



SALES LEADER GUIDE TO CREDIT MANAGEMENT



What is a Credit Reference?

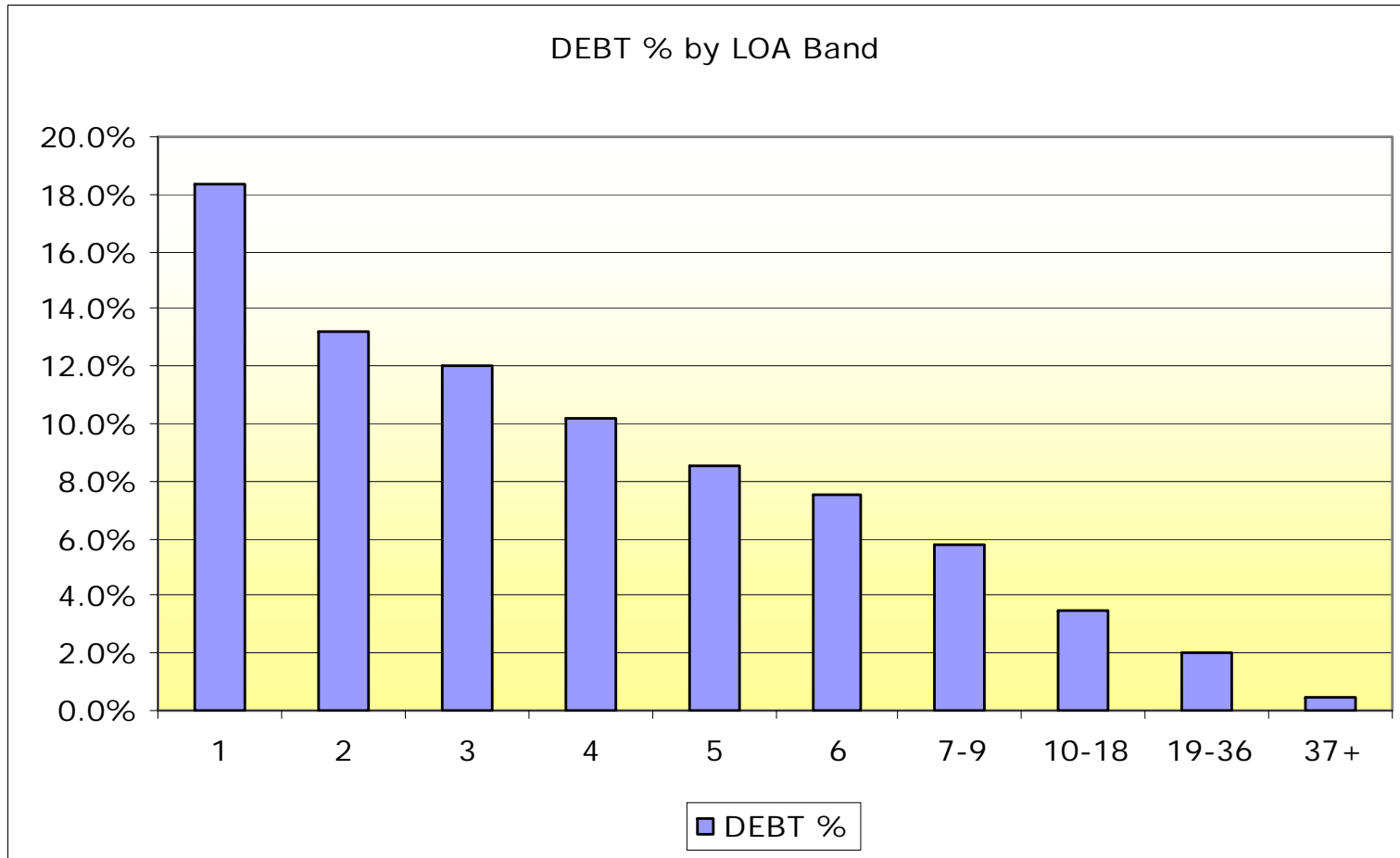
- A credit reference agency holds files on the borrowing records of nearly every adult in the UK. The information is collated from a variety of sources.
- The file may hold details of:
 - People on the Electoral Register at the address searched
 - Credit agreements, including details of any late payments & defaults - this can be held for up to six years from the settlement date or in the case of defaults six years from the date of default.
 - Court judgments and bankruptcy orders - these are also be held for six years
 - Previous applications for credit
 - Financial associations with other people where there has been a joint account or joint application
 - Previous and forwarding addresses
- Companies such as Avon can obtain a copy of the applicants credit reference report to assist them when making a credit decision. It helps them assess the applicants credit worthiness.
- This search can only be carried out with the applicants permission. The applicant gives their permission by signing the Avon Representative Agreement.

