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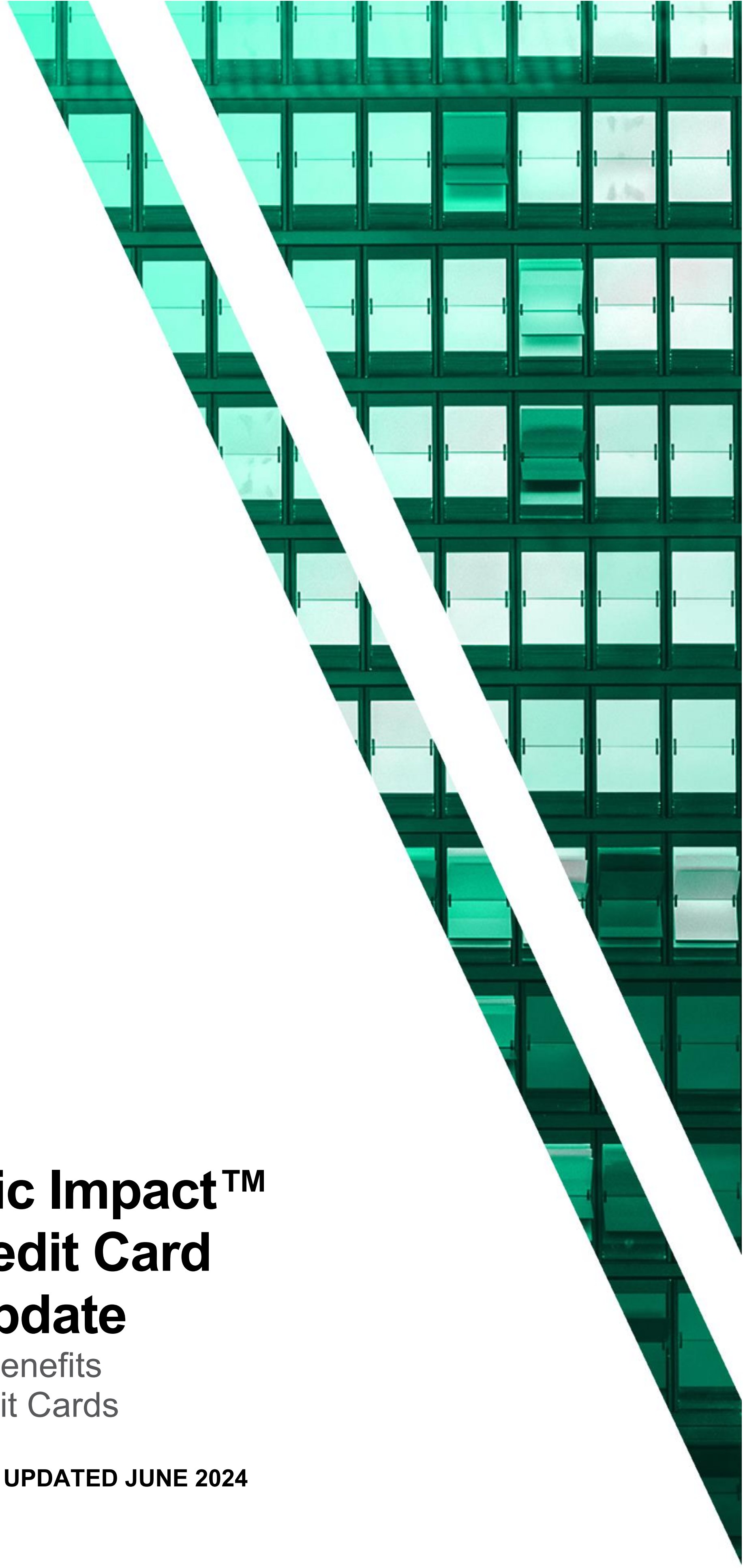

The Total Economic Impact™ Of Commercial Credit Card Acceptance: An Update

Cost Savings And Business Benefits Enabled By Commercial Credit Cards

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A FORRESTER TOTAL ECONOMIC IMPACT™ STUDY COMMISSIONED BY VISA

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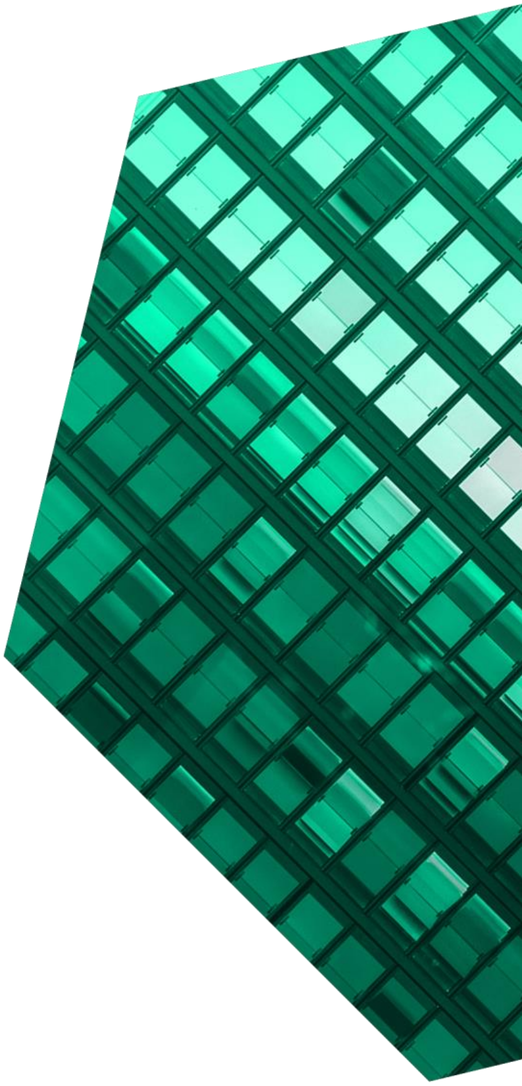
Consulting Team: Zahra Azzaoui
Jonathan Lipsitz
Jeffrey Yozwiak



Executive Summary

As the payment technology landscape evolves, merchants must adapt to changing customer behaviors to remain competitive. While many buyers prefer to pay with card, some merchants have historically been resistant to accept commercial credit cards for B2B transactions due to the perceived complexity and costs of the investment. The findings of this study demystify these notions, revealing that commercial credit card acceptance can deliver a positive return on investment while unlocking revenue gains and improving cash flow and operational efficiencies.

In 2021, Visa commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize from commercial credit card acceptance for business-to-business (B2B) transactions.[1] In June 2024, Forrester updated this study to reflect the more recent experiences of Visa customers. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of commercial credit cards on their organizations. All references to "credit cards" in this study refer to commercial or virtual cards for B2B transactions.

