

# Case Study: DELINQUENCY MANAGEMENT



*Expense management insight  
from Diners Club® helps shrink  
write-offs by 90 percent*

## **With Delinquencies Rising, A Leading Technology Solutions Provider Turned to Diners Club® for Guidance In Identifying the Cause and Finding the Cure**

### **SITUATION**

Several years ago, when this technology solutions provider implemented a Diners Club program, the goal was to consolidate travel and entertainment spending and maximize savings. Clear communication encouraged employees to use the card for travel-related expenses, and the company successfully gained support for the Diners Club program among its 3,300 field employees who deliver service to clients. So when credit indicators sagged, the vice president for the company's financial operations center and a senior Diners Club relationship manager assembled a team to identify opportunities to reduce delinquencies.

To manage spending from within, the company uses Global Vision® to track and report on expenses. However, its external force of mobile sales and service workers who help clients reduce costs had lost sight of their impact on the company's own costs. Meticulous management of corporate travel and entertainment expenses has always been a top priority for managers, but the company needed ways to make it the number one priority for their people in the field as well.

The team pinpointed several factors that contributed to the rising rate of delinquencies. A large number of the company's cardmembers in the field were technicians – highly skilled technically but less so in terms of managing Diners Club charges. They did not consistently apply reimbursement checks toward the payment of their corporate card bills and often used the card for personal expenses. The company's manual expense reporting process made it easy for workers to put off submitting expense reports and fall further behind in the payment of their card bills. The company did have a card policy in place, with penalties for mismanagement, but did not enforce the policy uniformly and compliance was low.

### **SOLUTION**

With help from its Diners Club business service representative and experts from several other areas of Diners Club, including corporate credit and finance, the company began tackling the problem.

To tighten corporate policy and improve performance, the company began establishing a clear corporate expense policy with an emphasis on the employee's responsibility for keeping accounts current. Failure to



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do so would lead to clear-cut action: an investigation into the delinquency with card suspension as early as 60 days past due and cancellation at 120 days.

To put muscle behind the policy, the company made each business unit responsible for delinquencies among its own staff, with losses directly applied to the unit's bottom line. A newly appointed finance specialist became the Global Vision® expert, using the online tool to monitor and report on employee charge activity and the aging profiles for past-due bill payments.

The company used the information from Global Vision to support a communication program with notification letters and reports that flowed from the top down. Employees were issued written warnings, and their managers, the unit directors and even the executive committee received notice of all employees with delinquent accounts, regardless of the size of the balance. Managers received training on how to act upon the information communicated and produce employee action.

To speed payments, the company implemented an automated expense reporting system and required that employees submit reports within two weeks of incurring expenses. Direct payment of approved charges to Diners Club eliminated the potential for staff to use reimbursement checks for other purposes.

Working with Diners Club, the company developed and instituted a regular review of accounts for existing cards and a review process to precede the issuance of new cards. This included establishing spending limitations and channel blocks based on the results of the review. Changes to the termination procedures now ensure immediate cancellation of the corporate card when an employee leaves the company.

### RESULT

This new direction in delinquency management led to excellent results, with a tremendous 90 percent reduction in write-offs. By implementing new policies consistently, constantly and fairly the company reaped tremendous rewards.

The changes extended beyond the reduction in write-offs. Automating expense reporting, paying Diners Club directly for approved charges to the card and using electronic funds transfer have reduced the portion of expense reports paid with a reimbursement check from 100 percent to 20 percent. This has significantly slashed processing costs and freed up employee time for more customer-serving activities.

The culture within the company has undergone a change as well. The communication program has fostered a greater sense of accountability among all employees, opened company-wide dialogue and encouraged the company's finance group and its business managers to work together to enforce policies. Making greater use of the reports within Global Vision is raising the value that the company places on using information to manage more proactively. With this insight into expense activity, the company is also able to reduce its exposure to financial risk and focus on being the best service company possible.

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