



## Operational Collections

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## Introduction to Collections

The collection function in any organization depends upon the company culture, risk attitude, data mining wealth, customer profile and product spread/margins. The art and science of debt collection becomes more demanding and complex as the economy bites, so it is ever more critical to identify the 'at risk', and 'can't pay' from the 'won't pay' at an early stage, and implement proactive strategies that drive appropriate actions to mitigate losses and maintain relationships.

fasEo executives have built collections functionality since the 1980's – from simple branch based activity based recovery – to integrated contact centers deploying many hundreds of people across linked sites.

## Core Collections

Our expertise runs the gamut of:

- Situation Analysis – Needs Identification
- Risk Assessment and Management (scorecard build and integration)
- Decision tree segmentation and treatments
- IT and VoiP architecture analysis
- Collections Software Platform selection/implementation and deployment (Voice, Dialer, IVR, sms, inbound, outbound, virtual).
- Process Analysis and Policy Manual Creation
- Production Build
- Employee Training
- Employee Measurement, Retention and Reward
- Key Business Analytics
- Regression Methodologies – Roll Rate, Vintage Analysis, Bad Debt Provisioning
- Basel II Accord Compliance
- Data Protection
- Outsourcing/Insourcing
- Placement and Management of Debt Collection (Agencies)
- Litigation and post write-off Recovery
- Consumer Unsecured Debt/ credit card
- Consumer Secured Debt/mortgage

## Early Stage Pre-Emptive Collection

The early bird usually gets the worm. Successful debt collection will be achieved by those organizations that are quickest to recognize and act.

The consumer debt collections environment is challenging, but by being proactive, and moving boundaries of certain traditional collections treatment practices, progressive financial service companies will be able to win their rightful place in a customer's payment hierarchy during these difficult times. It is not the 'one who bangs the door the loudest that gets paid', but the one who 'markets' effective solutions. It is a volume production business, but now more so than ever application of the right action, allied to the correct policy, to the right person at the appropriate time will recover a greater proportion of 'at risk' debt.

Efficient and effective companies will not only survive in the short term, but will most likely gain loyal customers in the longer term. The following stages are pertinent to organizations planning to develop an "At Risk" Program:

- 1) Think about collections as a set of marketing initiatives that need to be tested, benchmarked and evaluated. Using a phased approach allows for reduced risk and provides ample time to fine tune before you go live to your entire customer base.
- 2) Employ a Champion/Challenger methodology to develop and manage your "At Risk" Customer stratification, and never stop testing new theories or opportunities.
- 3) Capture as much data as possible from agent conversations for evaluation and use in the strategy enhancement and refinement process. Listening to grumbles and ad-hoc comments, then being able to act upon, places your collector ahead of the competition.
- 4) Hiring the right people and developing the right training is a critical success factor for "At Risk" Customer Management Programs. Agents should possess both collections and credit training.
- 5) Develop a meaningful incentive plan that rewards Agents for doing the right thing for the company as well as the customer. Don't reward for promises!
- 6) Build safeguards into your credit decision process to ensure that consistent decisions are being made, and that quality customer interactions are taking place. Compliance management throughout the whole lending and collecting cycle must be maintained in holistic lifecycle management.
- 7) Manage near limit and overlimit accounts, high volume cash access customers with close scrutiny and raise alerts for accelerated actions.

## Project Scenario Experience

1. We researched collection software, purchased and implemented. Trained the workforce and had a rudimentary collections function up and running within 30 days from get-go.
2. We analyzed current risk management practices and with the subject company resource trained and built a team who began developing scoring models and implementing strategies under direction.
3. We reviewed disparate collections practices, across different locations and different brands with a proposal to unify the activity and introduce common solutions. Process, technology and training.
4. We provided a bank with a quick analysis of the effectiveness and efficiency of the collections function – determining that they were vastly ineffective. Provided quick wins.
5. Undertook a portfolio collections project at a bank that was writing off at a rate of double digits and halved the loss rate within 18 months through systematic process improvements and team training.
6. Created dynamic reward system (agreed the reward components and introduced the desktop management system) for collections and credit teams.
7. Created a training manual and delivered a two day program for a collections workforce – allowing them to then absorb the material into the banks own training materials.
8. We managed the outsource collections function and helped a bank make significant improvements with its vendor.
9. We helped a bank insource the collections function from an external vendor and built all appropriate policies and infrastructure.
10. Our analysts created a Balanced Scorecard that delivered results at all levels of the business in a simplistic manner, enabling all members of the team to recognize their individual performance AND contributions.