KEY STATISTICS

Return on investment (ROI)
132%

Net benefit
420 basis points per credit card transaction

Improvement in debt collection rate

20%

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed nine decision-makers from seven organizations with experience accepting commercial credit cards and conducted a double-blind survey of 153 additional decision-makers from such organizations. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that generates $10 billion in revenue and has an average transaction value of $10,000.

Prior to accepting commercial credit cards for B2B transactions, interviewees' organizations accepted traditional payment methods — predominantly Automated Clearing House (ACH) payments and checks. These payment methods failed to meet customer demands for convenient payments and created various process-related and business challenges.

Adopting commercial credit cards addressed pain points while also aligning merchants with customer preferences. Through the investment, the interviewees' organizations realized incremental gross revenue gains, reduced fraud, faster debt collection, reduced daily sales outstanding (DSO), and streamlined payment-related processes.

KEY FINDINGS

Quantified benefits. Risk-adjusted present value (PV) quantified benefits include:

- **Improved gross revenue yields 313 basis points per transaction.**[2] The composite organization realizes incremental gross revenue gains of $175 million over three years by preventing potential business loss to competitors and unlocking additional opportunities from new and existing customers who make larger, more frequent purchases. The competitive edge provided by the convenience and rewards associated with commercial credit card transactions expands the composite's customer base and unlocks more sales opportunities.

Total revenue gains over three years

$175M

- **Improved debt collection results in 387 basis points per transaction.** Accepting commercial credit cards leads to a 20% improvement in the composite organization's debt collection rate because it enables immediate collection of past-due payments initially made with a traditional payment method. In most cases, paying with a card prevents debt altogether, which allows the composite organization to avoid the need for subsequent collections processes and eliminates fees from third-party debt collection agencies.

- **Reduced days sales outstanding amounts to 30 basis points per transaction.** Accepting commercial credit cards results in a two-thirds decrease in DSO and shorter cash conversion cycles for the composite organization due to faster authorization, decreased bounce risk, efficient payment processing, and streamlined reconciliation. This reduction in DSO offers the composite greater financial stability with a more predictable cash flow.

- **Payment-related process efficiencies are worth 14 basis points per transaction.** Commercial credit card acceptance delivers process efficiencies for the composite organization that amount to a $5.7 million three-year present value for three major payment-related tasks: new account setup, payment reconciliation, and fraud-related administrative/legal work. By achieving greater operational efficiency, the composite organization is able to spend less time on frequent, repetitive tasks and more time on complex business challenges.

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified in this study include:

- **Improved customer satisfaction.** By adopting a more convenient, secure, and customer-centric payment method, the composite organization fosters customer satisfaction and loyalty.

- **Improved visibility into customer payment data.** The composite organization enhances data visibility through the adoption of commercial credit cards, gaining access to real-time transaction reporting and electronic statements to facilitate quicker completion of payment-related tasks with a greater degree of accuracy. Improved visibility also allows the composite to minimize errors during customer interactions, bolstering organizational credibility and efficiency in managing financial transactions.

- **Alignment with third-party self-service tools helps streamline card payment processes.**

Commercial credit card acceptance allows the composite organization to integrate cards with external self-service tools to automate payment-related tasks such as transaction processing and reconciliation, reducing its internal labor efforts and enhancing overall operational efficiency.

Costs. Risk-adjusted PV costs include:

- **Incremental transaction costs.** The composite organization incurs a 3.0% fee per transaction. This fee may be referred to as the merchant discount rate (MDR), and it includes both fees to credit card companies (often around 1.5% to 2%) as well as bank fees and costs for third-party payment processing tools.
- **Ongoing costs.** Five FTEs at the composite organization work on implementation for five months to allow the company to begin accepting commercial credit cards. The composite also incurs additional costs for ongoing management and professional services.

The representative interviews and financial analysis found that a composite organization experiences benefits of 746 basis points per transaction versus costs of 326 basis points per transaction, adding up to a net benefit of 420 basis points per transaction. Over three years, the composite organization realizes an ROI of 132%.

