

Optimizing Accounts Payable

The Toro Company's new approach to supplier payments

The Toro Company at a glance

- Makes lawn, turf, snow and underground utility products, and more
- Based in Bloomfield, MN
- Presence in more than 125 countries

For more than a century, the Toro Company's focus on craftsmanship has made it a global leader in turf and landscape maintenance. Toro's finance team has worked with Bank of America for more than 10 years to help trim unnecessary costs and inefficient processes from its working capital management.

They began by changing payment terms to better compete with their peers. Next, they became a supply chain finance trailblazer, launching their first program in 2008 to help eligible suppliers stay financially healthy during the recession.

Now, the company is pioneering the use of Accounts Payable Optimization, with help from Bank of America. The new, data-driven solution helps them streamline accounts payable by identifying the best payment method — card, ACH or supply chain finance (SCF) — for every single supplier.

Here's how they made it happen.

A new approach to supplier payments

"We first learned about AP Optimization in 2017," says Deb Dyson, Toro's senior manager of treasury operations. "Right away, the BofA team helped us understand the potential benefits — efficiency, cost savings, healthier supplier relationships — and how they aligned with our working capital strategy. And with thousands of suppliers globally, our opportunity was significant."

Dyson and the bank team began collaborating with the rest of Toro's cross-functional working capital team — comprising procurement, treasury, accounts payable and IT — about using AP Optimization to take their procure-to-pay process to the next level. They decided on four goals:

- Standardizing payment terms, policies, processes and cycles across the entire company

- Implementing a data-driven and strategic approach to supplier segmentation
- Offering SCF and card to more vendors
- Introducing new electronic solutions — such as virtual card — for suppliers who aren't a good fit for SCF

They saw that AP Optimization could help them accomplish all of these goals by creating a single "toolkit" of integrated payment options covering every type of spend and supplier.

How does AP Optimization streamline payables?

- You send BofA your spend file
- We recommend whether to pay each supplier via card, ACH or supply chain finance (SCF)
- We provide a toolkit that integrates these payment options
- We help your suppliers to enroll

Gaining stakeholder buy-in

Dyson and the Toro team recognized early on that AP Optimization would require executive sponsorship. They asked BofA to analyze their existing spend and divide suppliers into groups that showed the optimal payment method to target. The bank's analysis also estimated the financial value of optimizing this mix by enrolling them in the AP Optimization toolkit.

"We presented BofA's analysis to senior finance management and explained why we thought it was a good idea to move forward," Dyson recalls. "There were questions about the need for so many payment options. But when we showed how the process brings everything together into one holistic solution, we were given the support to move forward."

Once Toro's senior management gave the go-ahead, they began preparing their internal stakeholders — accounts payable, sourcing and IT — who would be tasked with creating

Toro's payments toolkit: Many options working together

Supply Chain Finance Strategic international and domestic suppliers

Virtual Payables Invoiced spend for U.S. and Canada

Purchasing card Non-invoiced spend/lower dollar

ACH and wire Direct debits/immediate payments



the AP Optimization infrastructure. The Toro treasury team, with the guidance of BofA's SCF product sales team, trained sourcing staff on how to address supplier questions and secured IT resources for coding and file creation. Then it was time to get things up and running.

Implementing AP Optimization

Toro kicked off the implementation by upgrading its SCF program and reaching out to a larger group of suppliers about enrolling in SCF for the first time. "A lot of these suppliers weren't familiar with the nuances of SCF. So we spent a lot of time with the bank team reaching out to educate them," says Dyson. "The BofA team was instrumental in explaining the benefits."

At the same time, Toro began preparing its first virtual card program and encouraging vendors to enroll. They started with a pilot before fully launching virtual card, ensuring that their technical infrastructure and supplier messaging were ready. After a few refinements, they went live with two waves of outreach targeting up to 300 suppliers at a time, with key support from BofA. "There's a perception that many suppliers are unwilling to accept payment via virtual card," Dyson counsels. "But when they learn that they can get paid faster, that can be a powerful negotiating lever."

Supply chain finance (SCF) can help suppliers lower financing costs and get paid faster.

[Learn how >](#)

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Achieving lasting benefits

The Toro working capital team is continuing to use AP Optimization to extend its legacy of innovation and excellence. They've improved Days Payable Outstanding (DPO) by more than 30% by optimizing their payment mix and standardizing policies and terms. They've grown their SCF program by 30% and are well on track to reaching their virtual card goals in the first year.

Toro has found that introducing the toolkit is a great way to start conversations with suppliers. Through dialogue — together with the BofA team — they've been able to create benefits that strengthen both sides and deepen these crucial relationships. They are showing suppliers they want to work together and keep the supply chain flowing over the long term.

Dyson concludes: "AP Optimization has become more than just a project. It's evolved into our standard payables process, and the normal way we negotiate with vendors today. We've gone from viewing payments as an 'output' to seeing them as crucial to optimizing our overall working capital."

Toro's learnings

- Get management buy-in by quantifying the value and articulating how it works
- Foster treasury, sourcing and accounts payable collaboration
- Implement in phases and track progress
- Engage suppliers' finance people instead of account managers
- Count on the BofA team for expertise and guidance