With Global Capabilities, Hollister Discovers a World of Efficiency, Convenience

Back in the 1970s, there was a popular bumper sticker that read: “Think Globally, Act Locally.” At Hollister Incorporated, the mindset is more like “Think Globally, Act Globally.”

Hollister, one of the world’s leading suppliers of healthcare products, was an early adopter of corporate credit cards for employee expenses. Migrating from paper checks and petty cash to card-based electronic payments reduced its operating costs, streamlined the payables processes, improved protection against fraud and abuse, and made cash flow more visible, manageable and predictable.

There was just one problem with Hollister’s corporate card program: it wasn’t global. The many benefits the company was enjoying by moving payments from paper to electronic didn’t extend to its divisions and subsidiaries in other countries. That hardly made sense for a company that services customers around the world. Yes, U.S.-based employees could use the cards when traveling abroad. But the transactions posted in dollars, not the local currency, which opened the company up to potentially increased foreign exchange costs.

Fortunately, Bank of America could help. As one of the world’s largest financial institutions, largest payments processors and the number one issuer of bankcards, it offered Hollister a single payment solution that would enable more convenient, efficient and effective cash management across key geographies. The corporate liability card with international functionality was more than just a piece of plastic; just using it would have an impact on Hollister’s bottom line.

Hollister is truly a global company, and it needed a cost-effective way of doing business in countries around the world. They saw the benefits of the card program in the United States. So they said, “Let’s do it overseas.”

Hollister’s history with corporate cards began about six years ago. At the time, the company was looking to consolidate employee purchases. Maintaining multiple payment methods for small expenses, including paper checks that are costly to issue and a legacy purchasing card program that carried hefty bank fees, was simply too costly. A single electronic system would give it greater control over its use of cash, more streamlined processing in the accounts payable function and lower costs from handling all of that paper. As an added incentive, the company would qualify for an annual cash rebate based on its total amount of spending on its cards.

Initially, Sheila Johnson, the company’s treasurer, expected Hollister to move about $3 million in annual spending to its corporate card. Today, that figure exceeds $15 million, which results in a sizable rebate as well.

“What started out as a way to reduce fixed costs in the payment cycle has now become a revenue generator,” Johnson says. “It’s one of the few payments that finance can use to actually reduce expense. We call it optimizing cash flow in support of working capital.”

As Hollister’s card program gained momentum, its people in other parts of the world saw the benefits it afforded their U.S.-based colleagues. The company operates major manufacturing facilities in Ballina, Ireland, and Fredensborg, Denmark, as well as a European headquarters in Wokingham, England, in the suburbs of London. They began to ask for corporate cards, too. Demand also came from U.S. executives who had been posted abroad. They had grown accustomed to the benefits of the corporate card and wanted to be able to enjoy them in their new locations.

And Hollister’s accounts payable department saw the potential for transforming the corporate card into a global payment solution that would help it achieve greater consistency across regions and settle more of its employees’ travel expenses in the currency of the country in which they were incurred.

“The corporate card was a foundation product for Hollister,” says Johnson. “It had gone from just a payment mechanism to a major working capital tool that was now a big part of our accounts payable structure.”

So in 2006, Hollister began rolling out Bank of America Corporate Cards with international functionality to the company’s employees. In the U.S., it has given dollar-based cards to a majority of its employees. In the United Kingdom, it has given pound sterling-based cards to sales associates, replacing purchasing cards from a local financial institution that charged thousands of dollars in annual fees. In Ireland, employees have received euro-based cards. The company is in the process of implementing the program in the Netherlands and Canada.

(continued)
With the ability to settle transactions in the local currency in each of these countries, Hollister is mitigating its exposure to increased foreign exchange costs at a time of increasing volatility. Bank of America currently offers transaction settlement in U.S. and Canadian dollars, pound sterling, and euros.

“It hasn’t really been a tough sell,” says Johnson. “It’s been, ‘When is it available?’ and ‘How quickly can we get it implemented?’”

Even in India, where Hollister settles its transactions in U.S. dollars rather than the rupee, the corporate card provides more simplicity and better control. Credit cards are unusual in India, so its employees in the country used to rely on wire transfers through travel agencies for cash. Wanting higher levels of accountability and convenience, Hollister gave them the corporate cards with international functionality. The Indian plant settles the bill each month.

“We were trying to capture the expense of our U.S. employees traveling to India and allocate it to our Indian company and we actually found that the card was the only way to do that,” Johnson says. “There really isn’t anything like it in India.”

Indeed, just as it found with the corporate card in the U.S., Hollister is finding that the payback from using the cards is far more than mere convenience. Spending on all of its cards around the world is now consolidated, which greatly simplifies the payment process. There is a 25-day grace period before payment is due, which has increased the size and flexibility of the company’s working capital.

The corporate card has also allowed Hollister to move closer toward paperless processing of payables. Using Bank of America online portals, administrators can view statements, create customized reports and export data directly into its SAP software. They also can set up new accounts, order additional cards, or establish spending limits or merchant category exclusions for individual cardholders. The online portals have interfaces that are simple and intuitive to use, making them the company’s single travel and entertainment expense reporting system.

What’s the net effect of adopting these more efficient electronic processes? Despite a tripling in the volume of payments it handles, Hollister’s accounts payable department has not expanded its staff at all.

Of course, when you’re extending a successful U.S.-based program around the world, you’re bound to uncover some challenges with compatibility. Hollister’s first cards were not equipped for chip and PIN, a cardholder authentication system that is typically too costly and difficult for fraudsters to duplicate. By 2008, chip and PIN was becoming a standard in Europe, and some merchants there were refusing Hollister’s cards. Bank of America realized the need across their corporate card program and began supporting chip and PIN in Europe.

“Now that cards are chip and PIN enabled we haven’t had any problem with that,” Johnson says. “We thank Bank of America for responding to that.”

Expansion is Hollister’s next goal for the card. The company is considering implementing the program in the near future in Germany and Denmark. Bringing all of that spending under a single global payment method would make it more efficient, consistent and cost effective.

“I don’t view a European extension of the program any differently than the U.S. program,” Johnson says. “Five or six years ago our European colleagues were saying credit cards weren’t widely accepted there, but that isn’t true anymore. If you’re comfortable with your U.S. program, there’s no reason you shouldn’t look at the same program abroad.”

If you’d like more information on how a corporate card with international functionality can bring more convenience, efficiency and worldwide consistency to your organization, contact your Bank of America representative today.