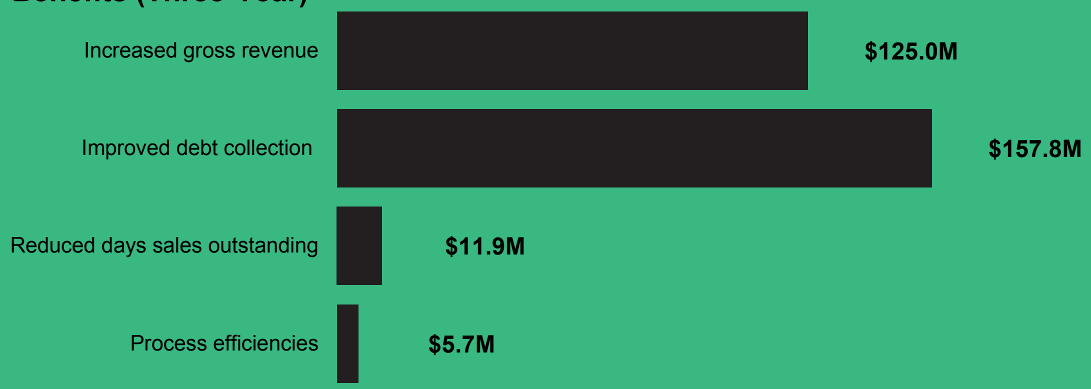
ROI
132%

BENEFITS
746 basis points per credit card transaction

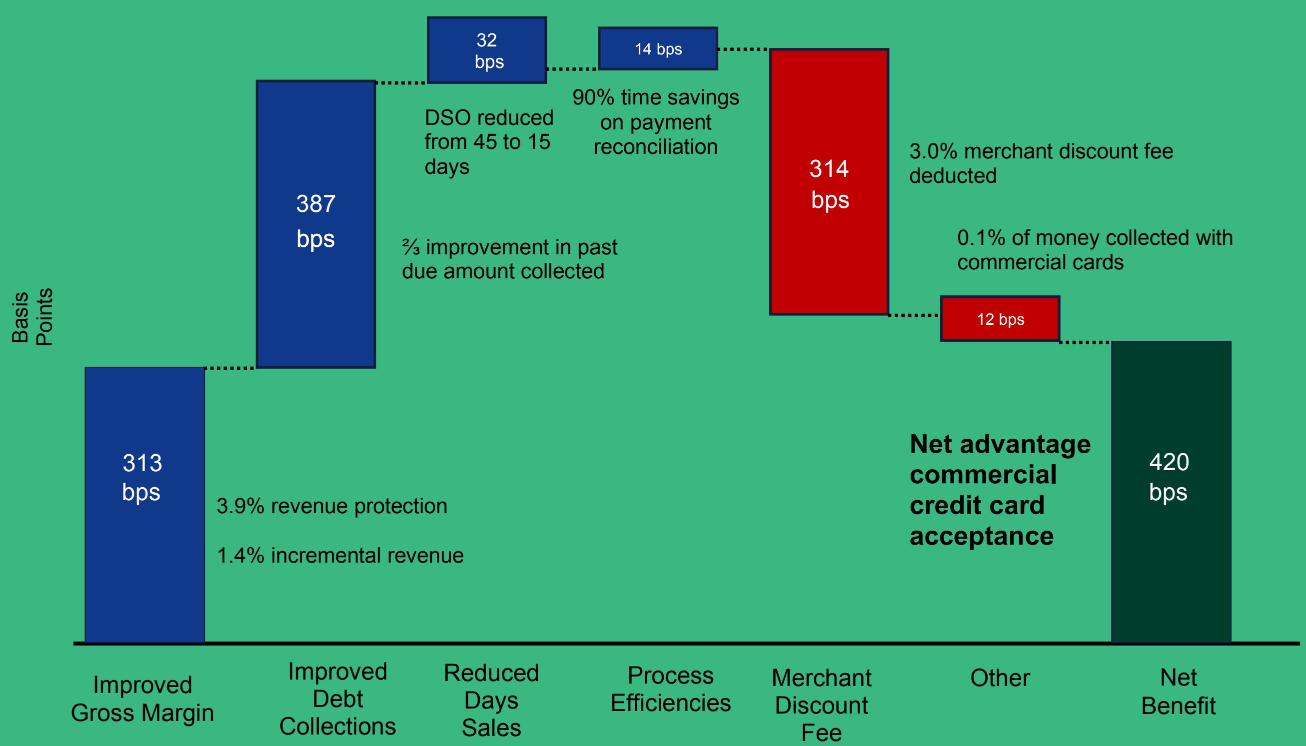
COSTS
326 basis points per credit card transaction

PAYBACK
<6 months

Benefits (Three-Year)



Commercial Credit Card Acceptance Benefits And Costs Versus Other Payment Methods For A $10B Organization



TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in commercial credit cards.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that commercial credit cards can have on an organization.

DUE DILIGENCE
Interviewed commercial credit card acceptance stakeholders and Forrester analysts to gather data relative to the commercial credit cards.

CUSTOMER INTERVIEWS
Interviewed nine representatives at seven organizations using commercial credit cards to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION
Designed a composite organization based on characteristics of the interviewees organizations.

FINANCIAL MODEL FRAMEWORK
Constructed a financial model representative of the interviews using the TEI methodology and risk adjusted the financial model based on issues and concerns of the interviewed organizations.

CASE STUDY
Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Visa and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Commercial Credit Cards.

Visa reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Visa provided the customer names for the interviews but did not participate in the interviews.

The Commercial Credit Card Acceptance Customer Journey

Drivers leading to the commercial credit cards investment

KEY CHALLENGES

Before accepting commercial credit cards, interviewees' organizations accepted traditional payment methods, with the majority of transactions completed with ACH payments and checks. The payment channels in their prior environments did not satisfy customer demands to pay with card and created several process-related and business challenges.

The interviewees' organizations struggled with common challenges, including:

- **Cumbersome manual processes associated with traditional payment methods.** Interviewees explained that the manual payment processes associated with traditional payment methods (e.g., payment reconciliation, exception handling, debt collection) were tedious and time-consuming. Rather than focusing on solving high-level business challenges, their organizations spent several days each fiscal quarter on repetitive tasks that are easily automated by accepting commercial credit cards.

  A treasurer in industrial products explained: "It can take days to reconcile a payment for a very sophisticated, large customer that has brought operations internationally and has a shared service center that they've outsourced to [other countries]. If we're calling a smaller company that has a central office here in the US, we can call the AP (accounts payable) department. … It can take hours to speak with the right person to determine why their invoice is getting rejected and fix the issue so the payment can go through."

- **Fraud due to lack of security associated with traditional payment methods.** Interviewees' organizations were more vulnerable to fraudulent activity in their prior environments due to the manual handling of transactions paid using checks. From writing and issuing the check to its physical transportation through the mail, each step introduced opportunities for interception, alteration, or duplication, which increased the risk of fraud. By comparison, interviewees said that commercial credit cards have more sophisticated security measures in place, including real-time monitoring by financial institutions for irregular activity, quick reversal of unauthorized charges, and more comprehensive authorization processes, and all of which reduces the window of opportunity for fraudulent activity to occur.

  An assistant group treasurer in industrial products explained: "Check fraud has become an increasingly big problem for us. People are knocking over mailboxes where customers send their checks to intercept them, and the check never makes it to us. Unfortunately, a lot of our smaller customers don't have the proper fraud controls in place to get a positive payment payee match, so they still owe us the amount that was stolen."

> **"We are now telling our customers to stop paying with checks because of the risk of fraud. Card is much better. It's much more secure."**
>
> *Assistant group treasurer, industrial products*

The director of credit and accounts receivable in pharmaceutical products said: "Our customers have been defrauded in one of two ways: either via check fraud or email-spoofing fraud. Check fraud has grown because the bad guys had a lot of time during [the COVID-19 pandemic] to get better at what they were doing. They steal checks in the mail along the journey to the bank, and they change either the amount or payer information. With email-spoofing fraud, a customer gets an email from someone pretending to be someone from our organization, and they redirect where they send their payment. So, comparing checks to credit cards, cards are more secure."

- **Hindered cashflows and high DSO due to payments delays.** Prior to accepting commercial credit cards, interviewees' organizations experienced extended payment cycles due to delays caused by traditional payment methods. The source of these delays included slow batch processing for ACH, check bounces, and extended authorization and settlement timelines. Heightened risk of payment delays with checks and ACH caused frequent disruptions to cashflow and inhibited access to funds.

  The director of credit and accounts receivable in pharmaceutical products explained: "[Our decision] to accept commercial credit cards was cash flow-driven. … We had customers that did not pay us as quickly as we wanted. [However,] they offered to pay us faster if we accepted commercial credit cards. Once we started accepting cards, it became a normal business practice."

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the nine interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite organization is a global company with $10 billion in North American B2B revenue. The average transaction value is $10,000. Prior to accepting commercial credit cards, the composite's payment volume breakdown was split 50/50 between ACH and check. The organization's decision-makers were previously apprehensive about accepting commercial credit cards because they felt the costs outweighed the benefits of introducing this new form of payment. But after conducting due diligence and building a business case, the organization decided to add commercial credit cards as an accepted payment method for B2B sales in North America.

