

M&S Money Collections Initiative

M&S Money leadership recognized that significant potential existed in improving the efficiency and effectiveness of its Collections operation. Like many long-standing financial service companies, collections had been done almost informally, but as the organization grew, the existing practices needed to be updated and refined.

Chief Operating Officer Eddie Nott championed a multi-faceted initiative to overhaul collections processes. It began with a simple goal: “We focused on the amount of money each collections agent was able to recover per hour,” explains Mark Delahunty, M&SM Manager of Credit Services. Delahunty and the collections team set out with the aim of a 50% increase in money collected each hour—which was viewed as a significant stretch goal.

Looking at the existing practices in the collections process, and benchmarking against other financial service firms, M&S Money’s discovered that agents’ were saddled with a variety of administrative tasks and other responsibilities that limited their time to make calls. So a key first step was to refocus the agents’ efforts and boost the total time devoted to outbound calls from 200 hours to over 1000 hours per week. That kind of increase required some big changes in operating approach and people management, including:

- Separating the collections team into distinct inbound and outbound groups
- Reviewing and improve shift and dialer patterns
- Implementing robust agent scorecards to support performance management
- Linking financial incentives to recovery income
- Accessing the Management Information to enable prioritization of all administrative tasks

These steps, implemented with guidance from M&S Money’s Six Sigma “Master Black Belts,” actually led to a 65% increase in collections per agent hour. Of these first projects and improvements, Delahunty praised the guiding hand of Six Sigma stating that it had, “ensured that quality decisions have been taken in driving the department forward.”

While greater efficiency and focus was part of the answer to improving collections, it was also important to refine how agents dealt with customers—who, after all, are the subjects of the effort and who’s loyalty to Marks & Spencer is important to maintain.

Having addressed the “core” part of the collections effort from a customer, process and people perspective, the effort continued by looking “upstream”, focused on 3 specific areas:

1. Reschedules – offering longer term solutions to our customers to help them rehabilitate. This had a direct impact on the P&L as well as helping customers to resolve their debt problems, as accounts on a rescheduled loan are taken out of delinquency.
2. Late debt management – all accounts 90 days past due and greater were previously sent out to debt collection agencies who charged fees of 11%. A DMADV approach was taken to set up an internal team to start handling this late debt. A ‘champion challenger’ was used to compare performance of the newly formed internal team to the agencies. Results showed that the internal team performed 30% better than the agencies at the same time as cutting costs. Full roll out was completed after 3 months.
3. Account support – all back office processes are being assessed based on i) potential for recovery ii) potential for reducing costs of operation. Workloads have been prioritized and re-assigned leading to a 75% decrease in backlogs.

This has turned out to be only one of many successful initiatives at Marks and Spencer Money.