



# TigerDirect Achieves More than 60% in Labor Savings and Efficiencies in Back Office Operations

## Client Profile

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*TigerDirect, a division of Systemax, Inc. is a \$2.5B publicly traded retailer of computer equipment, consumer electronics and related technology products*

## Business Challenge

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*Intense industry competition was putting significant downward pressures on operating margins. The company needed to improve operating efficiencies in order to better compete and improve profitability.*

## Auxis Solution

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*Established a shared service back office operation in its nearshore service center in San Jose, Costa Rica. Services include accounts payable, bank reconciliations, cash application, billings, collections, and customer service.*

## BUSINESS CHALLENGE

TigerDirect utilizes a diverse multi-channel marketing and distribution channel approach, including e-commerce, retail stores, catalogs and direct sales representatives.

The recession that affected the global markets in 2008 and 2009 had a significant impact to the retail industry. The economic downturn was bringing a dynamic shift in consumer behavior, and the customer service model needed to evolve to one that utilized more online marketing and service capabilities, and would change how products were purchased, stored and shipped.

TigerDirect, like most other retailers, was facing the need to create a more flexible, scalable and lower cost operating model that would allow them to invest in new technologies and processes, and adapt to the changing retail dynamic. They needed to resolve many issues that were impacting their ability to improve operating efficiencies including:

- *Poorly defined and non-standardized back office processes*
- *Limited use of automation*
- *High costs per transaction*
- *Lack of key performance metrics*
- *Inaccurate and limited operational data*
- *Weak internal controls*



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**“Auxis has become an excellent partner to our company. We were initially skeptical, having previously tried to outsource some of our accounting functions, without success. Auxis brought the expertise and flexibility to deliver a custom outsourcing solution resulting in improved efficiencies that exceeded our expectations.”**

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John Ollet, Executive VP of Finance, Tiger Direct

The client initially utilized an Asia-based outsourcing model for their key back office functions hoping to resolve these issues, but the poorly defined processes and weak internal controls caused significant operational issues from the onset. For example, the company relied on timely invoice payments to key vendors to ensure a fast turnaround time on drop-ship product orders, and to take advantage of significant discounts for early payments.

When the accounts payable process was migrated, many vendor invoices were misplaced. Late or missing payments were causing vendor holds, which led to major customer service issues. TigerDirect was forced to bring the AP process back in-house within 3 months of transitioning it.

## A NEARSHORE SOLUTION

After experiencing the challenges of the Asia based outsourcing model, TigerDirect quickly recognized the advantages of Auxis' Nearshore operating model, including:

- *Central time zone*
- *Geographic proximity*
- *Cultural compatibility*
- *Strong English language skills*
- *Personnel who were experienced working with US companies*
- *Hands on knowledge of key systems*
- *Introduction of additional, "wrapper" systems such as document management workflow and automated reconciliation tools*

Beyond the Nearshore location advantages, Auxis offered our client our deep subject matter expertise in process improvement, operational performance and process automation to create a customized outsourcing solution. Our seasoned experience in these areas has been gained from helping many global organizations design and implement successful shared services operating models.

## IMPLEMENTING THE SOLUTION

Using a consultative approach, Auxis conducted a rapid process assessment and migration of the Accounts Payable function. A team was assigned to work closely with TigerDirect's functional staff to review and document the current organization.

Auxis worked with client management to create a "to be" operating model, including enhanced processes, "rules of engagement", issue tracking and communication protocols, and organizational roles and responsibilities. Opportunities for efficiencies and operational improvement were quickly identified. Multiple recommendations



## Outsourcing Services

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- Accounts Payable
- Bank Reconciliation
- Cash Application
- Billing
- Collections
- Order Management

were provided, including the adoption of automated solutions for some of the key operational “pain points,” such as document imaging, workflow and reconciliations.

Auxis transitioned the AP function to its Costa Rica service center within two months. After successfully migrating and stabilizing the AP process, TigerDirect elected to move several other areas in rapid succession, including Order Management, Bank Reconciliations, Cash Application, Collections, and Customer Service.

## THE RESULTS

The various processes were migrated over a period of six months, and the benefits have included:

- Labor cost savings of 35-40% in back office processes
- Additional operational efficiencies that enabled a reduction in staffing requirements of approximately 33%
- When combined, the overall cost savings achieved through labor arbitrage and operational efficiencies exceeded 60%
- The client received additional operational benefits, including:
  - Shortened vendor payment cycles, minimized payment and processing errors, improved reconciliation, order processing and cash application times, reduced month end closing cycles
  - Enhanced process efficiencies and internal controls through process standardization, automation and optimization
  - Improved operational visibility through enhanced tracking of key performance metrics and reporting
  - Reconfiguration of internal staff to focus on higher value activities
  - Key performance metrics and reporting that greatly improved visibility of day-to-day operations
  - Enhanced operational governance and regulatory compliance

## About Auxis

*Auxis is a very different consulting and outsourcing firm comprised of former industry professionals who don't act like traditional consultants. Offering a customized, “real world,” results-oriented approach, we become ingrained in our clients' culture and vision and truly dedicated to their success. Our depth of experience allows us to operate under a very different leverage model and maintain a focus on customization, flexibility and bottom-line results at a very competitive cost structure. Whether in Finance & Accounting, IT, Supply Chain or any back office operation, Auxis creates and implements strategies to streamline any area and improve efficiency, reduce costs and increase profitability.*

