



U.S. General Services Administration

Federal Acquisition Service

Point-Of-Sale Discounts for SmartPay® Cards

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Objectives:

- Create a constructive dialog with Contractors
- Improve current spend discount accountability process
- Improve transparency of government spending & savings
- Promote the use of Purchase Card in government acquisition
- Promote the use of POS Systems as the purchasing discount-trigger
- Introduce Level 3 Data as the reporting source to the Federal Strategic Sourcing Initiative (FSSI)

Agenda

- Introduction
- Overview of the SmartPay® Program
- Card-based Strategic Sourcing
- POS Discounts; BIN Recognition
- Level 3 Data Reporting
- Value Proposition:
 - Benefits to the Government
 - Benefits to Merchants/Contractors
- Questions/Answers

GSA SmartPay® Program Highlights

- Total FY09 Spend was \$29.7B
- Agencies/organizations received \$255M in refunds in FY09 (net of GSA fees)
- \$943 was spent on the charge cards every second in FY09
- Approximately 3 transactions were made every second in FY09
- Department of Defense was the top agency by program spend in FY09, spending over \$13.6B
- In FY09 agencies/organizations avoided \$1.5B in administrative processing costs, using the GSA SmartPay® Purchase Card*
- Agencies/organizations have received \$1.4B in gross refunds since the start of GSA SmartPay®

GSA SmartPay® Program Statistics

Purchase Cards	FY08	FY09
Spend	\$19.8B	\$19.3B
Transactions	25.5M	21.8M
Cardholders	363K	270K
Travel Cards	FY08	FY09
Spend	\$8.3B	\$8.9B
Transactions	45.7M	45.3M
Cardholders	2.2M	2.2M
Fleet Cards	FY08	FY09
Spend	\$2.5B	\$1.5B
Transactions	29.0M	25.4M
Cardholders	666K	571K
Program Total	FY08	FY09
Spend	\$30.6B	\$29.7B
Transactions	100.2M	92.5M
Cardholders	3.2M	3.1M

Federal Strategic Sourcing Initiative (FSSI)

- Launched in November 2005 by GSA in partnership with the Department of Treasury
- Office of Management and Budget/Office of Federal Procurement Policy Memorandum dated May 2005 required agencies to identify commodities that could be purchased more efficiently through strategic sourcing
- Current FSSI commodity teams include: Express and Ground Domestic Delivery Services, Wireless Telecommunications Expense Management Services and Office Supplies
- Card-Based Strategic Sourcing: a current effort to maximize the FSSI through the use of SmartPay® cards functionality and capabilities

BIN Recognition

- Bank Identification Number or “BIN”: industry term used to describe the first four digits (or “prefix”) in the card number. When extended to six digits, it represents the bank that issued the card and the program type. In the SmartPay® environment, we have 3 issuing banks that service the government BIN’s (Citibank, JPMorgan Chase and US Bank). This is also known as the Issuer Identification Number (IIN) under the existing ISO/IEC 7812
- BIN Recognition: by recognizing the BIN you will be able to “outsort” the government charge card transactions by using the built-in logic of your Point of Sale system in order to apply the price discounts established in your GSA Schedule agreement
- Additional Discounts: merchants are encouraged to provide additional discounts to government cardholders when applicable. *For example, items that are on special sales at a price lower than the Schedule price*

BIN Recognition (Cont'd)

- POS Systems: most proprietary and complex POS Systems (PC or Cash-register based) have BIN recognition capabilities. The BIN numbers can be easily programmed for instant identification
- BIN Recognition is commonly used today in order to identify check cards (“signature debit” vs. PIN-Based debit)
- Some users of “off-the-shelf” systems may not have this capability. *For example, older model terminals may not have enough memory space to support the additional data elements required for L3*
- The GSA SmartPay® Program BIN's are:
 - **Visa®:** **4614, 4716 and 4486**
 - **MasterCard®** **5565 and 5568**

Purchase Cards

- Purchasing Cards (P-cards) are a special type of charge card. These cards and their transaction reporting process includes more features, capabilities, and controls than standard consumer credit or charge cards.
- SmartPay® Purchase Cards were created with the same capabilities and functionality of “Commercial P-Cards” in order to process government routine purchases of commercial products and services

Level-3 Data

- Level-3 Data: is an “electronic invoice” with line-item details. It defines "what" is being purchased, combines that information with the payment transaction and delivers it seamlessly and electronically to the issuer.
- Level-3 line item detail provides data elements such as a description of the product, quantity, unit-of-measure, price, price discount applied and sales tax information when applicable
- This data elements are combined with basic transaction information such as the merchant establishment information and cardholder information.
- Level-3 information contrasts with the basic data that appears on a Level-1 consumer credit card statement (transaction date, dollar amount, merchant name, and city/state).

Value Proposition

➤ **Government:**

1. Accountability & Transparency: Card processing data facilitates accountability in procurement and detects waste, fraud and abuse
2. Cost avoidance: processing charge card transactions costs less than the traditional Purchase Orders (PO's) systems
3. Leveraging the card for Strategic Sourcing: card provides a fast, efficient and transparent acquisition pipeline to government cardholders; it provides more data to analyze, evaluate and assist in the continuous improvement of the process
4. Refunds: every time the card is used in acquisition, agencies are refunded part of the bank interchange fee

Value Proposition

➤ Merchants:

1. **Faster funding:** Improves profitability by reducing payment time from 30-60 days on an invoice to 2-3 days for electronic payment. Faster payments reduce your cost of floating funds until payments are received
2. **Savings** – MasterCard and Visa have created special rates to support Purchase Card programs reducing the merchant transaction costs (Interchange) if Level-3 line item detail information is transmitted with the card payment file. By providing Level-3 data, a supplier may reduce their credit card processing fees – often by 30% to 40%.
3. **Success stories:** will be published in the SmartPay Website, the SmartPay Newsletter, and during the SmartPay® Annual Conference
4. **Sales increase potential:** resulting from increased access to government cardholders for routine and larger purchases

GSA Future Steps/Opportunities

- Requirement of Government BIN Recognition and price discount applied at the Point of Sale by merchants
- Requirement that Schedule price discounts be reported via Level 3 data regardless of the method of sales (Card-Present, Card-Not-Present or Electronic commerce)
- Establishment of a Level 3 data reporting format for merchants
- Agency strengthen role of cards as control mechanism
- Participation on future Schedule and BPA's "Industry Days" in order to increase industry and internal awareness
- GSA OCCM is engaged in discussions on how to improve office supplies acquisition and is seeking agency/organization input

Definitions and Terms

- **BIN (Bank ID Number)**: industry term to describe the first series of numbers on the card. It represents the bank that issued the card. In the SmartPay® environment, we have 3 issuing banks that service the government BIN's
- **Point of Sales**: is the location where a transaction occurs. This term has evolved from a face-to-face environment, into electronic commerce and other card-not-present checkout “point”
- **Level 3 Data**: line-item details that describe the purchase and combines that information with payment transaction. It is electronically delivered to the issuing bank via the payment networks. Level-3 line item detail contains an item description, quantity, unit-of-measure, price, discounts applied and sales tax information in addition to the merchant establishment information and cardholder information
- **Strategic Sourcing**: institutional procurement process that continuously improves and re-evaluates the purchasing activities

Questions????

Thanks for your attention and
participation!!!

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