TREASURY SERVICES

J.P.Morgan

Case Study: Enhancing Working Capital by Implementing Single-Use Accounts

Client

A multi-national manufacturer with operations in more than 20 countries and annual sales exceeding $7 billion.

Overview

In order to increase Days Payable Outstanding (DPO) and improve working capital management, the company sought to extend payment terms with suppliers. Rather than simply impose new conditions on its vendors, the company partnered with J.P. Morgan to develop a Single-Use Accounts (SUA) program that benefits both parties.

Challenge

- **Low DPO** – Existing payment terms meant that the company was not maximizing its own working capital management.
- **Reluctant vendors** – Mandating extended payment terms without providing alternatives could agitate key suppliers and potentially cause serious cash flow issues.

Solution

Single-Use Accounts is an appealing option for vendors that would rather be paid immediately by accepting funds via credit card. An electronic payables tool that provides customers with the flexibility, float and rebate of a purchasing card, Single-Use Accounts also delivers powerful security, anti-fraud and reconciliation features.

It provides one Visa or MasterCard account for each purchase, with availability of funds limited to an approved amount per account. All transactions are automatically matched back to the client's purchase documents – such as P.O., invoice or receipt – simplifying the reconciliation process.

The win/win proposition is straightforward: suppliers can either accept extended payment terms or choose to be paid immediately via Single-Use Accounts.

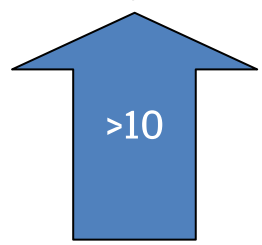
Results

- **Improved DPO and Working Capital Management:** In 2009, Single-Use Accounts and Purchasing Card combined had a positive impact of eight weighted average payment days. The company estimates that since the onset of the program, weighted average payment days has increased >10, which has strengthened working capital significantly.
- **Elevated Card Spend:** Between 2008 and 2009, the company's annual card spend increased 190% with Single-Use Accounts. On a monthly basis, by implementing Single-Use Accounts, overall card volumes increased 350% between 2006 and 2009.
- **Enhanced Vendor Retention:** Since the inception of Single-Use Accounts, not one supplier has left the program due to dissatisfaction.
- **Lower Costs and Increased Security:** Since many Single-Use Accounts payments formerly had been made by check, the company saves printing and postage fees, as well as greatly reduces risks associated with lost, stolen and abandoned checks.

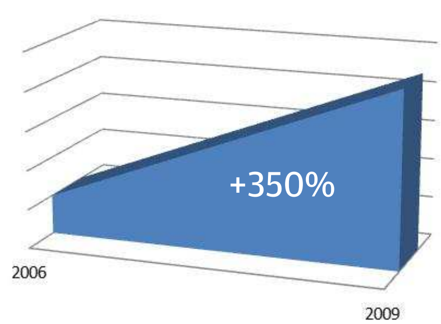
WHAT THE CLIENT SAID:

"The Single-Use Accounts program has made a direct contribution to our bottom line. It has been truly exciting to watch these efforts grow, both in terms of supplier involvement and financial impact."

Weighted Average Payment Days Increase since Card Program Inception



Overall Card Volume Increase



For more information, please contact your J.P. Morgan Treasury Services representative or visit jpmorgan.com/ts.