

Diageo

Citibank® Commercial Cards



Client

Diageo is recognised the world over for its premium drinks brands such as Guinness, Gordon's, Smirnoff and J&B. In business circles, the company's reputation for management best practice and thought-leadership is no less formidable. Soon after the merger of Guinness and Grand Metropolitan to form Diageo in 1997, the new company embarked on an ambitious business process re-engineering project, the success of which has been widely recognised. Diageo Business Services was established to bring all the businesses onto one Enterprise Resource Planning (ERP) platform, create global templates for key travel and procurement processes and centralise these into shared service centres.

Creating a global process for T&E and purchasing cards

In 2001, Ray Kadiri, Diageo's T&E global process owner, was one of a team tasked with creating a global process for the management of T&E and purchasing cards.

The cards project started with fact finding: "we looked at the existing processes within our businesses. Unsurprisingly, we found a mix of paper-based, semi-electronic and electronic reporting and a range of legacy processes some of which appeared to add no value at all" recalls Kadiri.

The research also found there were 6 different card providers and 14 different systems being used and no consistent card issuing and card settlement policy was in place.

The fact finding also included visits to other companies in order to learn from best practice examples before the decision-making started.

The first decision was to select a single expense management system. This was accomplished in June 2001, when Concur was chosen after a formal evaluation process. The new system would receive details of all card transactions from Diageo's card issuer(s) and distribute them to the cardholders in the different countries. The employees would then access these transactions via the company's intranet for submission, approval and reporting.



Selecting A Card Issuer

Having a single expense management system was important, but the team knew that value would be lost if it was necessary to interface multiple feeds in different file formats from multiple issuers. And there were other benefits Diageo wanted from its card programme. The search was on for a single provider who could deliver all Diageo's card needs in one programme - as Ray Kadiri defines them: "a card with high global acceptance, a straightforward contracting process, a single data file for all countries, efficient integration into Concur and one implementation manager to manage the whole process."

After a thorough selection process Citigroup was selected as the card issuer. Citigroup's success was determined by the superior global acceptance of its Visa-branded card (in 30 million outlets world-wide) coupled with an established and proven purchasing card solution. It was also important that Diageo liaised with a single organisation, as Citigroup doesn't rely on the use of franchises or alliances to provide global coverage.

Citigroup's success was determined by the superior global acceptance of its Visa-branded card

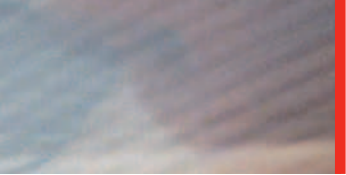
Citigroup also met Diageo's other defined needs superlatively well. "The contract process really was straightforward. Country differences were covered in simple addenda" confirms Kadiri, "while Citigroup's common file format has integrated easily with Concur, providing Diageo with all transaction detail for purchasing cards as well as T&E cards, in one daily file."

Citigroup's experience suggests that the majority of global clients can capture 90% of total card expenditure from their principal countries. In Diageo's case 8 key markets were identified, and therefore

Citigroup's programme has initially focused on these to deliver maximum benefit. The rollout began in the UK, Ireland, the US & Canada, and by the end of 2003 there were 9 countries live, with further sites added throughout 2004.

The purchasing cards story

While the requirement for corporate cards for travel and expenses is well understood, the use of purchasing cards is less widespread, but gaining popularity in businesses. Diageo is issuing the cards to employees who need to make regular low-



value purchases on behalf of the company - for stationery orders for example. Using the card to pay for these goods reduces the administration and associated costs involved, for example it is no longer necessary to raise a purchase order. Control is also increased since it is possible to specify the merchant codes against which the card may be used. The resulting savings are impressive: Diageo has reduced the end-to-end costs of a purchasing transaction from £11.35 to just £3.75, making it the cheapest purchasing process within their business. Eventually, the purchasing cards will be integrated with Diageo's e-procurement system (Ariba), removing all paper from the whole purchase to pay cycle for low value items.



Employee acceptance

"The management of T&E is always an emotive subject" says Ray Kadiri of the need to win over Diageo's employee user base to the new card programme. Some of the previous card issuers had provided reward schemes to individual cardholders, but the process team had taken the opportunity of the new card programme to end that practice. This ensures that the company benefits from a consistent and more lucrative rebate structure based on its global spend. "You always end up paying for those reward schemes" comments Kadiri.

