

Case Study



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Corporate Express evaluates the true cost of accepting cards versus checks

Corporate Express is one of the world's largest business-to-business suppliers.

The company specializes in managing and streamlining the procurement process for its clients, to achieve greater speed and efficiency.

In fact, every year they're responsible for recommending the most cost-efficient ways to process and collect approximately USD 4.5 billion.

Every day in North America alone, Corporate Express delivers an average of USD 16 million worth of office and computer products.

Approximately 90% of Fortune 500 companies, as well as U.S. federal government agencies, rely on Corporate Express for its expertise, services, and supplies.

The challenge

The Treasury group at Corporate Express was asked by Senior Management to perform an in-depth analysis comparing the cost of processing checks versus credit cards.

An independent consulting firm was brought in to work with the Treasury team in performing their research.

In the final analysis, results showed that Corporate Express could save a significant amount of money by accepting cards instead of checks. And that cards were more convenient for their customers, as well.



Corporate Express has estimated significant savings associated with accepting card payments instead of checks.

The process

The first step was to identify the core dynamics of processing a check versus a credit card.

- Time value of money—funding of days sales outstanding
- Cost of invoicing
- Cost of collections
- Cost of processing checks
- Customer setup, credit verification, and establishment of line of credit

"We reduced our days sales outstanding to two days for accounts using the card."

Treasury

The findings

Faster payments

The Treasury department found that the most important variable in achieving cost-savings is the amount of time between date of sale and receipt of payment.

When customers pay with a credit card, funds are transferred directly into the bank account of Corporate Express within 48 hours. The merchant discount fee is more than offset by the time-value savings to Corporate Express.

Credit card acceptance enables faster reimbursement and significantly reduces funding associated with days sales outstanding.

“The credit card payment is dollar-for-dollar identical to your invoice. You don’t get short-paid with a credit card.”

Cash
Management

Better merchant discount rate

Corporate Express has also looked into cost-saving issues beyond the comparison of credit cards versus checks.

The Treasury department is conducting an ongoing review to identify where it can get the best value among the various merchant service providers.

MasterCard Worldwide offers its members reduced rates for suppliers providing enhanced data and certification of Level III data transmission to customers.

Streamlining collections

In most cases, Corporate Express has found that their corporate customers pay their bills quickly and completely.

But there are times when customers do not pay the invoice (or a portion thereof) on a timely basis, resulting in high carrying and administrative costs.

When customers use a MasterCard® Corporate Purchasing Card,® costly, time-consuming collection activities are minimized.

Approvals are obtained up front and funds are transferred directly into the bank account of Corporate Express within 48 hours. The credit risk is shifted from Corporate Express to the credit card issuer.

Acceptance of the MasterCard Corporate Purchasing Card resulted in faster reimbursement, the elimination of partial payments, and a reduction in risk exposure.

“The collection effort is minimized. The card issuer takes responsibility”.

Collections

Improved invoice and payment processing

With traditional check processing, there are often special fees, administrative expenses involved in matching payments to purchases, and a *wait period* before funds are available.

When questioning a particular item on the bill, check-paying customers were sometimes found to withhold payment on either a portion of the invoice or the total amount. Transactions then had to be matched, differences identified, and discrepancies investigated.

MasterCard Corporate Purchasing Card statements include a detailed description of what was bought, where, and by whom. The vast majority of customers paid the total invoice amount when using a MasterCard Corporate Purchasing Card.

The use of the MasterCard Corporate Purchasing Card streamlined the cash application and made it easier to apply payments.

“Pay just one invoice, rather than multiple. The card program is definitely a value and can be a tremendous saver.”

Internal
MasterCard
Purchasing
Card User

Accelerated customer affiliation and activation

Customers who want to pay by check must have their credit verified and establish a line of credit with Corporate Express. They are obligated to provide detailed banking and background information.

Corporate Express then incurs a direct expense of USD 25 to USD 50 per verification through Dun and Bradstreet (a third-party credit bureau). Then Corporate Express must analyze and determine the appropriate line of credit to issue to the customer.

The MasterCard Corporate Purchasing Card guarantees the customer’s ability to pay, but credit checks are still conducted.

“To determine whether it’s less expensive to get paid by credit card versus check, you need to make sure that you analyze all the variables. Otherwise, you could come to the wrong conclusion.”

Treasury

Customer convenience improvements, inside and out

Initially, the cost of invoicing didn’t appear to be great, but the study revealed that its impact, within Corporate Express and to its customers, was significant.

One of the Accounting specialists at Corporate Express said, “When our customers accept the MasterCard Corporate Purchasing Card, it saves us the time and effort associated with printing and mailing invoices.”

As a Level III certified supplier, Corporate Express provides customers with a file containing line-item details for every item purchased with a MasterCard Corporate Purchasing Card, including: date, department, individual, and internal customer cost center information.

Customers using the MasterCard Corporate Purchasing Card are able to upload information directly into expense reports and general ledgers, as well as automate the approval and allocation process. This capability alone makes the MasterCard Corporate Purchasing Card the most convenient payment method for many customers.

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Consolidating invoices into a single statement and providing a greater level of detail to its customers have been crucial factors in helping Corporate Express acquire and maintain large corporate accounts.

Conclusion

The Treasury team at Corporate Express demonstrated clearly to Senior Management that accepting cards, versus checks, is a more effective way to manage and streamline the business-to-business collection process.

And the trend in transaction activity at Corporate Express supports that conclusion. Over the last five years, credit cards have grown from 5% to 25% of total purchase volume.

Because the MasterCard Corporate Purchasing Card worked so much better for it and its customers, Corporate Express is now launching its own internal purchasing card program.

Corporate Express employees all over the United States are now using the MasterCard Corporate Purchasing Card to replace the traditional purchase order process. The organization has found it's faster, easier, and more convenient—plus, it improves internal control (via integrated reporting) and overall cost-savings for the organization.

Card acceptance resulted in the following benefits to Corporate Express:

Payment time frames on card transactions are much faster, within two days.

Applying card payments to customer purchases is much easier.

The collection effort is essentially nonexistent when using a MasterCard Corporate Purchasing Card.

Internal and external customers benefit from the online reporting, enhanced data capture, and invoicing capabilities associated with the MasterCard Corporate Purchasing Card.