Key Assumptions

- **$10 billion in North American B2B revenue**
- **$10,000 average transaction value**

Analysis Of Benefits

Quantified benefit data as applied to the composite

Total Benefits						
Ref.	**Benefit**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Atr	Increased gross revenue	$29,700,000	$51,030,000	$74,250,000	$154,980,000	$124,958,678
Btr	Improved debt collection	$58,389,375	$64,032,375	$68,970,000	$191,391,750	$157,818,750
Ctr	Reduced days sales outstanding	$2,161,644	$5,113,973	$7,610,959	$14,886,575	$11,909,780
Dtr	Process efficiencies	$2,282,141	$2,281,136	$2,280,132	$6,843,409	$5,673,007
	Total benefits (risk-adjusted)	$92,533,160	$122,457,484	$153,111,091	$368,101,735	$300,360,215

INCREASED GROSS REVENUE

Evidence and data. After introducing commercial credit cards as a payment option, interviewees' organizations saw incremental revenue gains by: 1) protecting revenue from potential business lost to a competitor if commercial credit cards were not a payment option and 2) unlocking more business opportunities from both new and existing customers that decided to make larger, more frequent purchases because commercial credit cards were an accepted form of payment. The convenience and perks associated with commercial credit card transactions gave the organizations a competitive edge that allowed them to expand their customer bases and win more sales opportunities.

- The director of credit and accounts receivable in pharmaceutical products explained that the largest proportion of their organization's customer base exclusively uses commercial credit cards to complete transactions: "Our biggest credit card payers from a dollar perspective are big hospital groups because they get rebates, so they want to pay by credit card. We also have a lot of customers in the private-equity space that prefer to pay by credit card. The same applies to the larger surgery centers we supply. As for customers in the eye care space, they make nearly half of their purchases using credit cards. The credit card space is continuing to grow because our customers reap financial benefits from using this form of payment."
- The assistant group treasurer in industrial products highlighted the importance of remaining competitive: "We make decisions by finding out that it is happening in our industry. Based on what we heard from our competitors, we began accepting card for customers that can pay within the terms outlined. We may consider modifying our policy in the future depending on what we see in the market."

Modeling and assumptions. For the financial analysis, Forrester makes the following assumptions:

- The composite organization's annual revenue is $10 billion.
- Before accepting commercial credit cards, 50% of transactions were completed using ACH and 50% were completed using checks.
- As customers begin to adopt commercial credit cards to make payments, there is an incremental reduction in the proportion of revenue coming

from transactions completed with checks and ACH. The revenue from transactions made through checks decreases more rapidly than that of ACH because the composite makes a concerted effort to eliminate checks due to the associated fraud-related risks. By Year 3, 20% of the composite's total revenue is derived from payments made with commercial credit cards.

- By accepting commercial credit cards, the composite protects up to 5.0% of its commercial card revenue by reducing customer attrition. If the composite did not accept cards, it would otherwise lose business to a competitor that accepts cards as a payment option.
- The composite gains 1.0% in incremental revenue each year as a result of expanding its customer base to accommodate those who will only make a purchase if they can pay with card. For each year of added sales, half carry forward into the next year as repeat purchases.
- Forrester applied a 30% average gross margin to revenues.

Risks. Increased gross revenue may vary depending on the following:

- Payment volume breakdown prior to commercial credit card acceptance. Forrester assumes a 50/50 split prior to accepting commercial credit cards based on customer data. However, different payment volume breakdowns in an organization's prior environment may affect the outcome of the investment. For instance, if an organization had a higher proportion of ACH than check before accepting cards, it may experience a lower return on investment.
- Customer adoption rate of commercial credit cards.
- Gross margin.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $125 million (313 basis points).

Increased Gross Revenue					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
A1	Total revenue	Composite	$10,000,000,000	$10,000,000,000	$10,000,000,000
A2	Revenue from checks	Y1: A1*47.5% Y2: A1*42.0% Y3: A1*38.0%	$4,750,000,000	$4,200,000,000	$3,800,000,000
A3	Revenue from ACH	Y1: A1*47.5% Y2: A1*45.0% Y3: A1*42.0%	$4,750,000,000	$4,500,000,000	$4,200,000,000
A4	Revenue from commercial credit cards	Y1: A1*5.0% Y2: A1*13.0% Y3: A1*20.0%	$500,000,000	$1,300,000,000	$2,000,000,000
A5	Subtotal: Revenue protection	Y1: A4*2.0% Y2: A4*3.0% Y3: A4*5.0%	$10,000,000	$39,000,000	$100,000,000
A6	Incremental revenue gains due to commercial credit card acceptance	A1*1.0%	$100,000,000	$100,000,000	$100,000,000
A7	Subtotal: Total revenue gains due to commercial credit card acceptance	A6+(A7PY*50%)	$100,000,000	$150,000,000	$175,000,000
A8	Gross margin	Composite	30%	30%	30%
At	Increased gross revenue	(A5+A7)*A8	$33,000,000	$56,700,000	$82,500,000
	Risk adjustment	↓10%			
Atr	Increased gross revenue (risk-adjusted)		$29,700,000	$51,030,000	$74,250,000
	Three-year total: $154,980,000			**Three-year present value: $124,958,678**	

IMPROVED DEBT COLLECTION

Evidence and data. Interviewees reported that their organizations realized higher debt collection rates after accepting commercial credit cards because of the immediacy of collecting payments more than 30 days past due with cards for transactions that were initially paid using a traditional payment method. Introducing this new form of payment eliminated the manual effort (e.g., writing and sending a check through the postal service) and additional wait times for physical receipts associated with traditional payment methods.

Interviewees' organizations also achieved more accurate collection through improved visibility of invoices, which enabled faster and more accurate collection of outstanding balances. In most cases, the organizations were able to avoid debt altogether by accepting commercial credit cards because nearly all sales made through card were paid with no subsequent collections processes and thus avoided becoming past due. By improving debt collection rates and preventing customers from incurring debt, the organizations were also able to avoid fees from third-party debt collection agencies that they previously incurred to address low debt collection rates in their prior environments.

- The treasurer in industrial products revealed how having improved visibility into transactions enabled efficient debt collection: "[Credit card transactions] provide good electronic [data] that we can apply cash from, which helps keep open AR (accounts receivable) much cleaner. It's a benefit for us because if we have to work with a customer on something that is past due, it helps [ensure] their cash has been applied correctly. … It makes the cash application easier so you can keep your books clean."

The interviewee continued: "From a cash-flow perspective, if we have a collection problem with a customer and we don't have the cash applied correctly [due to poor visibility], we have a hard time straightening out what this customer really owes. This causes delays because the customer will not pay what they owe us until we can provide proof of what is owed."

They concluded: "It all boils down to getting good data to help with our cash flow because we don't have to worry about trying to correct our books before we contact a customer about a past due payment."

