



On the fast track to smarter purchasing

Transportation giant CSX Corporation recently switched to Scotiabank's Commercial Card program, helping to improve administration and save money.

Lisa Ludlam, CSX,
Manager of Credit
Card Services and
Ed Healy, Director of
MRO/Services

When you're in the transportation business, taking it slow is not an option. So it's not surprising that CSX Corporation, a multimodal transportation company, recently implemented Scotiabank's [Commercial Card program](#) for 3,200 employees in record time – just over eight weeks!

Based in Jacksonville, Florida, CSX provides rail freight transportation over a network of more than 23,000 route miles in 23 states, the District of Columbia and two Canadian provinces. Typical of many large, geographically dispersed organizations, CSX is using the Commercial Card solution to facilitate purchasing for field employees as well as to fulfill a company-wide initiative to drive down costs in the supply chain.

According to Lisa Ludlam, Manager of Credit Card Services for CSX, the company decided to switch financial service providers in an effort to maximize the value of their procurement card program.

"With our old program, we had combined fleet expenses with procurement onto one card," she explains. "Despite having 9,000 cards in use, the volume of spending was relatively low and no incentive program was offered."

"The service is greatly improved with Scotiabank. Not only did the Scotiabank team get our program implemented within a short time-frame, as we had stipulated in the RFP," Ludlam continues, "they customized the program pricing to meet our needs. Now they're actively helping us increase savings through better card usage."

Patrick Sulston, Scotiabank's Senior Manager of Commercial Card Program Management, comments that experience and a true team effort were the key factors ensuring the rapid implementation and smooth transition from one system to another. "Combining our implementation experience with that of our database management and data mapping experts, we were able to quickly develop a project plan and proceed."

Daniel Smith, a Scotiabank Senior Manager for Commercial Card Solutions, acknowledges that developing a mutually beneficial relationship is standard practice with Commercial Card clients.



44 King Street West
Toronto, Ontario M5H 1H1
e-mail: businessproducts@scotiabank.com
www.scotiabank.com

On the fast track to smarter purchasing

"Our goal is to ensure they get the most out of the Commercial Card program. We win when they win," Smith says. "The added value that Scotiabank provides is that we continue to be hands-on with the client, identifying and negotiating with CSX suppliers to encourage broader acceptance of the Commercial Card as a form of payment."

Online reporting features simplify administration

Lisa Ludlam is equally enthusiastic about the Pathway Net online reporting system, which makes it easier to monitor card usage.

"There are over 50 administrators who manage card usage for their area of responsibility, reviewing and approving each matched statement to a receipt," she explains. "My job is to analyze all the data and report to management. Compiling those reports with the Pathway Net system is faster and easier, because all the information is accessible online and I can organize the work at my convenience."

Ludlam adds that one of her goals for the coming year is to further improve the reporting function, which Pathway Net will facilitate. "Having just wrapped our first full month of charges, I appreciate the system's ability to let me customize transaction reports in a variety of ways. In the wake of corporate scandals, there is an increased focus on corporate finance departments to keep meticulous records of all expenses, which Pathway Net helps us to achieve."

Ludlam stresses that while the improved online reporting features are welcome, the primary benefit of the new Commercial Card program is saving more money. "Every purchase that goes on the card saves about \$69 dollars in administrative costs. We have made it a policy to put all monthly purchases of \$500 or less on the card, and have already reduced the number of invoices processed manually by 30 per cent – a substantial saving. With Scotiabank's help, we expect to do even better next year," she concludes.

Commercial Cards are common practice

In the two years since the last benchmark survey on commercial cards, organizational and cardholder level acceptance of card programs has evolved from "best practice" to "common practice" for both public and private sector organizations.

According to the 2003 Purchasing Card Benchmark Survey* – which surveyed 579 North American card-using organizations that are customers of one of 19 major financial institutions – annual card spending doubled from \$40 to \$80 billion in the two-year period between January 2001 and January 2003.

In the previous survey of 2001, respondents projected card spending would increase by 101 per cent by 2003, which has materialized even in the face of a significant downturn in economic activity. The continued growth of card spending is attributed to increases in the percentage of employees given and actively using cards, the transaction activity on those cards, and the dollar value of the goods and services acquired.

The increasing spending growth of commercial cards reflects "grass roots" change at the employee level. The survey found that spending per card is up 18 per cent and transactions per card increased by 12 per cent.

More companies are also continuing to expand card use to reduce small-dollar paperwork. In fact, it's estimated that card use is generating overall organizational cost savings and efficiencies of more than \$23 billion per year. Commercial cards contributed to reductions and redeployments of head count to higher value-added activities. In addition, card usage resulted in, on average, a 74 per cent reduction in procurement cycle time, a 57 per cent reduction in the number of petty cash accounts, and a 42 per cent reduction in the number of suppliers used for general maintenance, repairs and operating services.

Businesses with sales over \$20 million per year that charge at least \$3 – \$5 million per year to company credit cards are ideal candidates for a card program. If you have a large number of suppliers, your operations are geographically dispersed or have a decentralized buying authority, a card program may be for you.

If you would like to find out more information about the results of the 2003 Purchasing Card Benchmark Survey, or the Scotiabank Commercial Card program, please contact your Scotiabank Relationship Manager or e-mail businessproducts@scotiabank.com

*The 2003 Purchasing Card Benchmark Survey Results by Richard J. Palmer and Mahendra Gupta.



44 King Street West
Toronto, Ontario M5H 1H1
e-mail: businessproducts@scotiabank.com
www.scotiabank.com