflows and reconciliation capabilities, or structured manual controls for matching transactions to expense lines, exception routing and approval, etc.
- Integration across key enterprise systems, e.g., supplier management, procurement, etc.
- Consistent data governance and classification standards across teams, units, and locations

Risk and Control

As P-card programs inherently decentralize spend authority, it's critical that organizations have robust internal control policies and procedures in place to ensure responsible use and reduce risk. Relative to risk and control, organizational leaders should consider the following:

- Comprehensive policies and mechanisms for creating, sharing, and enforcing usage policies
- Real-time monitoring and alerts processes for exception management, suspicious activity, and systemic issues
- Audit and compliance infrastructure, including detailed transaction logs, defined segregation of approval duties, and data/document retention standards

Stakeholder Alignment

P-Card programs will require significant collaboration and alignment across procurement, finance and accounting, and operational teams to both implement and maintain. No matter the technologies or policies you roll out, your people will ultimately enable the P-card program's success, so leaders should ensure the following:

- Strong alignment and shared ownership across procurement and accounts payable teams in program design, processes, and ongoing monitoring
- Resources and training materials for onboarding and supporting P-card users
- Change management strategies, tactics, and champions to launch the program and ensure continuous feedback for improvement

WHAT TO CONSIDER WHEN SELECTING A P-CARD VENDOR

The P-card vendor market has only become more diverse over time as traditional providers in the financial space (American Express, U.S. Bank, J.P. Morgan, Truist, First Citizens Bank, Citi Bank) are challenged by both new and established tech entrants (Payhawk, Coupa Pay, SAP, Brex, etc.). Evaluating the robust landscape of vendors should begin with an overarching framework for assessing each vendor's capabilities across key requirement areas. For each area, we've included essential questions to consider as you evaluate each vendor:

P-Card Program Economics

- How is the rebate structure defined? What percentage is offered and under what conditions?
- How are the fees organized for onboarding and maintaining the program at the integration and transaction level?
- How will billing cycles impact cash flow?
- Is the vendor accepted in all locations where suppliers operate?
- Does the vendor provide suitable credit limits to support the enterprise's ongoing spend?

Control & Governance

- How granular is the ability to enact Merchant Category Code (MCC) controls? Category, Individual, Merchant?
- How are violations flagged in the system?
- What compliance certifications does the vendor maintain?
- Does the bank offer "Merchant Lock" or "Authorized Vendor List" capabilities?

Backend Accounting & Reconciliation

- Are processes for reconciliation, coding, and data-matching automated from end to end?
- How does the solution enable matching expenses to work orders, cost centers, or expense accounts?

Integration

- Does the system integrate natively with your ERP or AP systems?
- What level of IT support is needed to stand up and maintain integrations with the system?
- As enterprise systems are upgraded, are integrations easily updated or maintained?

User Experience

- What level of training resources, onboarding support, and documentation does the vendor offer?
- Can administrators easily issue, manage, and revoke P-cards?

Global Footprint

- Does the P-card vendor support activities across all countries and locations where you operate?
- Can the vendor support multi-country tax, compliance, and regulatory needs?
- Does the system have limitations for reporting, monitoring, or analytics based on geography?

Support & Service

- Do you receive a dedicated support manager for implementation and ongoing support? Is there 24/7 support?
- How are system updates rolled out to the customers?
- Are response times or approaches to dispute management defined in an SLA?

Scalability

- How readily can the P-card vendor support the addition of new business units or regions through acquisition?
- Does the P-card vendor support a wide variety of card types, including both physical and virtual?
- What level of customization does the system allow for workflows, roles, etc.?

Security & Risk Management

- What tools does the vendor provide to detect and prevent fraud?
- How are suspicious transactions handled in the system?
- What is the vendor's protocol for responding to data breaches?

Reporting & Analytics

- Does the system consolidate reporting across global currencies and instances?
- Does the system automatically identify policy anomalies or violations?
- How is the vendor leveraging artificial intelligence (AI) to improve reporting insights?

P-CARD VENDOR LANDSCAPE

The P-card vendor landscape is generally dominated by established financial institutions with the broad reach and standing necessary to support large enterprises at scale. Over the last decade, as fintech has grown and continued to effectively disrupt, new players have entered the market offering innovative solutions with a tech-first, digital-first approach. While not all backed by the same established financial institutions, most have recognized partnerships with global payment networks such as Visa or Mastercard.

Representative Vendors

Depending on your organizational structure, priorities, and enterprise tech stack, any one of the above P-card vendors could support your business. As with any decision of this scale, selecting the optimal vendor for your organization requires a robust vendor selection process that takes into account the unique nuances of your business, stakeholders, and suppliers.

ARE YOU READY TO SELECT A P-CARD PROGRAM?

For organizations with the right circumstances in place, a P-card program won't just enable purchasing autonomy – it enables businesses to move faster, operate more efficiently, and cut down burdensome transaction costs. Rolling out the program will bring unique complexities to each organization but with the right implementation plan in place, you'll start to realize benefits of a P-card program quickly.

To learn more about how Clarkston helps businesses select and implement P-card programs, contact us here.