

COMMERCIAL BANKING

High Street retailer Fat Face cuts costs and boosts cashflow with support from Lloyds Bank

FAT FACE LIMITED | Retail | National

Efficiency gains

Commercial card scheme from Lloyds Bank supports supplier payments.

£5m

commercial card package

228

outlets globally

High Street clothing retailer Fat Face has streamlined invoice processing and improved its working capital position after moving to a card-based supplier payments scheme with Lloyds Bank.

Fat Face, a UK lifestyle retailer that continues to expand both in the UK and the US, has removed huge volumes of low-value invoices from its systems and created an extra £220,000 in cash flow – by making the switch to Lloyds Bank Commercial Cards.

Harnessing the latest commercial card technologies and benefits has helped Fat Face to position itself for the next phase in its international growth strategy. Will Crumbie, Finance Director at Fat Face, says: “As a relatively new financial director, I wanted to look at all the opportunities to see how we could improve our performance.”

Breadth of expertise

As part of a refinancing exercise, Fat Face revisited its banking arrangements. The close working relationship between

different divisions of Lloyds Bank and the breadth of banking expertise was evident in the room, and one of the reasons Fat Face has shifted its business to Lloyds Bank, says the Hampshire-based FD. “The team at Lloyds Bank put some really interesting options on the table for us, showing us how we could use commercial cards more effectively and take advantage of the benefits of modern technology. Their knowledge of card products and enthusiasm for helping clients get the best use out of them shone through,” he says.

Targeting improved profit margins

Fat Face was launched in 1988 when two friends were inspired by their love of skiing to set up an enterprise that could help fund their adventures. Taking their name from La Face, their favourite ski run in Val d’Isere, they realised their dream of creating ‘a small business with a big heart’.



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WILL CRUMBIE
Finance Director, Fat Face Limited.



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Our experience of the retail sector, combined with our understanding of Fat Face's business objectives, meant that we were able to tailor commercial card solutions that improved efficiencies across all aspects of the business.



DANIEL GRAHAM
Client Development Manager,
Commercial Cards and Consumer Finance,
Lloyds Banking Group.

The company has grown steadily and now sells from more than 220 stores globally and through an ecommerce platform, with a turnover of more than £220m. It has set its sights on continuing its upward revenue growth trajectory through expanding its store presence globally and e-commerce sales. Fat Face is also focusing on delivering quality products as it competes for customers in the UK's premium casualwear market against large retailers and department stores.

The Lloyds Bank team showed Fat Face how card solutions could play a role in driving down operating costs and improving cash flow. "Our experience of the retail sector, combined with our understanding of Fat Face's business objectives, meant that we were able to tailor commercial card solutions that improved efficiencies across all aspects of the business," says Daniel Graham, Lloyds Banking Group Client Development Manager, Commercial Cards and Consumer Finance.

Card strategies

A key objective was to provide staff with cards for travel, subsistence and for local purchasing. This has simplified regional procurement and allowed all spend to be captured in Lloyds Bank's user-friendly Commercial Card Data Management solution (CCDM). "Our CCDM solution was configured specially for Fat Face, allowing transactions to be automatically

coded in line with their own accounting structure", says Daniel. "This saves vast amounts of time for both cardholders and back office processing teams. Using CCDM also means that line managers and the finance team no longer need to use a paper-based system to approve expenses. This streamlined process helps bring down operational costs and frees up staff time to focus on running a retail business."

In addition, Fat Face has 'lodged' payment cards with key suppliers, replacing high volumes of monthly invoices and reducing the administrative burden. "This allows Fat Face to replace processing high volumes of supplier invoices with a single monthly payment reconciliation event for each supplier," Daniel notes. "The key supplier payments make up over 75% of total card spend now and is set to increase as new suppliers are recruited. The Lloyds Bank card solution automates coding and reconciliation of supplier data where enhanced VAT and other information flows through the CCDM solution."

With spending channelled through a card facility, Fat Face was able to free up more cash and extend its payment terms from 30 days to suppliers to up to 50 days to the Bank. "Now I have card spend of £3 million to £5 million and an improved working capital position. Not only do I have process and cost-saving benefits, but I also have a cashflow benefit – which is probably more important," adds Will.



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