



Case study: U.S. Bank and Veterans Trading Company

Veterans Trading Company, LLC (VTC) is a service-disabled veteran-owned small business founded in 2005. With headquarters in Ocala, Florida, and operations in nine states across the country, it provides supply chain solutions and procurement support programs to government contractors, including large defense firms.

As part of VTC's natural growth process, in 2015 the company began looking for a new bank. It reached out to U.S. Bank to obtain a line of credit to support its operational needs at more reasonable interest rates, and to seek a range of treasury management services. Ultimately, the company came away with all that plus an unexpected bonus: a commercial card program that today generates hundreds of thousands of dollars in annual rebate revenue.

Business model presents opportunity

VTC has a business model unlike most companies. As part of its supply chain and procurement services, the business makes inventory purchases for clients such as Lockheed Martin and Boeing, for which it is later reimbursed. "As a result, we are on both the accounts payable and accounts receivable sides of these transactions," explains Scott Roberts, vice president of finance and human resources. "For anyone on the outside, our business model can be quite confusing unless they really take the time to figure it out."

U.S. Bank did just that in June 2015 as part of its comprehensive Working Capital Engagement review of VTC's payables and receivables processes. Noting the company's large-dollar purchasing on behalf of clients, the bank's consultants saw an opportunity for VTC to increase disbursement efficiency as well as generate working

capital through rebates. They suggested the company adopt a U.S. Bank (Visa) One Card program.

At the time, VTC had an American Express commercial card program it was using for travel and working capital purposes. An insufficient credit limit and lack of acceptance by some companies restricted annual card spend to about \$5 million. The program offered no cash rebates.

“I ran some numbers on our annual spend and confirmed that the rebate on the Visa card — with the better credit limit U.S. Bank was offering — would result in a major source of income to our business,” Roberts says. “This was our ‘aha’ moment.”

Supplier enablement

In the fall of 2015 VTC adopted the U.S. Bank One Card, programmed its ERP system to account for the new Visa payments it would be receiving, and began aggressively onboarding suppliers.

U.S. Bank supported supplier enablement by providing VTC with a list of the company’s trading partners that were accepting Visa card payments from other businesses. “We prepared our normal weekly check run, but instead of printing the checks, we contacted every vendor on the list and offered to pay them with a Visa card,” recalls Todd Allen, the company’s comptroller.

“Then we contacted the rest of the vendors to learn if they accept Visa,” Allen says. “That became our process over a two-to three-month period until we established a list of card accepting vendors.”

With this approach, in just the first year of the program, VTC quickly ramped up to \$20 million in Visa card spend, quadrupling the size of its previous card program. To grow the program beyond just those suppliers who represent the “lowhanging fruit,” VTC adopted a number of proactive supplier enablement strategies, including:

- Working with major vendors that don’t accept card payments to negotiate credit card terms benefiting both parties.
- Empowering the procurement team to give preference to vendors that agree to accept the One Card. Pricing and all other factors being equal, vendors that accept the One Card get “the nod” over vendors that don’t.
- Providing the accounting team with an incentive to promote card acceptance. Team members who onboard vendors into the program earn a percentage of the resulting rebate.

Rebates and more

VTC has issued One Cards to about a dozen managers and administrators for travel and purchasing expenses, and its buyers across the country utilize Visa “virtual cards” to support procurement. In large part due to the supplier enablement strategies noted above, Roberts expects the company to surpass \$30 million in card spend in the program’s second year.

The company has gone from generating no rebate cash from its previous card program to projecting hundreds of thousands of dollars in rebates in 2017 from its new U.S. Bank One Card program.

In addition, the program has increased the efficiency of the company's disbursement efforts by cutting in half the number of checks it issues, thereby saving on check printing and mailing expenses, and reducing the need to initiate expensive wire transfers. "I ran some numbers on our annual spend and confirmed that the rebate on the Visa card — with the better credit limit U.S. Bank was offering — would result in a major source of income to our business. This was our 'aha' moment."

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Prior to launching its U.S. Bank One Card program, the company was initiating three or four Automated Clearing House (ACH) or wire transfers daily on behalf of just one of its major clients. "Now we're down to maybe one a week," Allen says.

What's more, the card program gives the company greater control over spending and fraud, particularly in comparison to check issuance; eliminates the need for employees to use their personal cards for business expenses; and provides ease of administration through the Access Online card management portal.

U.S. Bank One Card program benefits

- Increased annual rebates from zero to hundreds of thousands of dollars in 2017
- Reduced the number of checks being issued by 50 percent
- Significantly reduced volume of ACH and wire transfers
- Enhanced visibility into payment detail to proactively manage spend, monitor payment activity and mitigate fraud risk
- Provided ease of administration through the Access Online card management portal

A promising partnership

In U.S. Bank, VTC found the financial partner it needed to support its next stage of growth.

"Our company has a strong relationship with U.S. Bank and has benefited from the level of attention and professionalism their entire team has demonstrated," Roberts says. "From our very first meeting, the bank team made a concerted effort to learn our unique business model and create a strategy for our treasury, line of credit and Visa card programs."

Following the Working Capital Engagement in 2015, the bank's consultants recommended, and VTC implemented, payables and receivables solutions ranging from check payables and positive pay fraud protection to credit sweeps and a more robust lockbox solution.

But the real game-changer has been the rebate-generating commercial card program that wasn't even on VTC's radar when U.S. Bank recommended it. "We were so in the weeds taking care of our thousands of daily transactions that the opportunity escaped our attention," Roberts says. "It took an outsider willing to get to know our business to point it out."