Debt collection rate improvement

20%

Modeling and assumptions. For the financial analysis, Forrester makes the following assumptions:

- In the composite organization's prior environment, 5.5% of its sales became more than 30 days past due and entered the collections process.
- Ninety-five percent of the composite organization's sales that come from commercial credit cards transactions are paid without issue and therefore do not have to go through a collections process. To remain conservative, Forrester assumes the remaining 5% of the composite's sales encounter issues (e.g., chargebacks) that prevent payment completion.
- Prior to accepting commercial credit cards, the composite recovered 30% of sales that became past due through a third-party collection agency.
- After accepting commercial credit cards, collecting past due payments with card for transactions initially paid with a traditional payment method increases the composite's debt collection rate increases from 30% to 50%, which is a 20% improvement.
- The third-party collection agency charges 15% of all collected revenues. By accepting commercial credit cards, the composite organization avoids collection agency fees.
- Forrester applied a 30% average gross margin to revenues.

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The downstream economic impacts of the COVID-19 pandemic posed business challenges for merchants' customers that resulted in lower debt collection rates than normal. Forrester expects further improvements to debt collection rates than what is represented in the financial model as post-pandemic economic conditions continue to improve.

Risks. Improved debt collection may vary depending on the following:

- Proportion of total sales that become past due.
- Debt collection rates prior to accepting commercial credit cards.
- Third-party debt collection agency fees.
- Gross margin.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of $157.8 million (387 basis points).

Improved Debt Collection

Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Prior past-due account receivables	A1*5.5%	$550,000,000	$550,000,000	$550,000,000
B2	Eliminated commercial credit card account receivables	A4*5.5%*95%	$26,125,000	$67,925,000	$104,500,000
B3	AR recovered with third-party collections before commercial credit card acceptance	B1*30%	$165,000,000	$165,000,000	$165,000,000
B4	Account receivables recovered with commercial credit cards	(A2+A3)*5.5%*50%	$261,250,000	$239,250,000	$220,000,000
B5	Collection agency fees before commercial credit card acceptance	B3*15%	$24,750,000	$24,750,000	$24,750,000
B6	Gross margin	Composite	30%	30%	30%
B7	Gross revenues from collections	(B2+B4-B3)*B6	$36,712,500	$42,652,500	$47,850,000
Bt	Improved debt collection	B5+B7	$61,462,500	$67,402,500	$72,600,000
	Risk adjustment	↓5%			
Btr	Improved debt collection (risk-adjusted)		$58,389,375	$64,032,375	$68,970,000
	Three-year total: $191,391,750			**Three-year present value: $157,818,750**	

REDUCED DAYS SALES OUTSTANDING

Evidence and data. Interviewees reported a reduction in DSO and subsequent shorter cash conversion cycles after accepting commercial credit cards. Assessing the drawbacks of traditional payment methods, interviewees attributed this improvement to myriad reasons including faster authorization, reduced risk of bounce, efficient payment processing, and streamlined reconciliation. The reduction in DSO enabled their organizations to achieve greater financial stability for their business

"The biggest benefit of commercial credit cards is having electronic records of customer payment activity to get the cash applied faster and cleaner."

Treasurer, industrial products

with more predictable cash flow and improved receivables management.

- The treasurer in industrial products explained their organization's strategy for lowering DSO with cards: "For us, it's a financial calculation. If we give [our customers] 45-day terms, and they want to pay with card, [my organization] still incurs the cost of capital for 45 days, [and we also] have to pay the credit card fee. However, there are customers with whom we've negotiated terms where we provide a discount for paying within 10 to 15 days. When you look at the interchange fee for 10 to 15 days, it's almost about the same as the discount that we would give for early payment. This helps us balance out the costs and benefits of [accepting commercial credit cards]."

"Accepting credit card means we get the payment in hand. It's the difference between a customer paying us by credit card today or eventually by check or ACH. Our DSO is impacted by cash coming in, so my collection team is highly motivated to get money faster in whatever form they can. That's really the benefit."

Director of credit and accounts receivable, pharmaceutical products

- The assistant group treasurer in industrial products explained how the high incidence of check fraud their organization experienced prior to introducing commercial credit cards significantly impacted DSO: "[Before accepting commercial credit cards], we would have to wait at least 30 days to receive payments because of delays around check fraud. We did not know that a check was intercepted until we looked at the account again. We wouldn't know for a while because we're not looking at everybody's record every day. Our customers also wouldn't know because they assume the check is in the mail and on its way to us until we reach out and say we never received their payment. ... That entire process would take 30 to 45 days. … Card is more secure than check, and we're able to get our funds faster."

Days sales outstanding

Before commercial credit card acceptance	With commercial credit card acceptance
45 days	**15 days**

Modeling and assumptions. For the financial analysis, Forrester makes the following assumptions:

- After accepting commercial credit cards, the composite organization reduces its DSO from 45 days to 15 days. Because DSO varies across organizations of different firmographics, the value used may affect the outcome of the investment. Forrester chose the industry average for this financial analysis.[3]
- The cost of funding is 7%, which is equivalent to a 0.02% daily cost of funding.[4]
- If commercial credit card was not an acceptable payment method, 15% of the composite organization's customers would take advantage

of the 1% incentive to pay their invoice within 10 days.

Risks. Reduced days sales outstanding may vary depending on the following:

- Reduction in DSO.
- Daily cost of funding.
- Percentage of customers that take advantage of early payment incentives.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of $11.9 million (30 basis points.

Reduced Days Sales Outstanding					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
C1	Days sales outstanding before accepting commercial credit cards	Interviews	45	45	45
C2	Days sales outstanding after accepting commercial credit cards	Interviews	15	15	15
C3	Reduced number of days sales outstanding after commercial credit card acceptance	C1-C2	30	30	30
C4	Daily cost of funding (rounded)	7%/365 days	0.02%	0.02%	0.02%
C5	Total revenue from commercial credit cards	A4+A7	$600,000,000	$1,450,000,000	$2,175,000,000
C6	Total savings from reduced DSO	C3*C4*C5	$3,452,055	$8,342,466	$12,513,699
C7	Incentive acceleration before commercial credit card acceptance	A4*15%*1%	$750,000	$1,950,000	$3,000,000
Ct	Reduced days sales outstanding	C6-C7	$2,702,055	$6,392,466	$9,513,699
	Risk adjustment	↓20%			
Ctr	Reduced days sales outstanding (risk-adjusted)		$2,161,644	$5,113,973	$7,610,959
	Three-year total: $14,886,575		**Three-year present value: $11,909,780**		

PROCESS EFFICIENCIES

Commercial credit card acceptance unlocked several process efficiencies for the interviewees' organizations, including:

- **New account setup cost savings.** Interviewees' organizations avoided credit- and payment-related fees required to set up a new customer to pay with ACH or check by expanding their payment offerings to include commercial credit cards.
- **Payment reconciliation efficiencies.** The organizations realized time savings through streamlining and automating the payment reconciliation process due to improved visibility into customers' payment activity afforded by commercial credit card acceptance. One of the interviewees said their organization derived additional efficiencies by introducing a self-service portal that allowed its customers to access and reconcile their own credit card transactions to reduce the workload on the finance team.