Overall, employee satisfaction with the seamless process and corporate billing arrangements is high; employees find their cards widely accepted, have access to customer service 24 hours a day, seven days a week, and appreciate the flexibility of the system which allows them to authorise their transactions online anytime.

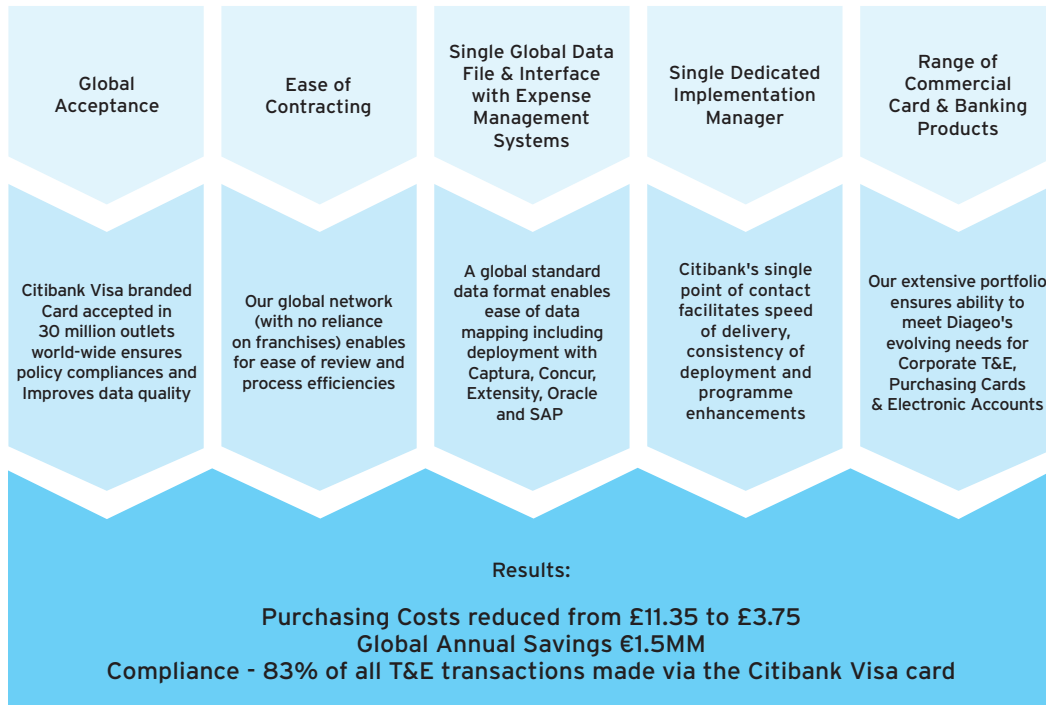
Costs and benefits

By moving to a single provider, a single pricing schedule and a single global process for managing card transactions, Diageo has driven down process costs. The company also has access to consolidated data, enabling it to maximise financial terms with suppliers. Combining this with improved financial terms (including currency exchange, file costs and other administration costs) has enabled Diageo to realise savings which add up to €1.5 million, year on year.





Diageo Commercial Cards - key success factors



No standing still

Working with its dedicated Citigroup Client Development Manager, Dave Cook, Diageo will continue to enhance and improve its programme to realise still more efficiency gains. For example, further development work with Citibank and Concur is ongoing to enhance level 3 data, automating tax reporting. Other goals include fully integrating the purchasing cards with in-house e-procurement systems to eliminate invoice processing for these types of transaction and increase the control for purchasing cards.

The Citibank® Global Data Repository has been developed to receive card transaction data from around the globe and map it into a consistent data format. This has not only enabled consolidated file delivery, but has meant Diageo can explore the additional benefit of accessing reporting from the same source, thus allowing the team to leverage the aggregated data it now has available to negotiate with its suppliers on a global basis.

"We never want to stand still with a project", says Ray Kadiri "we want to be always moving forward. That is why the partnership forged with Citibank Commercial Cards is proving so successful!"

Visit Citibank® Commercial Cards on the Web at www.europe.citimanager.com

Citigroup® Global Transaction Services

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