

## Case Study:

### Specialty Clothing Manufacturer Uses Receivables Outsourcing to Train Customers to Pay on Time

**Solution Results in \$76,000 Improvement in Cash Flow and \$32,000 Reduction in Staffing Costs**



Helly Hansen has a tradition of taking something good and finding a way of making it better.

Founded in 1877 to provide Norwegian fisherman with waterproof garments, today Helly Hansen Worldwide sets the industry standard for survival, work, and sport clothing.

#### Brief Synopsis of the Case Study

*Helly Hansen Worldwide:* Survival, work and sport wear manufacturer selling in 40+ countries

*Scenario:* Consolidation of N. American back office operations

*Challenges:* More accounts/less staff; Seasonal sales fluctuations; Improve focus on collections; Reduce DSO slippage

*SoftCall® Solution:* Experienced collections staff – available as needed; collection process and tools to ensure results

*Results:*

- \$3.2 million placed – 78.82% Resolution Rate
- DSO reduction – 4 days in 1st 4 months of project
- Cost Savings – \$32,960/annually
- Cash Flow Improvement – \$76,293/annually

*Additional Benefits:* Total transparency; focus on customer relations and service

#### Consolidation Creates Challenges

Helly Hansen has been selling in North America as Helly Hansen Pro US and Helly Hansen Canada since 1960. In April 2007, a consolidation of back office operations raised a number of challenges for Scott Sutherland, newly named Director of Finance for North America (US & Canada).

By taking a forward-looking approach, Sutherland was able to establish a more effective receivable management process, improve cash flow – and realize significant cost savings for his operation.

Helly Hansen's wholesale operation in North America handles roughly 2,000 accounts serviced out of 2 offices with 50 employees. Together they manage a multi-million dollar portfolio.

Initially, the US and Canada had separate finance teams with Sutherland heading up the US group. With the consolidation, Sutherland assumed responsibility for the entire North American operation.

***Job one: form a single support team to handle A/R, A/P, credit, and collections for Helly Hansen North America – and do it while reducing staff by 25%.***

## Three Challenges

Sutherland faced three related challenges:

### *Handling an increase in accounts with fewer staff*

Driving the consolidation was Helly Hansen's need to leverage its investment and provide consistent treatment of its customers across North America.

Maintaining the high level of service their business depends upon with less staff raised concerns – particularly given the industry's seasonal spikes in sales.

### *Need for dedicated FTE on the collections task*

“As we concentrated on other procedural changes,” said Sutherland, “collections took a back seat. We just couldn't give it the level of attention required to get the results we needed.”

### *Stop DSO Slippage*

Linked to the need to focus on collections, Helly Hansen also had to address a post-consolidation increase in DSO from 49 to 60 days.

### *Helly Hansen was unable to meet these challenges due to:*

- Lack of skilled staff during the “busy” season. Temps proved ineffective, and costly in terms of resources invested in training and management.
- Lack of a collection process and tools to achieve desired results, particularly in terms of DSO.

## Why ABC-Amega?

Looking for a solution yielding long-term improvement, Sutherland decided to consider a 1st party collections service. The search began for a provider whose philosophy matched Helly Hansen's customer centric approach.

According to Sutherland, the majority of providers offer a hard-handed approach that didn't fit the Helly Hansen culture.

“Far and away, ABC-Amega separated itself from their competitors on this point. Other providers promised an aggressive, hard collections approach that treated our accounts like balances to be collected rather than customers to be retained. In our industry, we understand the seasonal fluctuations our customers deal with and want to reflect that in terms of our collection process.”

Sutherland found ABC-Amega's approach a good fit. “They have a commitment to service. And their associates understand that their underlying goal is to maintain a strong relationship between Helly Hansen and its customers.”

ABC-Amega's SoftCall® solution also offered Helly Hansen:

- a scalable staffing model comprised of well-trained, experienced collection associates;
- a software system-driven process built on well-defined collection procedures;
- a reporting tool that documents the collection process and assesses performance.

## Direct Cost Savings of SoftCall®

Prior to making a decision, Helly Hansen performed an ROI Analysis comparing costs of performing functions internally with the costs of outsourcing them to ABC-Amega's SoftCall® service.