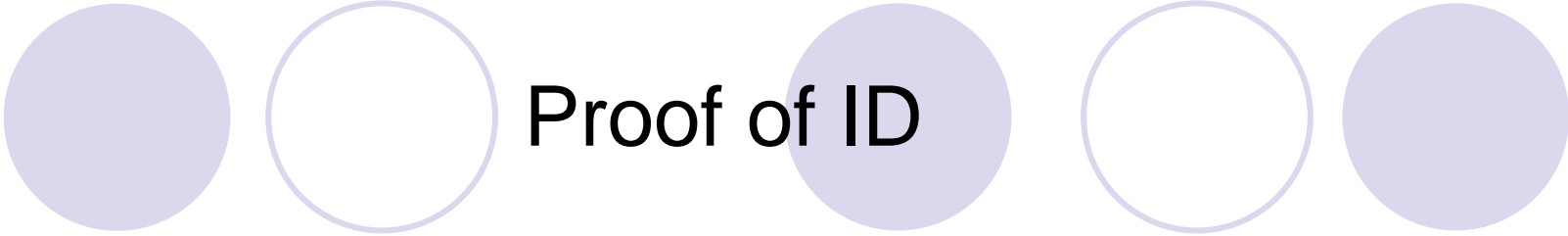


New Appointments

- All new appointments are checked against our files of existing debtors.
- If they match they will be rejected e.g. same person or relative with an outstanding delinquent or collection account.
- If it is a different person we may carry out an in depth check with a licensed Credit Reference Agency. If they meet our credit criteria we will accept as normal. If they do not meet our credit criteria we will decline the application.
- You will be notified of any rejections by telephone and the applicants advised by letter.
- Check the address is not on the collection or delinquent list. This information can be obtained from the appropriate Area Sales Manager. If you want to make an appointment and you can see that the address appears on either of these listings please call through to Credit Management as soon as you have a signed contract.
- The Credit Score process on the website should be used as a guide as to whether or not to contact Credit Control before proceeding with the appointment.
- A Representative's credit limit will not be confirmed until you contact Credit control, or the signed contract is received and loaded.
- If a Credit Reference is necessary we can do this and give you an immediate decision. This avoids disappointment for you and the applicant. If you don't make us aware we will not know about the appointment until the contract is loaded on the system, by which time the potential Representative may have been busy collecting orders.

Did you know that most of our Unpaid Sales come from Representatives who place one order and never pay?





Proof of ID

- 2 forms of ID are required, both of which show their UK address
- It is preferable to have a photo ID along with 1 paper proof of ID
- If they have been at their current address **less than two years**, photo ID **MUST** be obtained
- Acceptable forms of ID are Utility Bills, Driving License, Bank statement, or Passport
- If they have recently moved to their current address one of the ID's should be photographic such as a Passport or Photo Driving License.
- This should be done at page 12 of the Getting Started Guide, before you complete the agreement.



Credit Scoring

- All new appointments are credit scored.
- All the elements of the contract affect the score, i.e. postcode, age, length of time at the address.
- The score determines the value that they are allowed on credit.
- The higher the score the higher the limit.
- Credit References are taken on borderline cases.
- If a Representative exceeds their credit limit we will carry out a credit reference to determine whether a deposit is required.
- In some cases the deposit can be 100% of the value of the order placed.
- **Did you know that you can call through to Credit Management as soon as you have made a new appointment to find out their credit limit? All we need are the details from the signed contract.**
- Second and third orders are allowed up to twice the value of the previous orders.
- Forth and subsequent orders are allowed up to three times their average order.



