



## CASE STUDY

# The engine behind Group 1 Automotive payments program success

### PROGRAM

## Virtual Pay supported by Optimization Services

### RESULTS



**\$2 million** in annual rebate revenue



**Suppliers** paid faster



**10,000+** checks eliminated each month



**Reduced postage** and processing costs

### BEST PRACTICES USED

- Updated payment terms strategy (60 days for checks and within 7 days for virtual card payments)
- Organization-wide education
- Immediate Virtual Pay onboarding with new suppliers

Group 1 Automotive (NYSE: GPI) dealerships and collision centers have expanded rapidly throughout the United States, United Kingdom and Brazil in recent years. As the company's footprint grew, so did the number of suppliers on its rosters. While Group 1 dealerships are decentralized, its consolidated accounting center for U.S. operations found itself making tens of thousands of check payments each month. With the Brazil and U.K. operations fully committed to electronic payments, the U.S. team knew there was opportunity to improve operations by eliminating these manual payment processes.

## The drive to digitize payments

Group 1 had a small purchasing card program, but the majority of its suppliers were being paid weekly via check. Its sizable check volumes limited the company's rebate potential and placed high demands on resources. To increase efficiency and revenue, it was time to make the switch to virtual payments, which are cardless electronic account numbers set to a specific supplier, payment amount and date range. Although Group 1 had attempted to shift to virtual payments with another provider, the effort floundered because supplier onboarding was left to the already busy Group 1 staff.

Despite this setback, the Treasury and Accounting teams knew the efficiencies, cost savings and reduced risk of fraud offered by virtual payments were compelling.





Many dealerships worked with the same suppliers, which resulted in Accounts Payable (AP) running multiple checks for the same payee. While the company had succeeded in consolidating groups of dealerships into “business offices” by using a single AP file, check volumes were still substantial. The leadership team recognized that it needed to rein in its dealers from independently negotiating terms with suppliers in order to reduce the number of check runs they were making. Plus, the benefits of increased float and less time wasted on voiding and reissuing payments were added advantages of shifting to a virtual card program. Group 1 just needed the right partner to make it possible.

## The fast-track to virtual payment adoption

Group 1 launched its U.S. Bank Virtual Pay program in 2018, expanding its existing relationship with the bank to include virtual card payments. Building on previous experiences, the team tapped into U.S. Bank Optimization Services to support supplier onboarding and help its suppliers get set up to accept virtual card payments. One of the key strategies Group 1 found successful to encourage card acceptance was updating its terms strategy. The U.S. Bank team shared best practices, and Group 1 decided to take that even further by pushing check payments to 60 days, ACH to 30 days and offering virtual card payments within 7 days. Many suppliers were quick to adopt virtual cards thanks to faster payments. Now Group 1 can pay bills for multiple dealerships to a single supplier without the lengthy process of issuing checks.

With strong internal champions and a collaborative approach between purchasing and accounting, there has been a powerful internal effort to educate all the teams that interact with suppliers. While local dealerships were initially somewhat resistant because they feared pushback from suppliers, the U.S. Bank Optimization Services team helped educate dealerships about the benefits virtual card payments offer their suppliers. These benefits include getting paid much faster, reduced risk of fraud and lost checks, greater processing efficiency and more. U.S. Bank also provided direct support to suppliers throughout the onboarding process, including setting them up with a card processing solution if needed.

“As an accounting function, we don’t usually have an opportunity to add to the bottom line. Most of the time we’re considered overhead. It feels good to substantially contribute revenue to the cause.”

– Danny Bass, Director of Accounting Support Services



## Fueling real results

At the outset of the program, Group 1 set a rebate goal that was quickly surpassed. And the additional benefits quickly added up:



**\$2 million** in rebate in 2019



**Suppliers get paid faster**



**10,000+** checks eliminated



**Reduced postage expense**



**Ability to reallocate** check writing, reviewing, folding and mailing resources



**Eliminated need** to void, reissue and resend or overnight checks



**Easier, faster** reconciliation

“The extent to which this payment integration is embedded in our business and our processes made the relationship we have with U.S. Bank critical to the program’s success. The supplier enablement services they provided and their ongoing investment in making the program work for us was significant.”

– Anne Lewicki, Manager of Treasury Operations

Group 1 directly encouraged suppliers to accept virtual card payments through clear communication of its payment terms. Every check they sent out included a mailer encouraging the supplier to switch and educating them about the benefits. Likewise, Group 1 staff onboarding new suppliers took the time to explain their payment terms and the benefits of accepting virtual cards at the outset. By doing this early in the relationship, even including the terms in the contract, getting new suppliers aligned with electronic payments has been much easier.

According to Danny Bass, director of accounting support services at Group 1, “Our U.S. Bank Virtual Pay program had a really, really good start. It’s been fun watching the CFO rub his hands together about the rebate check. That’s a huge motivation and we still have room to grow it.” In fact, after running a recent Accounts Payable report, Bass found 5,800 suppliers still receiving checks. His team is now working on helping these suppliers see the value in Virtual Pay.

“In the past, we were ordering upwards of 30,000 checks each month. We’ve gone months without ordering check stock. We’ve successfully eliminated more than a third of our monthly check runs.”

– Anne Lewicki, Manager of Treasury Operations

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