The analysis showed that SoftCall® would deliver direct cost savings of \$32,960.

Client Name: XYZ Inc.	
Annual Cost of Internal Staff	\$ 68,360
<b>Salary &amp; Benefits:</b>	
Number of Internal FTEs	1
Rate per Year	\$ 19,24
Wages per week	\$ 40
Weekly Pay Per FTE (w/ health & other per week)	\$ 770
Overhead (insurance, other)	82%
<b>Total Annual Direct Personnel Cost:</b>	<b>\$ 68,360</b>
<b>Operational Costs:</b>	
Telephone (per month)	\$ 200
Supplies (per month)	\$ 200
Depreciation & Amortization	\$ -
Supplies (per month)	\$ 80
IT Support (per month)	\$ 80
Office Supplies (per month)	\$ 10
Facilities Cost	\$ -
<b>Total Annual Operational Cost:</b>	<b>\$ 7,330</b>
Recruitment / Training Costs	\$ 400
<b>Total Other Costs:</b>	<b>\$ 980</b>
<b>Annual Cost of ABC-Amega SoftCall Program</b>	<b>\$ 35,400</b>
Monthly Management Fee Question	\$ -
<b>Direct Cost Savings from SoftCall®</b>	<b>\$32,960</b>

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Another benefit of SoftCall® that was a plus for Helly Hansen – they would be able to redeploy current collections staff to other financial functions.

Helly Hansen's conclusion? ABC-Amega's SoftCall® solution had the whole package:

- a service based, customer-centric collections philosophy

- a proven record for reducing DSO and improving cash flow
- significant cost savings

Helly Hansen engaged SoftCall® on a trial basis to handle collections for its Pro US work wear division based in Auburn, Washington. Since April 2007, more than \$3.2 million has been placed – with a resolution rate of 78.82%.

### Here's how SoftCall® met Helly Hansen's challenges

#### Reduction in Internal Staffing Levels and Seasonal Fluctuations

With a 25% decrease in Helly Hansen finance staff – and less than half focused on receivable management, ABC-Amega provided the additional FTEs needed to support collections.

Helly Hansen receives 70% of its revenue in a 3-month period. SoftCall® staff, trained and ready during these peak times, provided a smooth collections ramp-up – eliminating loss of time and focus seen when training temps.

#### Need for Focus on Collections

Unlike internal staff that handle a number of responsibilities, SoftCall® staff provided FTEs solely dedicated to collection follow-up.

#### DSO Slippage

In spite of a good paying customer base, the work wear division experienced a slip in DSO from 49 to 60 days following the consolidation. In just 4

## ABC-Amega Delivers on Transparency

months, ABC-Amega was able to reduce DSO to 56 days.

“I realized that part of the DSO slip was because we had no specific treatment plan in place,” said Sutherland. “We were waiting until an account was way past due, then calling the customer and asking what happened. Because they are dedicated to the process, SoftCall® staff call before the invoice comes due – much sooner than my team could ever have done. We just didn’t have the systems or staff in-house to perform at that level.”

Soft Call® also helped Helly Hansen identify payment issues and resolve open credit items and balances.

### Delivering on Transparency

Sutherland reports, “Results have been great. I’m very happy with how SoftCall® is running. Transparency was a real concern when we decided to go with an outside provider, and ABC-Amega

stepped up to the plate big time. The greatest compliment that I could pay the company is that no one noticed any change in how our customers were being serviced. To this day, I haven’t received one complaint. We’ve been

*“One of the things that helps me sleep at night,” said Sutherland, “is knowing that with SoftCall® our customers are getting a phone call within 7 days of an invoice becoming due.”*

able to implement the whole process relatively unnoticed – thanks to ABC-Amega.”

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### ABC-Amega and SoftCall®

Headquartered in Buffalo, New York, ABC-Amega Inc. has been providing receivable management services for business-to-business clients around the world since 1929.

Focused on results and client satisfaction, ABC-Amega’s goal is to become an extension of our clients’ overall business strategy.

ABC-Amega’s SoftCall® Accounts Receivable Outsourcing service ensures consistent customer service follow-up on every account through customizable treatment plans and jointly developed Service Level Agreements. The results are better control of the receivable process, improved cash flow, decreased DSO and reduced costs.