Credit Checking

- When subsequent orders are received at CSC the account is credit checked.
- Credit checking is the process that an account goes through to ensure that it is within its credit limit, inline with Avon's Credit Policy, before the next order is processed.
- Credit checking saves Avon £4.3 million per year.
- In 69% of accounts this is done automatically by the mainframe system.
- 31% of accounts are referred to our Credit Control department to make a decision.
- If the account is 'within' its credit limit – (95% of them are!) – then the order is processed and shipped.
- If the account is not within its credit limit the order will be held – (this happens to 5% of orders).



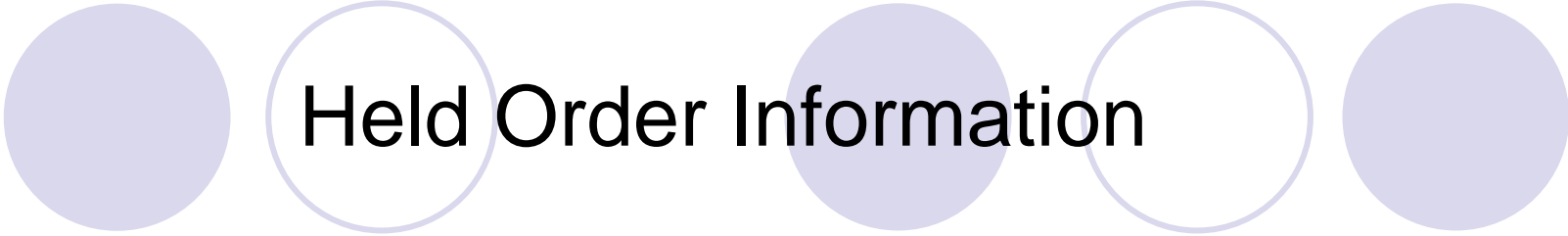
Why is an order held?

- The order may be too big and has exceeded the Representative's credit limit.
- The account may have an overdue balance – past due.
- The Representative may have not sent a payment at all.
- An order will be held if a Representative with a Bad Cheque Indicator has paid by cheque. A Bad Cheque Indicator means that they have previously had a cheque returned to us by the bank unpaid marked Refer to Drawer.



What happens if an order is held?

- If we have a telephone number on file we will try and contact the Representative using our Predictive Dialler.
- If the Representative can provide satisfactory payment details the order will be released.
- All information is recorded in the account.
- The Representative is informed of the steps they need to take so that the order can be released.
- If we are unable to contact the Representative a letter will be sent informing them that their order has been held.
- An order must be released by 10.00am the day following the held order call to ensure on time delivery.
- Representatives can leave payment details or make a payment by debit card using Fastrak.
- A held order is automatically cancelled after 10 days.



Held Order Information

- Information of any held orders within your area can be found on the 'All orders' page on the Website.
- The information on the Website is updated hourly.
- Payments made online are updated at 7.10am, 9.10am, 11.10am, 1.10pm, 3.10pm, 8.10pm and 11.10pm.
- Sales Leaders can call the Customer Service Centre and speak to agents on their dedicated line.



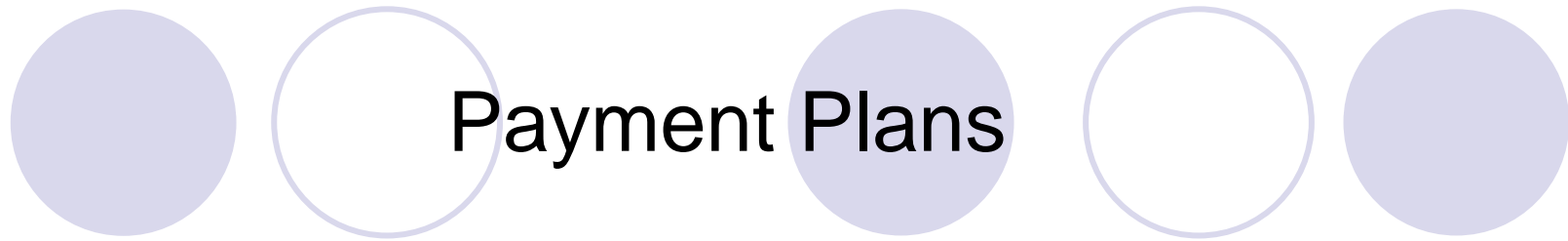
Debt Collection Processes

- Spurring by letter and telephone is 80% effective.
- Collection by agency is 25% effective.
- Spurring generates recoveries of £11 million per year.
- Collection by agency generates a net recovery of £1 million per year.
- Sales Leaders are not expected to act as a debt collector.



