

Consolidate Purchasing to Reduce Costs

Card programs offer higher education new options to meet tightening budget objectives

Higher educational institutions of all sizes are being asked to do more with less. With enrollments skyrocketing, state schools are fighting the impact of state budget gaps, while private institutions face shrinking endowments. The result is staff reductions and hiring freezes that must be offset with increased efficiency. As boards of trustees increase budget scrutiny, every possibility must be examined to reduce expenses, while maintaining the highest levels of academic achievement.

The procurement process is an effective area for colleges and universities to increase cost savings opportunities. Traditional purchase orders, invoices, management approvals and manual accounts payable entries are cumbersome, paper-driven processes that can delay deliveries and drive internal administrative costs through the roof of a student union.

Commercial card programs simplify existing purchasing processes with an effective complement to any institution's procurement strategy. Many manual tasks associated with traditional purchase orders are eliminated, while delivery of goods can be accelerated by as much as six days¹. An efficient card program can be the catalyst to help meet budget objectives and better manage spending for all departments and campuses.

As commercial cards have evolved from a best practice to common savings tool, it is important to maximize a program's performance. The right provider must leverage the latest technology and an established service model to enhance spending controls, reporting and overall budget objectives. Selecting an innovative provider helps institutions realize the full potential and savings of an efficient card program.

JPMorgan Chase understands that schools require a tailored approach to purchasing that allows them to capitalize on the unique blend of staff, suppliers and systems that drive spending. Our Commercial Card solutions leverage industry-leading technology, reporting, consultative services and around-the-clock support to help consolidate low-dollar expenses into a single management program.

¹ Palmer, Gupta, Davila, and Norman. "The Saving Power of Purchasing" *NACUBO Business Officer*. July 2002. Universities surveyed reported that purchasing cards caused the average time from determination of employee need to the receipt of the ordered good dropped by six days.

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As a result, department heads spend less time authorizing, tracking and processing purchase data. Financial administrators also receive the business planning experience and single-point-of-contact support to:

- reduce overhead significantly
- minimize administrative tasks, allowing staff to focus on other responsibilities
- improve payment flexibility
- make purchasing more efficient at all levels of an institution

New technologies provide total purchasing integration

An institution's already, over-extended staff should not be weighed down by multiple purchase processes and reporting systems. Separate reporting programs for procurement, travel and fleet can be costly practices. New, more efficient platforms consolidate the administration of all expense reporting into a single system. These applications are as important to automation and expense control as the financial institution and card itself.

For any expense management solution to succeed, technology needs to be integrated into a broader financial supply chain. Leading applications can be integrated with existing ERP systems to offer a more complete picture of purchasing with details such as travel expenses as well as faculty and staff spending.

With older software, changes to the general ledger required a manual rewrite of data files. Now software can be tailored to automate many administrative tasks from monitoring and reporting to spending analysis. These increasingly versatile platforms minimize manual intervention and back-office processes, saving valuable time, money and resources.

Today's card management systems take financial reporting to new heights. Schools not only can retrieve basic information, but also manage more complex spending programs within the same system.

Comprehensive reporting advances budget objectives

Comprehensive reporting provides a wealth of data that can change the way institutions conduct business. Research grants are more accurately allocated. Vendor relationships are better negotiated, more profitable and longer lasting. Even the time once spent reconciling tax information from purchase orders is used more efficiently.

This comprehensive reporting not only helps administrators manage their program, but also contributes to the efficiency of an entire card program. For instance, reports can be generated to help track spending with approved vendors. This data can be used as powerful evidence during vendor negotiations. The result: reduced costs from preferred merchants.

Advanced reporting also captures line-item data to help an administration easily identify more than cost-savings opportunities. Detailed transaction reporting allows department heads to respond quickly to maverick spending and potential fraud situations, while helping track and enforce spending policies.

Recent technology developments allow institutions to better accommodate their ever-changing needs. With roll-up reporting, designated administrators can access data for each department, research projects and campus-wide spending. Embedded filters also allow specific departments to view data and securely manage practices such as spending limits within compliance guidelines.

Services key to increasing ROI

There is much more to a successful commercial card program than a technology migration and card set up. As e-procurement and high-ticket spending become common practices, card program providers need to do more than simply issue plastic. They need to help institutions maximize the ROI of their card program. Leading providers offer additional consultative services that maximize technology and exceed the standard support model.

For instance, JPMorgan Chase's Expansion Services introduces institutions of all sizes to a variety of assessment tools that help identify additional opportunities and overcome daily challenges in their card program. After a quantitative analysis of existing data, JPMorgan Chase works with clients to find additional strategic solutions that support an institution's unique business environment and budget objectives. By the time hands-on working sessions are complete, schools have the foundation needed to build a customized card strategy that maximizes financial opportunities and program success.

JPMorgan Chase has been particularly successful with higher education clients because of the wealth of data, best practices, policies and procedures accumulated from its experience with other institutions nationwide.

But it is not enough to simply implement an efficient solution. It is just as important that a provider supports a card program long after it is in place. Established technology expertise, ongoing consultation and around-the-clock call center operations are vital to providing experienced assistance without incurring additional internal costs.

A consultative approach relies on a clear understanding of an institution's objectives, processes and philosophy. Established providers invest in a service model that not only meets client-specific objectives, but also leverages valuable client feedback to further shape their service model and technology offering.

Leading providers offer original strategies

According to the 2003 Palmer and Gupta Purchasing Card Survey², spending on purchasing cards doubled between 2000 and 2002. Why? Card programs have become a standard business practice, not simply a "best practice" used by select schools. Higher education institutions are now looking for more innovative strategies to grow their program, accelerate efficiency and overcome budget challenges.

Innovative providers go beyond providing the standard commercial card program by helping organizations realize the impact and savings of an efficient card program. These companies take programs to the next level with consultative services that integrate technology with existing systems, business planning and e-commerce initiatives. Forward-thinking providers establish the commercial card program as a long-term relationship to help clients improve and refine the efficiency and cost savings of their payment program.

To maximize a commercial card program's ROI, best-in-class providers:

- integrate technology within an institution's enterprise or financial system
- leverage management reporting to meet a school's budget objectives
- enhance their service model with consultative services to support an organization's ever-changing needs

JPMorgan Chase designs Commercial Card programs for a wide variety of educational institutions and public sector organizations nationwide. For each client, it is not taken for granted that every university department is utilizing a card program to its fullest capabilities. Our industry-leading services provide the technology, reporting and support experience to make purchasing processes more efficient and effective for all departments and campuses within a university's system.

² Richard J. Palmer and Mahendra Gupta, *The 2003 Purchasing Card Benchmark Survey Results*. Charleston, IL: RPMG Research Corporation, 2003.