- **Fraud-related administrative/legal efficiencies.** Interviewees reported a reduction in the administrative and legal burden associated with addressing fraud after accepting commercial credit cards. They said that compared to traditional payment methods, cards have far more security measures in place, including real-time authentication and authorization and reduced manual handling. These significantly reduce the potential for fraud. With fewer cases of fraud to address, the organizations realized time savings on tasks such as reviewing and signing affidavits to help their customers document and resolve fraud.

"Check fraud is a big burden, administratively. … It's administratively difficult for us to sign the affidavits confirming we did not receive payments to help each customer process their claims."

Assistant group treasurer, industrial products

The assistant group treasurer in industrial products explained: "Tasks related to fraud cause us a lot of headaches. We have to sign all the affidavits verifying that we didn't receive the check that was stolen. I'm signing several of them a week. … It's definitely an aggravation."

In addition to the internal burden, the same interviewee also explained the impact fraud has had on their organization's customers, highlighting that using cards to mitigate fraud benefits both parties: "We've suffered from fraud a lot in [major cities]. … It's been bad and very painful. This is why we tell our customers to protect themselves and stop using checks and start using credit cards."

"For credit card payments at time of order, the reconciliation is seamless. Nobody has to collect. Nobody has to post a payment. Nothing has to be done. So, it's an ideal form of payment to accept."

Director of credit and accounts receivable, pharmaceutical products

Modeling and assumptions. For the financial analysis, Forrester makes the following assumptions:

- Before accepting commercial credit cards, the composite organization paid $500 to set up each new customer to pay with ACH or check. After adopting cards, the composite avoids this cost for all new customers paying with a credit card.
- Each new customer has two transactions annually.
- Before accepting commercial credit cards, the composite organization completed 200 payment reconciliations each year and spent 2 hours on each.
- The composite organization realizes 90% time savings on payment reconciliation activities after accepting commercial credit cards.
- If the composite organization did not accept commercial credit cards, it would experience 60

incidents of check fraud in Year 1, 55 incidents in Year 2, and 50 incidents in Year 3. The organization would need to dedicate 4 hours to administrative and legal tasks for each check fraud incident.

- The composite organization realizes 90% time savings on fraud-related administrative and legal tasks after accepting commercial credit cards.
- The average fully burdened hourly wage for a finance employee is $62.

Reduction in time spent on payment reconciliation activities

90%

Risks. Process efficiencies may vary depending on the following:

- Proportion of transactions made using commercial credit cards.
- Account setup fees.
- The number of payment reconciliations completed annually before commercial credit card acceptance.
- The number of annual check fraud incidents before accepting commercial credit cards.
- The average fully burdened hourly wage of finance employees.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $5.7 million (14 basis points).

Process Efficiencies					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
D1	New credit card customers added	A6/($10,000*2 transactions)	5,000	5,000	5,000
D2	Subtotal: New account setup cost savings	D1*$500	$2,500,000	$2,500,000	$2,500,000
D3	Payment reconciliations completed annually before commercial credit card acceptance	Composite	200	200	200
D4	Time spent on payment reconciliation before commercial credit card acceptance (hours)	Interviews	2	2	2
D5	Percent of time saved on payment reconciliation with commercial credit card acceptance	Interviews	90%	90%	90%
D6	Time spent on payment reconciliation after commercial credit card acceptance (hours)	D4*(1-D5)	0.2	0.2	0.2
D7	Annual time saved on payment reconciliation with commercial credit card acceptance (hours)	(D4-D6)*D3	360	360	360
D8	Average fully burdened hourly rate for a finance FTE	TEI standard	$62	$62	$62
D9	Subtotal: Payment reconciliation efficiencies	D7*D8	$22,320	$22,320	$22,320
D10	Check fraud incidents annually before commercial credit card acceptance	Composite	60	55	50
D11	Time spent on administrative/legal activities per instance of check fraud (hours)	Interviews	4	4	4
D12	Reduction in fraud due to commercial credit card acceptance	Interviews	90%	90%	90%
D13	Average fully burdened hourly rate for a finance FTE	TEI standard	$62	$62	$62
D14	Subtotal: Fraud-related administrative/legal efficiencies due to a reduction in fraud with commercial credit card acceptance	D10*D11*D12*D13	$13,392	$12,276	$11,160
Dt	Process efficiencies	D2+D9+D14	$2,535,712	$2,534,596	$2,533,480
	Risk adjustment	↓10%			
Dtr	Process efficiencies (risk-adjusted)		$2,282,141	$2,281,136	$2,280,132
	Three-year total: $6,843,409			**Three-year present value: $5,673,007**	

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Improved customer satisfaction.** Interviewees described how accepting commercial credit cards enhanced customer satisfaction by offering convenience, speed, security, and added rewards compared to checks and ACH transactions. By prioritizing customer-friendly payment options, organizations created a positive and seamless experience for their customers, contributing to overall satisfaction and loyalty.

The treasurer in industrial products explained that their organization's decision to accept commercial credit cards was primarily aimed at meeting their customers' needs: "I started at [our organization] in '93, and the consensus at that time was that we will never take credit cards. As time passed, it started becoming a bigger ask from our customers, and that's what drove us that way."

"The decision to accept commercial credit cards was [because of] our customers— it was driven by their request. And they're driven by the same motivations [our organization] has. Paying with a credit card typically involves a rebate that is beneficial [to our customers]."

Treasurer, industrial products

The assistant group treasurer in industrial products said that since adopting cards, they give customers agency to choose how they want to pay: "We allow our customers to choose their own payment method— whether its credit card, ACH, or check. We also have an online payment portal where customers can pay us by credit card or e-check. We don't really have a policy in place to dictate how customers need to pay."

- **Improved visibility into customer payment data.** Interviewees underscored the importance of improved data visibility after adopting commercial credit cards. They cited that having real-time transaction reporting and electronic statements enabled prompt access to up-to-date information to help quickly complete payment-related tasks. With more accurate and detailed records of customer payments, organizations were able to minimize errors during customer interactions, bolstering credibility.

  The treasurer in industrial products explained: "Good data and correct cash applications allow our collectors to collect better because if we call a customer to collect an invoice and they've already paid it, we lose some credibility… The next time we call them, they are not going to take our requests seriously."

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might accept commercial credit cards and later realize additional uses and business opportunities, including:

- **Alignment with third-party self-service tools to streamline card payment processes.** Interviewees said commercial credit card acceptance paved the way for seamless alignment with third-party self-service tools, which allowed their organizations to streamline card payment processes more effectively than traditional payment methods. By integrating these tools with credit card systems, the organizations automated tasks such as transaction processing and reconciliation, which reduced internal manual efforts and increased efficiency. Unlike checks and ACH, credit card transactions are digitally processed and verified through these tools, which allowed the organizations to improve accuracy and expedite payment cycles.

