



Is 99% electronic pay achievable? Costco achieved it in under a year.

The Situation

Plagued by payroll disruptions outside their control, Costco began exploring ways to deliver pay on time, every time to their more than 100,000 employees. While direct deposit was available at Costco, more than 17,000 of their employees were still receiving biweekly paper checks. Many of these employees were unable to participate in direct deposit because they lacked banking relationships. Costco needed to offer an electronic pay solution that employees without bank accounts could embrace.

The Solution

In October 2009, working closely with FSV Payment Systems, Costco introduced payroll cards as the preferred method to pay employees without bank accounts. With a goal of 100% participation in their sights, Costco aggressively promoted electronic pay, either to a bank account or pay card, as the default distribution method for payroll. (Employees in states that prohibit mandated electronic pay could decline both options in favor of paper checks.) During the on-boarding process, pay cards and direct deposit to the employees' traditional bank account were presented as the preferred payment choices for new hires. This approach, combined with a compelling pay card offering and effective marketing of electronic pay, resulted in 99% participation in electronic pay within one year of the pay card launch.

Now that Costco has eliminated the vast majority of their paper checks, they can begin implementing electronic wage statements for an estimated \$3 million annual savings.

About Costco

Costco Wholesale Corporation ("Costco") is one of the largest retailers in the United States and operates more than 625 warehouses worldwide.

Program Results

(U.S. only)	2009	2014
Electronic Pay	82%	99%
Checks	17,000	213
Direct Deposit:	76,000	123,740
Pay Cards	0	6,414
Estimated Annual Savings: \$80,000		

The Tipping Point

Already frustrated by occasional printer malfunctions along with lost or delayed paycheck shipments, the final straw for Costco was a severe ice storm that disrupted paychecks scheduled for Christmas Eve delivery. Paychecks destined for 30 Costco locations were left stranded in third-party overnight delivery trucks for weeks.

"For a company like ours that prides itself on taking care of our employees, the situation over the holidays was intolerable, but no matter how desperately you want to do the right thing, you can't expect to distribute pay to every employee in every circumstance without pay cards."

- Kathy Kearney, AVP of Payroll at Costco

Program Implementation

With buy-in from senior leadership, Costco's payroll department led the effort to convert to electronic pay, working closely with FSV to design and implement a custom pay card program to meet business objectives.

Educating Key Stakeholders

Beginning with payroll clerks and warehouse managers, Costco employed a highly-effective marketing and educational strategy to educate employees on the advantages of electronic pay, such as less administrative time spent on lost checks and the value of the pay card option. With support from FSV, Costco delivered online training in each of its regions to the payroll clerks who were most influential in promoting the success of the program. They were even encouraged to try out the product for themselves, turning participating payroll clerks into the program's most influential advocates.

Keys to Program Success

- Committed project team with senior leader support
- Strong working relationship with FSV Payment Systems
- Payroll clerks at each location using the card to develop familiarity
- Aggressive implementation
- Effective training to key stakeholders and employees
- Integrated marketing campaign

Marketing to Employees

The extensive, integrated marketing plan positioned the sign-up process for electronic pay – whether to a bank account or pay card – like a health benefits “open enrollment” campaign. Marketing materials emphasized key benefits of a pay card.

- Quick, convenient, access to pay without a fee
- Ability to make purchases or pay bills wherever Visa debit cards are accepted
- Available to all employees without a credit check
- Access to pay without check cashing fees and hassles
- No need to carry large sums of cash
- Opportunity to support Costco's green initiatives

Campaign awareness was promoted at each location by managers, payroll clerks and posters in break rooms. Managers showed employees a training DVD on the advantages and use of pay cards and hosted Q&A sessions. Managers also provided handouts and wallet cards explaining key features, benefits and important usage tips.

“We were fortunate to have great partners in FSV and Visa to provide the support we needed to ensure the program’s success,” said Mark Siegel, Costco’s Payroll Director. “FSV furnished a well-established, effective marketing plan and a consultative approach that helped us with the implementation process and compliance issues, and the Visa name was a great selling point with our employees.”



Future Plans

Costco continues its strong advocacy for electronic pay and frequently reviews adoption rates and usage statistics to confirm high electronic pay participation. The company is in the process of implementing electronic wage statements, which will save another \$3 million annually. They have also begun exploring the advantages of alternate pay card uses, like off cycle wage adjustments and termination pay (where allowed by law), which would deliver additional cost savings and productivity gains.



Would you like to exceed your electronic pay goals and drive employee satisfaction at the same time?

Contact FSV at 800.881.1945, visit www.fsvps.com or email sales@fsvps.com.