Targeted Spurring

- Unpaid accounts go through our Spurring Cycle.
- The Spurring Cycle triggers reminder letters and calls to the Representative at regular intervals as long as the balance remains outstanding.
- Late payment charges are added to accounts which remain outstanding commencing with the second spur.
- Late payment charges start at £10 (on some cycles £15) or 3% of the balance depending on which is greater.
- Spurs are liable to change as we test and implement new strategies to reduce our unpaid sales.
- Defaulting Representatives are contacted by phone wherever possible.
- Details of all accounts – paid and unpaid are sent to two Credit Reference Agencies.

A decorative graphic at the top of the slide features five circles arranged horizontally. The first, third, and fifth circles are solid light purple. The second and fourth circles are white with a light purple outline. The text "Payment Plans" is centered in black, with the first circle partially overlapping the letter 'P' and the second circle partially overlapping the letter 'a'.

- Any reasonable offer of repayment by instalment is normally acceptable.
- Wherever possible we will be looking for a substantial payment before this commences.
- Representatives with an account balance of over £300 will be asked to sign an agreement.
- Their account will be monitored to ensure that they are making payments as agreed.
- Failure to maintain agreed payments will result in the account being passed to a Debt Collection Agency.



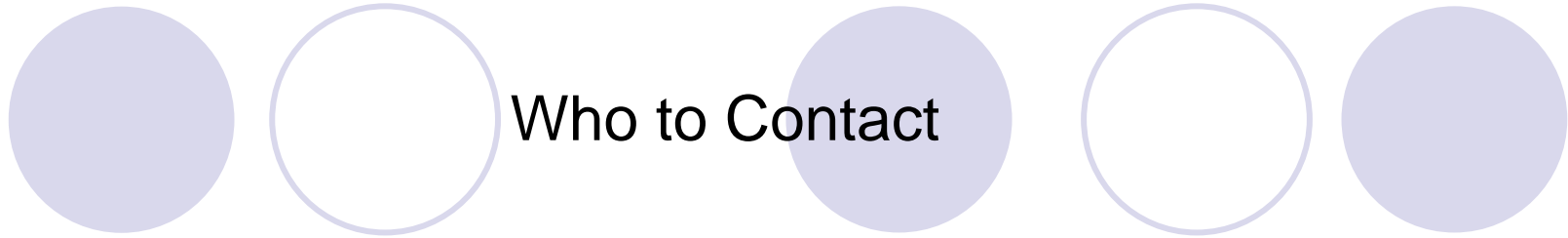
Pay Sell Agreements

- A Pay Sell agreement may be allowed to pay off arrears if there is a good payment history.
- This is more commonly known as a Commission Plan.
- This agreement allows the Representative to continue to place orders.
- A Commission Plan will last for no more than four campaigns.
- A Commission Plan will not be agreed without firstly consulting Avon.
- The arrears are divided between the duration of the Commission Plan to calculate the extra amount required per campaign.
- The Representative has to pay this agreed amount in addition to the amount due to Avon (billed cost of their order) each campaign until the arrears have been cleared.
- There is a £15 administration charge and the Representative will be asked to sign an agreement.



Debt Collection

- Avon use three major debt collection agencies.
- All three are nationwide. Separate agencies are used for Scotland.
- They will write and telephone the Representative as we do. They will however send a door to door collector if necessary.
- The agencies are only paid commission on what they successfully collect.
- The commission rates can range from 20% - 40%.
- In some cases they will sue on behalf of Avon.
- Accounts which they fail to collect are re-cycled to another agency.



Who to Contact

- We have 15 direct lines for you to ring the Credit Management Team during the following hours.

8am – 4pm Monday – Thursday

8am – 3pm Friday

- Answer phones are available outside of these hours as the lines are being used for outbound calls.

Spurring

Karen 01536 272637
Donna 01536 272771
Sheila 01536 272635
Mel 01536 272636
Shared 01536272097

Collection

Wendy 01536 272658
Betty 01536 272547
Allyson 01536 272639
Vanessa 01536 272638
Anita 01536 272643
Shared 01536 272096

Credit Control

Lyndsey 01536 272642
Bernice 01536 272644
Louise 01536 272678
Shared 01536 272098