The director of credit and accounts receivable in pharmaceutical products explained: "We use a [third-party self-service tool] as our online portal. Our customers can access it and make payments themselves, so there's very little manpower needed from our end other than managing and maintaining it. Unless customers have processing issues or IT issues, the portal is seamless. Customers are self-reconciling and applying their payments themselves."

The same interviewee continued: "Our biggest adapters [of the tool] have been smaller organizations. There's a huge benefit for them because they have 24/7 access. So, they can make a payment at their convenience. We have also had adoption from some of our largest customers because it gives them 24-hour access to their invoices and statements. They can see everything. Next year, the target for our team will be to start specifically to get customers with complex and lengthy transactions to adopt the tool to help us save additional time."

They concluded: "We're covering the cost of commercial credit card acceptance with the portal. Once a customer feels comfortable in the portal, very little human interaction is required. There's always going to be some growing pains when a customer is using it the first few times. But after that, it's relatively seamless."

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

"We save a lot of time on manually processing payments with the self-service tool. We expect to see an [additional] improvement in DSO as more customers start paying faster with the tool."

Director of credit and accounts receivable, pharmaceutical products

Analysis Of Costs

Quantified cost data as applied to the composite

Total Costs							
Ref.	**Cost**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Etr	Incremental transaction costs	$0	$27,048,000	$53,006,529	$75,132,225	$155,186,754	$124,844,093
Ftr	Internal costs	$365,400	$956,813	$1,826,213	$2,567,250	$5,715,675	$4,673,309
	Total costs (risk-adjusted)	$365,400	$28,004,813	$54,832,742	$77,699,475	$160,902,429	$129,517,402

INCREMENTAL TRANSACTION COSTS

Evidence and data. Interviewees reported that fees for credit card transactions are higher than those for traditional payment methods. Some organizations may choose to charge a convenience fee for customers that choose to pay with card to offset transaction fees they incur. To remain conservative, Forrester excluded convenience fees from this financial analysis. For a more custom view of the total costs and benefits associated with the investment, readers should include convenience fees their organizations may charge.

The director of credit and accounts receivable in pharmaceutical products explained: "For companies that are cash poor and use financing to run their day-to-day business, an improvement in cash flow is important. Credit card fees are less than the cost of borrowing, so it's a good investment."

The same interviewee continued: "[Credit card companies] have always been very good at educating us on how we can pay the lowest fees possible. They have always been pretty open with helping us identify what we're getting charged for, which allows us to take the inverse of that and figure out how to do things better to reduce those costs."

They concluded: "From a relationship management perspective, [credit card companies] partner with our business to try to keep us happy. We have good relationships with our credit card partners."

"Credit card companies understand that accepting their product comes at a steep cost, and our merchant partners have always been very open-minded to helping us try to reduce our costs where we can."

Director of credit and accounts receivable, pharmaceutical products

Modeling and assumptions. For the financial analysis, Forrester makes the following assumptions:

- The composite organization pays a 3.0% credit card fee. This fee may be referred to as the MDR, and it includes both fees to credit card companies (often around 1.5% to 2%) as well as bank fees and costs for third-party payment processing tools.

- The transactions for which the 3.0% credit card fee applies include transactions completed with credit cards that were previously made through traditional payment methods, total revenue gains derived from commercial credit card transactions, and account receivables recovered with commercial credit cards.
- By incrementally eliminating checks and ACH, the composite organization avoids transaction fees for traditional payment methods ($3.00 for checks and $0.10 for ACH). The proportion of transactions completed with check decreases year over year because the composite makes a concerted effort to reduce check use to mitigate fraud-related risks. To compensate for this reduction, the proportion of transactions completed with ACH increases incrementally each year.

Risks. Incremental transaction costs may vary depending on the following:

- Credit card transaction fees.
- The proportion of transactions completed using commercial credit card, ACH, and check.
- Check and ACH transaction costs.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $124.8 million (314 basis points).

Incremental Transaction Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Transitioned transaction credit card fees	A4*3.0%	$0	$15,000,000	$39,000,000	$60,000,000
E2	Eliminated check fees	Y1: A4/$10,000*$3*50.0% Y2: A4/$10,000*$3*48.3% Y3: A4/$10,000*$3*47.5%%	$0	$75,000	$188,370	$285,000
E3	Eliminated ACH fees	Y1: A4/$10,000*$0.10*50.0% Y2: A4/$10,000*$0.10*51.7% Y3: A4/$10,000*$0.10*52.5%	$0	$2,500	$6,721	$10,500
E4	Total eliminated check and ACH fees	E2+E3	$0	$77,500	$195,091	$295,500
E5	Incremental baseline transaction fees	E1-E4	$0	$14,922,500	$38,804,909	$59,704,500
E6	Added revenue transaction fees	A7*3.0%	$0	$3,000,000	$4,500,000	$5,250,000
E7	ACH and check collection fees	B4*3.0%	$0	$7,837,500	$7,177,500	$6,600,000
Et	Incremental transaction costs	E5+E6+E7	$0	$25,760,000	$50,482,409	$71,554,500
	Risk adjustment	↑5%				
Etr	Incremental transaction costs (risk-adjusted)		$0	$27,048,000	$53,006,529	$75,132,225
	Three-year total: $155,186,754			**Three-year present value: $124,844,093**		

INTERNAL COSTS

Evidence and data. After introducing commercial credit cards as a payment option, interviewees' organizations incurred internal costs around implementation, ongoing management effort, and professional services. Each interviewee's organization is multibillion-dollar company and thus required assistance from professional services to establish new payment systems and processes. After several months of implementation, the organizations devoted additional time to creating and managing card-related tools such as payment portals and system integrations. Ongoing management included maintaining relationships with credit card providers and conducting regular reporting.

Modeling and assumptions. For the financial analysis, Forrester makes the following assumptions:

- The composite organization leverages five internal FTEs for five months to complete the initial implementation.
- The average fully burdened hourly wage for a finance employee is $62.
- The cost of ongoing management is equal to 0.1% of transactions completed with credit cards that were previously made through traditional payment methods, total revenue gains derived from commercial credit card transactions, and account receivables recovered with commercial credit cards.
- For implementation, the composite organization pays $100,000 for professional services in Year 1. In the subsequent two years, the composite pays $50,000 annually for ad hoc assistance.

Risks. Internal costs may vary depending on the following:

- The size and complexity of systems requiring varying amounts of implementation effort and professional services.
- The experience and skill sets of internal staff.
- The average fully burdened hourly wage for a finance employee.

