

THE GENDREAU GROUP REVENUE STRATEGISTS

Delivering revenues, not just strategies, to companies worldwide since 1989.



We are **REVENUE STRATEGISTS**.

We help clients maximize revenues and increase the value of their businesses.

We specialize in:

- Partner and channel strategies that maximize revenues and reach
- Finding untapped revenues by repurposing existing products and technologies
- Revenue Strategies to help clients prepare for merger, sale, or acquisitions

Our clients are high tech and services firms located in the US and abroad.

We have been in business since 1989.

We are located in the San Diego area.

Escalating Bad Debt Created a Revenue Protection Crisis

US WEST's Home and Personal Services Division was shocked to see its net bad debt expense spike to \$141M, significantly higher than the \$67M that had been forecast and reported to regulators. The Gendreau Group was brought in to understand why US WEST had not properly forecast its net bad debt.

Root cause analysis uncovered the problem. Our investigations revealed that 7% of telephone lines activated within a 12 month period had been flagged for non-payment within 90 days of activation – *an 80% increase over the previous period!* Additionally, \$120M of the \$141M debt was attributable to accounts active for six months or less. We recognized this was an abnormal pattern for Regional Bell Operating Companies (RBOCs). Additionally, our analysis showed an unusual correlation among service address, name, and the number of times debt write-off had occurred at a particular service address.

After digging still further, we found the root cause. Because company systems and departments could not share account information effectively, a segment of "creative" customers found they could default on their account obligations, let their service be disconnected, then call the company using a different or bogus name, and have new service established at the same address without the company ever suspecting a thing. This situation created and perpetuated a fraud cycle, with some subscribers defrauding the company several times over a six to twelve month period.

The Gendreau Group opened the door to new telecommunications industry business practices by helping US WEST achieve regulatory reform. We knew that anything other than a band-aid solution would require concessions from Public Utility Commissions (PUCs). Because much of the bad debt problem was due to unpaid long distance charges, we lobbied to convince regulators in 14 states to let US WEST offer "limited service", i.e., local service only with no long distance. Next, we convinced state regulators to allow US WEST to access external data sources for ID verification purposes and to ensure callers are who they say they are.

Finally, we got the PUCs to allow US WEST to use outside data for credit scoring purposes to estimate an applicant's likelihood of defaulting on their accounts. These changes were radical thinking at the time – for telcos and PUCs alike.

Interestingly, US WEST found that not only did the proposed solution fix the bad debt problem, but some customers actually *liked* the new "service," because it was both more affordable and enabled them to maintain a single telephone number. By word of mouth, "limited service" morphed into "Liberty Service", catching call center representatives off guard when customers called to request it!

Results were dramatic. US WEST achieved a \$31.6M reduction in net bad debt in the first year this solution was implemented (far exceeding its original goal of \$13M) and a \$27M reduction in year two.

The company also attributed the following to the success of the work led by Timothy Gendreau:

- **Net bad debt fell** in line with industry norms
- **Inbound calls dropped** from 2.4 to 1.6 per activated line
- **Service implementation workloads fell** and cost of truck rolls was reduced
- **US WEST achieved 100% compliance** with PUC minimum service standards in the all 14 states served

Some time later, The Gendreau Group was retained to deal with a follow-on problem: legal challenges from Long Distance providers. LD carriers at the time measured results by gross sales and numbers of subscribers, and not by revenues collected. The Gendreau Group helped US WEST stop the threat of legal action by demonstrating the accounting wisdom of this new approach.