

KHS Bicycles: ACH Debit Payments Enhance Customer Service and Build Loyalty

BACKGROUND

About KHS Bicycles

KHS Bicycles was founded in 1974 with a mission to design, manufacture and distribute moderately priced and high-quality bicycles and accessories. KHS now has \$30 million in annual revenue with distribution to more than 2,700 retailers in more than 30 countries worldwide. Many of their retail customers are small (“mom and pop”) and mid-sized businesses. KHS believes in respect and dedication to what it refers to as the “Iron Triangle,” represented by the manufacturer, its customers and suppliers.

About Bicycle Brokers

With about \$500,000 in annual revenue, Bicycle Brokers is an online resale company based in Marietta, Georgia, that offers bike accessories as well as the components and parts necessary to build and repair bicycles. KHS Bicycles is one of Bicycle Brokers’ suppliers.

Challenge: Simplify Payments

Small business owners wear many hats and can struggle with payables management. Prior to offering ACH as a payment option, retailers paid KHS by check or credit card and international customers paid by wire. Notably, many U.S. customers paid KHS through Cash on Delivery (COD).

According to Wayne D. Gray, vice president with KHS Bicycles, COD presents many challenges for these same customers, including:

- Waiting around for the delivery driver
- Interrupting business flow when delivery driver appears to collect payment
- Paying additional fees for COD services
- Having cash or a check on hand
- Risking delaying shipments to the small business customer due to a disconnect with the delivery driver

While check payments are easier than COD by comparison, small business owners grapple with making on time payments. “The smaller shops get busy and

intend to pay, but can forget,” explains Gray. Late payments can result in penalties. And paying by credit card may not be an option for these customers due to encumbered credit histories that many smaller/startup businesses confront.

With the need for a better option, customers then began calling KHS Bicycles and asking about ACH payments, indicating that they preferred a simpler, more automated way of paying for their orders. In fact, customer Richard Heaver, owner of online reseller Bicycle Brokers, points to a need for effortless payments. “I want the convenience of not having to write checks, and I don’t want to worry about a late payment and all of the related penalties.”

“Our goal is to offer the best customer service to our customers, and ACH helped us do that. We offer ACH payments because it makes our customers happy; they appreciate the service.”

Wayne D. Gray, Vice President,
KHS Bicycles

Solution: Offer an ACH Payment Option and Incentive

In response to customer requests, KHS Bicycles now offers customers an option to pay via ACH.

Customers simply fill out a form to provide their routing and banking account number, and KHS Bicycles then instructs its bank to debit the customer's account according to the purchase agreement with the customer. As a best practice, KHS Bicycles calls the customer in advance of initiating the debit payment instruction.

In an ACH debit payment, funds are "pulled" from the customer's account. This method is also known as "Direct Payment via ACH," and is a popular payment option that is convenient and saves costs compared to other options. Furthermore, to entice customers to allow their accounts to be debited via ACH, KHS Bicycles offers a 1% to 2% discount depending on the timing of the payment relative to the due date. This incentive allows KHS Bicycles to improve customer service by both lowering their customers' payment costs and helping them better manage their payments. ACH also saves costs for KHS compared to credit card payments, and the credit department is very happy with the one-to-two-day settlement for ACH compared to five to nine days for check mailing and clearing.

While Heaver didn't know much about ACH, he had a long-term and trusted relationship with KHS Bicycles, and was happy to take advantage of the discount for something that simplified his own accounts payable process.

"With the discount incentive, signing up for ACH was a no-brainer. KHS Bicycles saves money, and some of that savings is passed on to me as the buyer. Not all suppliers offer this option, but they should."

Results: Happier, Loyal Customers

For KHS Bicycles, the main goal was to be responsive to customers and offer strong customer service. Their cost savings and payables becoming more efficient were an added bonus.

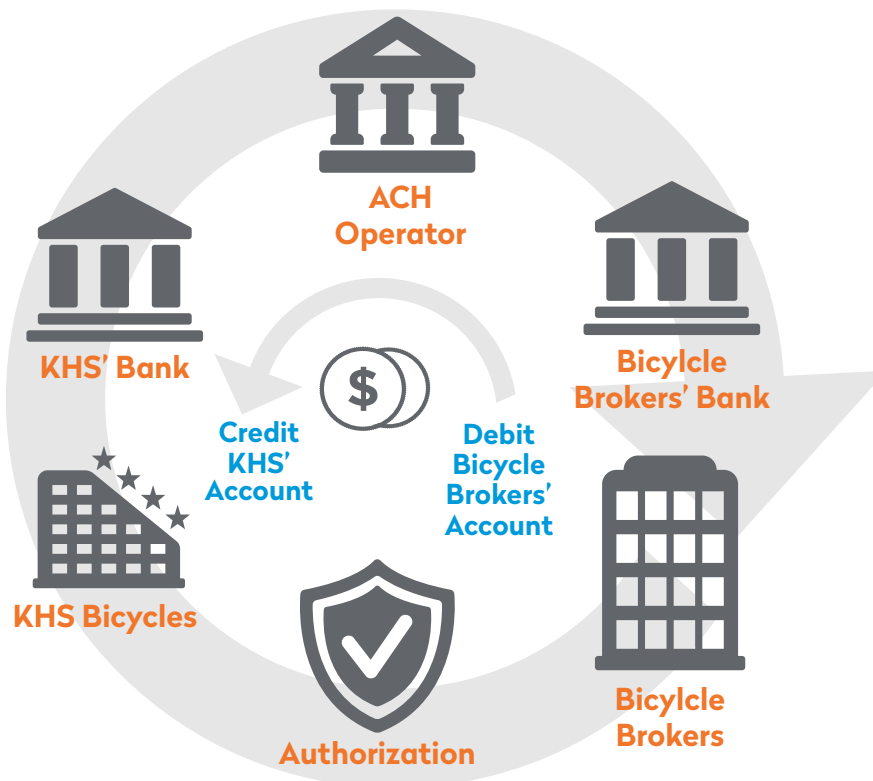
"Our goal is to offer the best customer service to our customers and ACH helped us do that," said Gray. "We offer ACH payments because it makes our customers happy; they appreciate the service."

Heaver agrees, "My advice to other businesses is to ask if their suppliers and vendors offer ACH."



Direct Payment (debit) via ACH

Easy • Convenient • Low Cost • Secure



For more information on how to leverage ACH for your business, visit electronicpayments.org.