Taking a Card Program Global: a Case Study with Hollister Incorporated

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Agenda

• Bank of America best practices
• Hollister Incorporated case study
The Benefits Are Globally Scalable

- Strategically optimize payments
- Use robust platforms for flexibility and control
- Enhance an existing paper-to-electronic payments strategy
- Take advantage of the growing ubiquity of acceptance
- Avoid FX fees by transacting in local currencies
Understanding Regional Differences is Key to Program Optimization

• The U.S., U.K., and Australia are mature markets

• Regional and country differences in card programs drive the need to:
  • Utilize different product capabilities
  • Understand local card and cultural nuances
  • Understand different regulatory environments
Considerations within Europe: A Good Place to Start

Cultural Issues and Program Complexities include:

• Lack of or limited local currency product availability
• Security standards (i.e., CHIP cards) limiting merchant acceptance
• Employee familiarity with commercial cards less common in Eastern Europe
• Local payment practices—e.g., centralized booking systems for air travel
• Individual liability restricted under local employment laws
• Less emphasis on loyalty programs
Considerations for Asia

Challenges remain in emerging markets:

- Strong local commercial card issuers, high degree of nuances
  - Cumbersome in countries with distinct currencies and legal and regulatory environments
  - Value in leveraging a global issuer’s legal due diligence
- Examples of challenges across Asia:
  - Inconsistent use of cards as a cultural norm.
  - Employees less familiar with, and welcoming of, cards
  - Limited merchant acceptance beyond Hong Kong, Singapore, Australia, and New Zealand
  - Limitation of card issuers in China to locally incorporated banks. Use of dual currency cards due to currency control
Considerations for Africa, the Middle East and Latin America

Other challenges in emerging markets:

- Africa and the Middle East
  - Use limited to foreign companies in cash-oriented Middle East economies
  - Lack of local currency commercial card options outside of South Africa; typically regional coverage via global issuance from the U.S. or Europe

- Latin America
  - Varying product capabilities of local commercial card issuers
  - Less robust card acceptance compared to mature markets
  - Challenge of the stability of some local currencies; use of U.S.-issued cards in the region
The Myth of One Global Solution across Countries

Difficult for one issuer to address all nuances

- Varied capabilities and acceptance of commercial card offerings among major card issuers
- May be more valuable for local subsidiaries to keep program in place
- Resource challenges delaying program execution
- Implementing a generic U.S. based program will create challenges
Strategies for Global Card Program Optimization

Questions

• What’s the best currency to use in a country?
• What’s the best way to structure a program to ensure compliance with local laws and regulations and to optimize the program within cultural norms?
• How can I leverage my global banking provider to
  • Build out my program in local currencies
  • Support due diligence on local banks
  • Ensure consistent service levels
  • Consolidate data globally
Choosing the Right Approach to a Global Program

Leverage your Banking Providers to:

• Assist you with issuing an RFP
• Provide their intellectual capital to optimize your program
• Implement a global program that integrates best practices by country and region
  • Direct issuance
  • Direct issuance combined local partnerships or consortiums
• Provide completed due diligence on partner banks and legal and regulatory requirements
• Facilitate data consolidation globally
• Provide a central implementation manager and account manager with global program ownership
Tangible Benefits to Globalizing a Commercial Card Program

- A single view into purchasing and T&E spend enterprise-wide
- Ability to implement consistent controls, common purchasing tools, and uniform policies around the globe
- Having cards as a convenient tool for enabling start-up expenditures
- The benefits associated with payments optimization globally
Hollister Incorporated

- Global manufacturer of medical devices
- Privately held, employee owned
- Headquarters in Libertyville, Illinois
- Manufacturing in Denmark, India, Ireland and United States
- Sales offices in 30 countries
- 3,000+ employees
Hollister Products

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Program Started

- **One Card** program for travel, entertainment and procurement
- Replaced legacy paper based program
- Implemented in 2002
- Reporting system is MasterCard’s Card Services Online (CSOL)
Program Started

- Interfaces with SAP
- Corporate liability program
- Card and cash expenses are managed through single program with direct deposit reimbursement
Program Expanded

- Additional expense categories (freight, IT, conferences, office supplies)
- Purchasing cards
- ePayables as electronic payables system
- 800+ cards
Epayables Program

- Epayables as electronic payables systems
- Drives card transactions through SAP
- Initial estimate of increased spend has not been realized
- Dedicated time to grow program limited
- Service fee is a negative for vendors
Global Expansion

- Global expansion to:
  - Canada (CAD)
  - India (USD)
  - Ireland (EUR)
  - Germany (EUR)
  - Netherlands (EUR)
  - Spain (EUR)
  - United Kingdom (GBP)

- Expanded as currencies became available
Global Platform - UK

- UK created Nurse Sponsorship Purchasing Card
- UK now processes specific vendor invoices through purchasing card
- Internal Audit department recognized opportunity
- New purchasing card allowed Europe to reach revenue rebate for first time
Annual Spend

Global One Card Spend by Year

- SD Purchasing Card
- E-payables
- Freight & IT
- Purchasing Cards
- US/Canada
- UK/Ballina
- Netherlands/Germany
- Nurse Sponsorship
- NV Purchasing Card
Annual Spend

Global One Card Spend

- GERMANY
- NETHERLANDS
- BALLINA
- UK SPONSORSHIP
- UK GROUP

2005 2006 2007 2008 2009 2010

YTD

0 5,000,000 10,000,000 15,000,000 20,000,000 25,000,000 30,000,000

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Program Challenges - US

- Maintain growth of program
- Program administration (dedicated or part time)
- Timely expense reports
- Auditing receipts
Program Challenges - US

- New transactions/issues as program grows
  - Recovery of VAT transactions
  - Sales tax being accounted properly
  - Vendor history not in SAP for Purchasing Cards

- Credit card fraud
Program Challenges - Global

- International programs are separate
  - Multiple international administrators, or
  - One global administrator

- Reporting requirements are different for countries
  - VAT/GST
  - Per diem
Program Challenges - Global

- Implementing to non-SAP locations
  - Different ERP software
- Need more countries and currencies
Lessons Learned

• Leverage SAP to grow the program
• Chip and Pin functionality
• Fraud controls and review
• Auditing receipts
• Local implementations
Lessons Learned

- Worked with global, cross functional team to grow the program (strategic sourcing)
- Gained senior management support, spend and rebate is reviewed monthly
Next Steps

- Add more countries
- Expand ePayables globally
- Leverage card spend and prompt pay discounts
- Supports global, Working Capital Optimization initiative
Investment products offered by Investment Banking Affiliates:

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<tr>
<th>Are Not FDIC Insured</th>
<th>May Lose Value</th>
<th>Are Not Bank Guaranteed</th>
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