

Visa Case Study:

Scotiabank Helps The Kansas City Southern Railway Company

Collaborate and Expand Usage of the Visa B2B Virtual Cards Payment Rails

Visa Commercial Client Success



Background

The Kansas City Southern Railway Company (KCS) operates one of the seven Class I railroads in the United States. It is a regulated and complex business, with fierce direct competition across larger railroads as well as from alternative transportation companies. As such, KCS pays close attention to having effective internal processes, including the ability to efficiently manage their payables responsibilities.

That is one of the reasons that KCS has a very high ratio of approximately 90:10 electronic payments to checks when processing invoice payments. This e-payment utilization compares very favorably with the general U.S. B2B experience, where even today the usage of checks continues to hover in the 40-50% range.ⁱ

Business Challenge

Despite their relative e-payment effectiveness, KCS was seeking more. The company had an existing commercial card program, including corporate cards, purchasing cards and virtual cards. However, it had a goal to improve virtual card payables spending in order to better capitalize on program benefits, which primarily meant increasing revenue share with its issuing bank. At that time in 2012, only twelve KCS suppliers were accepting virtual cards for invoiced payments. Unfortunately, the internal card program staff did not have the resources to properly execute an effective initiative to gain wider virtual card adoption and usage amongst their supplier base. In 2014 KCS decided to put the entire commercial card program out to bid with an RFP.

ⁱ AFP, https://www.afponline.org/docs/default-source/default-document-library/pub/highlights_2016electronicpayments-final.pdf





Solution

KCS involved multiple banks in the RFP process and an important factor was the need for a bank with a strong electronic payables program. KCS chose Scotiabank as its issuing partner due to the bank's comprehensive vision for achieving the desired program spending goals. The Scotiabank response was sensitive to KCS' limited A/P and Procurement resources, and therefore included a partner approach that assumed

dedicated bank implementation staff to ease the path forward for virtual card spending expansion. Another important deciding factor for KCS was that Scotiabank brought in Visa as a value-add partner to help re-launch the card program. Visa would contribute direct resources and assume the role of overall supplier acceptance campaign management.

"We were seeking a strong level of commitment on the part of the bank card issuing partner. Scotiabank impressed us with its customer service approach to our business challenge, then adding the Visa team's subject matter expertise and resources became a very big plus for us as well."

- Alicia Thiessen, KCS Commercial Card Program Manager

Implementation

The commercial card program was awarded to Scotiabank in January of 2015 and after completing a smooth KCS user and systems transition by March, the first phase of a supplier enrollment campaign was then launched in June. The campaign was planned using best practices methodology, the foremost of which is a strong collaboration level between all parties involved. Firstly, company senior management must have a strong commitment to the program's success, including adoption of appropriate policies as well as both effective ongoing internal and supplier communication methods. Secondly, the issuer needs to provide support through planning, resource allocation and exceptional tools to execute a campaign. In this case, Visa contributed its proprietary Supplier Matching Service toolset and a lead campaign management team to execute the process. Finally, regular partner status meetings and analytic reviews are essential for adjustments and adaptations along the way.