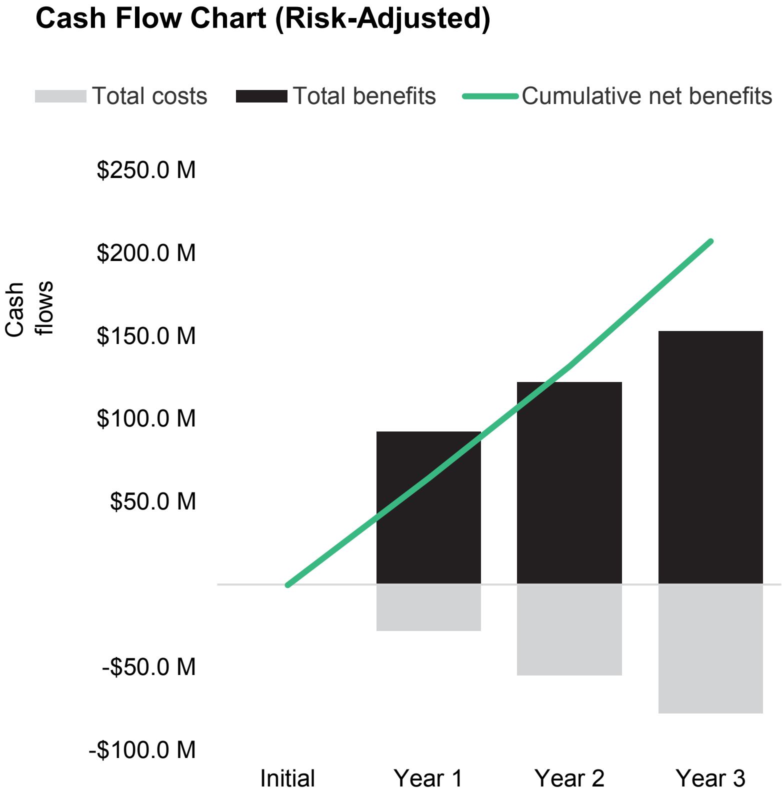
Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of $4.7 million (12 basis points).

Internal Costs

	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	FTEs involved in implementation	Composite	5	0	0	0
F2	Months of implementation	Composite	5	0	0	0
F3	Average fully burdened hourly salary for a finance FTE	TEI standard	$62	$0	$0	$0
F4	Internal implementation cost	F1*F2*160 hours*F3	$248,000	$0	$0	$0
F5	Ongoing cost	(A4+A7+B4)*0.1%	$0	$861,250	$1,689,250	$2,395,000
F6	Professional services	Composite	$100,000	$50,000	$50,000	$50,000
Ft	Internal costs	F4+F5+F6	$348,000	$911,250	$1,739,250	$2,445,000
	Risk adjustment	↑5%				
Ftr	Internal costs (risk-adjusted)		$365,400	$956,813	$1,826,213	$2,567,250
	Three-year total: $5,715,675			**Three-year present value: $4,673,309**		

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($365,400)	($28,004,813)	($54,832,742)	($77,699,475)	($160,902,429)	($129,517,402)
Total benefits	$0	$92,533,160	$122,457,484	$153,111,091	$368,101,735	$300,360,215
Net benefits	($365,400)	$64,528,347	$67,624,742	$75,411,616	$207,199,305	$170,842,813
ROI						132%
Payback						<6 months

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.

PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.

NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.

RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.

DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.

PAYBACK PERIOD

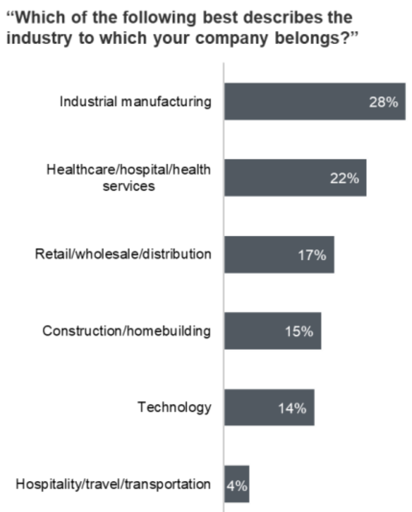
The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

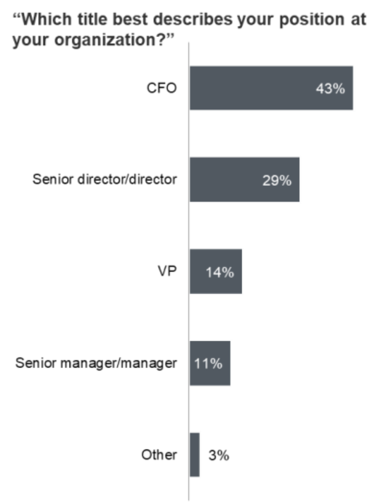
Appendix B: Interview And Survey Demographics

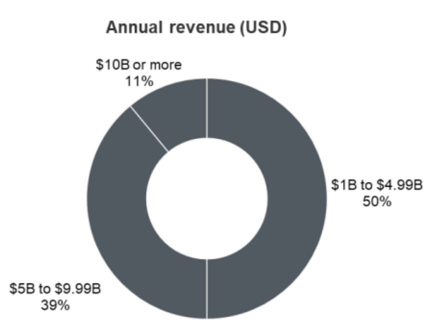
Interviews

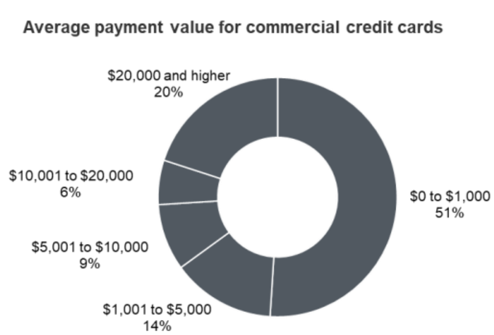
Role	Industry	Region	Revenue	Employees
Treasurer Assistant treasurer	Industrial products	North America	$8B	9,000
Assistant group treasurer	Industrial products	North America	$30B	35,000
Director of credit and account receivables	Pharmaceutical products	Global	$9B	25,000
Credit risk manager	Industrial products	Global	$10B	37,000
Regional treasury manager	Manufacturing	Global	$7.2B	92,000
Cash lead Cash manager	Healthcare	Global	$5B	50,000
Treasury manager	Business services	Global	$7B	40,000

Survey Demographics









Base: 153 commercial credit card users
Note: Percentages may not total 100 because of rounding.
Source: A commissioned study conducted by Forrester Consulting on behalf of Visa, December 2020

Appendix C: Endnotes

[1] Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

[2] A basis point equals 1/100 of a percent, or 0.0001. Forrester calculated basis points by dividing the value of the total risk-adjusted benefit or cost category by the total number of credit card transactions (transitioned [A4], incremental sales [A7], and AR collection [B4]). This per-transaction value is divided by the $10,000 average transaction value and multiplied by 10,000.

[3] Source: Accounts Receivable and Days Sales Outstanding Industry Report, Dun & Bradstreet, December 2023.

[4] Source: Cost of Equity and Capital (US), New York University Stern School of Business, January 2024.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