

Case study: Express Gifts

Achieving a 15%
improvement in bad debt



Express Gifts

Express Gifts, part of Findel plc Group (www.findel.co.uk), is a home shopping/mail order business, with over 1.3 million active customers.



"Financial payback is the key driver for boards. We want to know that the IT solutions we are investing in will make life easier for the staff using them – and deliver a tangible and demonstrable return on investment.

Implementing a credit management system is a big investment and needs commitment from all involved departments. Buy-in from Express Gifts' internal IT department and from customer services was imperative.

The value to the business is clear in the improvement in results, and the added benefit is that our customers now receive better service."
Nasser Malik, Financial Services Director at Express Gifts.

Challenge

Express Gifts is a successful home shopping business selling a wide range of products including electrical, gardening and household items via mail order catalogues and various websites, such as www.24studio.co.uk and www.24ace.co.uk.

It has a simple but effective business model: extend credit and financial services to aspirational customers – and offer extended terms for repayment, similar to credit cards.

Customers can pay any amount from the minimum to the full balance, using a variety of methods including credit / debit cards, cheques, via post offices and banks, and direct debit.

A robust collections process is essential in catching customers before they fall too far into arrears – and rehabilitating them so they can continue buying.

When Nasser Malik joined Express Gifts as Financial Services Director the company was growing very quickly and he immediately undertook a review of the internal collections procedures. Express Gifts had been using a collections system developed in-house, but it soon became clear that a specialist collections system was needed to handle the increasing number of customers in arrears.

As a mainframe based business it was not the norm to buy in a packaged solution so Nasser had to build a business case to convince the board as well as the IT team of the value of a specialist collections system versus proprietary software.

A thorough review of the leading debt management software suppliers was carried out.

Tallyman was selected for a number of reasons, including its ability to segment customers in arrears, enabling more customised and strategic communications. It could also be configured to accommodate and integrate with existing processes, an important consideration for Express Gifts' IT and Operational departments.

Benefits

- Over 15% reduction in bad debt
- Staff efficiencies through increased automation
- Increased customer retention
- Improved roll rates of debtors
- Improved internal processes
- Improved monitoring and measurement of team/individual performance
- Improved business intelligence
- Enhanced allocation and effective management of debt to external collection agencies

Tallyman is now used to manage around 340,000 customers in arrears with an average debt of about £250.

All customer details are stored on the mainframe system. When a customer falls behind on a payment their details are copied to Tallyman. The customer is then automatically segmented into a high, medium or low risk category based on factors including:

- Trading age of a customer (a customer of 5 years is treated differently to one of 5 weeks)
- Information from scorecards developed with external bureaux
- Previous delinquency history

A variety of methods are used to contact customers in arrears depending on their segmentation. For example, high-risk customers are automatically contacted by phone; while lower risk customers might be left to self-cure or sent a gentle reminder letter.

There are a number of stages for a customer in arrears with each getting progressively tougher. Their effectiveness is constantly measured and improved through Champion/Challenger assessments. The content of letters and phone scripts held on Tallyman are routinely reviewed and changes in customer behaviour measured and acted upon.

Tallyman is now the main reference for managing any customers in arrears. The system is integrated with all other customer management systems used by Express Gifts, ensuring that customers in arrears are not offered new credit limits. Information from the DCAs used is uploaded every week into Tallyman.

Express Gifts also use a predictive dialer, which interfaces with Tallyman, to further improve the productivity of the collections team.

The results

Tallyman delivered a 15% improvement in bad debt and ROI within 12 months.

Furthermore, the system has enabled a more flexible approach to customer relationships, resulting in increased customer retention; and improved internal processes.

Express Gifts now has a more automated, functional and intuitive system for managing debt and, as time has passed, Tallyman has been able to fully support changing and evolving business requirements.