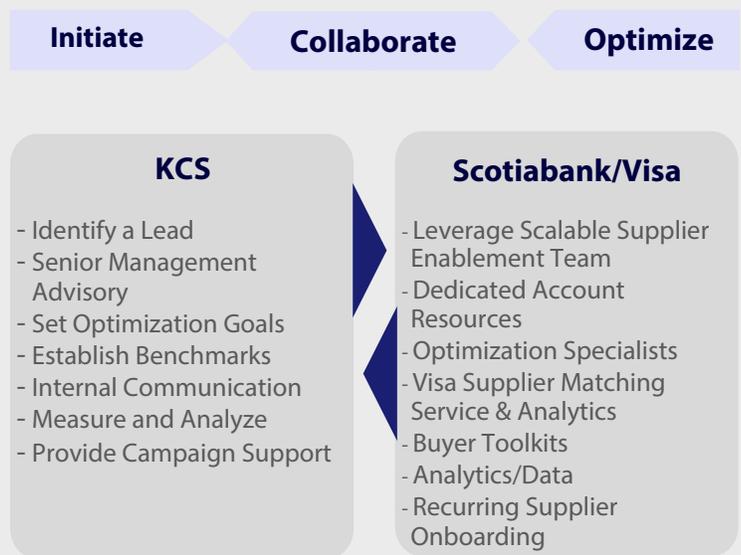




Supplier Enablement Best Practices Requires Strong Collaboration

In this case the collaboration between KCS, Scotiabank and Visa was flawlessly executed. Using regularly scheduled reviews and analytics, the combined teams made the process come together for a successful initial result. The two planned phases of the enablement campaign were completed within four months, resulting in over 100 additional suppliers accepting virtual cards as a payment method. This increased KCS's program performance by 250%.

Another best practice for supplier acceptance improvement is to re-engage with the supplier base after an agreed-upon reasonable timeframe, depending upon company results and adjusted goals. A follow-up campaign was conducted during 2017 and KCS was successful in converting 91 additional suppliers to its virtual card acceptance base.



Results

When KCS made the decision in 2014 to change its commercial card program issuing bank, a goal was to improve the program rebate performance by enrolling 30% of the targeted supplier base to accepting virtual card accounts for payment. The actual amount of spend and rebate was almost secondary, since there could be no fundamentally substantial change without supplier agreement and conversion to card acceptance. The decision worked out quite well. Through the end of 2016 KCS has achieved greater than 800% program growth since the Scotiabank commercial card program launch in 2015. The company expects to increase the transaction volume by 150% during 2017. The supplier count for virtual card acceptance has increased from 12 to 226 since the first campaign in June 2015, so results have exceeded management expectations. The average transaction size for a virtual card payment is now approximately \$15,000, versus \$1,000 for a traditional Purchase Card. KCS expects to maintain this supplier participation rate, with measured incremental improvements through subsequent enablement campaigns and potential new virtual technology initiatives.

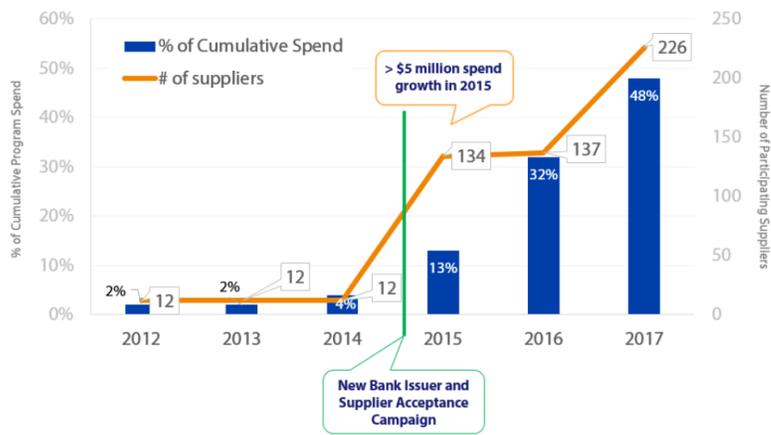


New Partners and Increased Supplier Focus Created Substantial Program Growth

Lessons Learned

Focus and commitment are certainly important components of any business initiative designed to improve an identified result. Overcoming institutional inertia can sometimes be a function of demanding change and setting expectations. KCS found a way to accomplish improved results for a clearly identified business need and priority; substantially increasing usage of virtual card accounts in its corporate payables mix. This successful collaboration between KCS, Scotiabank and Visa was achieved through a combination of individual effort, management support and committed partners.

KCS Program Spend Growth and Supplier Participation



"Our client partners took a refreshing and pragmatic approach to the overall re-launch effort. Alicia was instrumental in gaining the required KCS technical, communications and training support so that existing users and suppliers would be easily transitioned to the Scotiabank solution. The effort for the past two years has remained consistently effective, and results speak for themselves. Visa has been a strong partner as well, bringing great tools and expertise to the equation. Collaboration is a key word for any organization seeking to improve card program results."

- Angela Racette, Scotiabank

Find out more

For more information about how Visa Payables Automation and Visa Supplier Enablement Services can help increase efficiencies in your business, contact your Visa Account Executive.

