



Case Study

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Corporate Express evaluates the true cost of accepting cards versus checks



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

Corporate Express is one of the world's largest business-to-business suppliers. It provides services and supplies to approximately 90% of the Fortune 500 companies, as well as the US Federal Government. Corporate Express delivers an average of USD 16 million worth of office and computer products every day in North America alone. The Company is focused on effectively managing and streamlining the business-to-business procurement process. Internally, that means collecting and processing approximately USD 4.5 billion in the most cost efficient way possible.

The Challenge

The Treasury team within Corporate Express was tasked by Senior Management to perform a detailed analysis of the cost to process checks as compared to credit cards. Corporate Express partnered with an independent consulting firm to perform their analysis. This study determined that Corporate Express could save a substantial amount by accepting cards versus checks, and that cards were more convenient for their customers—a win/win proposition.

The Process

The first step was to identify the core components related to processing a check as compared to a credit card

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

The Findings

Faster Speed of Pay

The Treasury department study revealed that the most important component to take into consideration is the amount of time between date of sale and receipt of payment.

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

Treasury

Funds are transferred within 48 hours, directly into Corporate Express' bank account, when customers pay with credit cards. The merchant discount fee is more than offset by the direct savings to Corporate Express.

Credit card acceptance has resulted in faster reimbursement and significantly reduced funding associated with 'days sales outstanding.'

Better Merchant Discount Rate

Corporate Express did not only analyze credit cards versus checks. The Treasury department has and is continuously reviewing and verifying where the company can obtain the best rates among the various merchant service providers.

MasterCard offers suppliers a special reduced merchant discount rate for providing enhanced data and certification of level three data transmission to customers.

Simplified Collections Efforts

The experience of Corporate Express is that most of their corporate customers pay their bills expeditiously. However, there are times when customers have not paid 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® the collection effort is minimized. Approvals are obtained upfront, and funds are transferred directly into Corporate Express' bank account within 48 hours. The credit risk shifted from Corporate Express to the credit card issuer.

MasterCard Corporate Purchasing Card acceptance resulted in reduced risk exposure, faster reimbursement, and the end of partial payments.

Improved Invoice and Payment Processing

There are administrative expenses related to matching payments to purchases, as well as potential check processing fees or a 'wait period' before funds are available.

Some customers paying by check were found to withhold payment on a portion or the total invoice when questioning a particular item on the bill. 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 paying with a MasterCard Corporate Purchasing Card paid the total invoice amount.

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

Cash Management

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

Collections

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

**Internal MasterCard
Purchasing Card User**

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

Accelerated Customer Affiliation and Activation

Customers requesting to pay by check must have their credit verified and a line of credit established with Corporate Express. Customers are obligated to provide detailed banking and background information. Corporate Express then incurs a direct expense of USD 25 - USD 50 per verification through Dun & Bradstreet (a third party credit bureau). Corporate Express then analyzes and determines 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.

Increased (internal and external) Customer Convenience

The cost of invoicing did not initially appear to be great, but the impact both internally and to the customer was significant.

The acceptance of the MasterCard Corporate Purchasing Card “saves us the time and effort associated with printing and mailing invoices.”

Corporate Express is a level three certified supplier and 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 directly upload information into expense reports and general ledgers, as well as automate the approval and allocation process. This automation makes the MasterCard Corporate Purchasing Card the most convenient payment method for many customers.

Consolidating invoices into a single statement and providing an enhanced level of detail have proven to be critical factors in Corporate Express' ability to win and maintain large corporate accounts.

Conclusion:

“Most corporations don't really understand how to look at credit cards versus checks. If you are going to try and determine in your company whether it's less expensive to get paid by credit card versus check, you need to make sure that you're really including all of the components. Otherwise, you could come to the wrong conclusion.”

Treasury

Card acceptance resulted in the following benefits to Corporate Express:

- Payment timeframes on card transactions are much faster within two days.
- Applying card payments to customer purchases are much easier.
- The collection effort is essentially non-existent 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.

Over the last five years, credit cards have grown from 5% to 25% of total purchase volume for Corporate Express. The Treasury team clearly demonstrated to its senior management team that accepting cards (versus checks) is a more effective way to manage and streamline the business-to-business collection process.

Corporate Express found the MasterCard Corporate Purchasing Card to be so effective with their customers that they are now in the midst of rolling out an internal purchasing card program. Employees throughout the United States are now using MasterCard to replace the traditional 'Purchase Order' process. The MasterCard Corporate Purchasing Card is faster, easier, and more convenient for employees, and enhances internal control (via integrated reporting) and improves overall cost efficiency for the organization.

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