

# The Real Collections Value Chain

Terry Morrell

## What is debt collection about in today's ubiquitous credit environment?

### Focus on purpose & outcomes

What is the collections process for? :-

- Sending letters
- Resolving product/credit queries
- Collecting immediate cash
- Obtaining a promise to pay
- Dealing with complaints
- Cutting customers off
- Writing debt off

I'm sure you could add to this list...

All things that have their place in a collections environment, but in isolation and without intelligent orchestration they are hardly going to contribute to a process that retains or develops relationships with customers.

So how should the collection process be conceived against the background of a consumer credit market where debt is growing at £1m every four minutes?

## The real collections value chain

### New debts

We'll now look at the collection process using the model to help validate your existing or planned collections capability.

### Evaluation

This is defined as performing data evaluation prior to the debtor entering a collection strategy to ensure effective contact can be made.

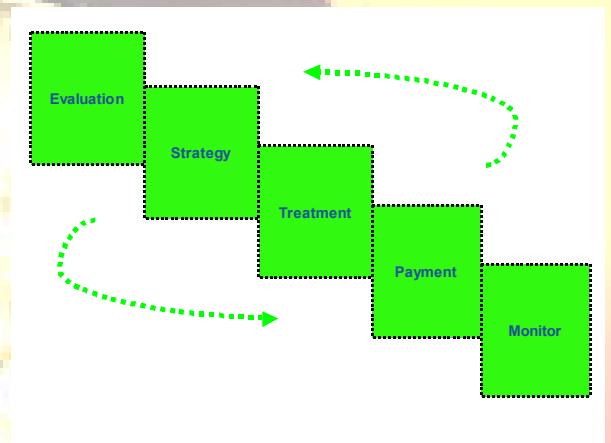
Positioning real-time data intelligence before committing resources to a collections strategy brings benefits such as: -

Using the latest deliverable contact details to ensure the communication will reach the target without errors or omissions that may detract from the message.

Verifying the debtor's address, telephone number and so on. Valid contact details can be monitored for changes to provide accurate, up-to-date information. Absconders or forgetful customers need to be contacted quickly to produce effective results.

Understanding the current debtor profile in relation to their general external indebtedness can position a collections strategy sensitive to the debtor profile

Making other key internal information available at this stage ensures a consistent approach consolidated into business event indicators or pre-collection scorecards



## Strategy

This is defined as executing the debt collection strategy based on a debtor profile or stage of the collections cycle. Key to this stage is providing a real time environment to ensure the debtor position in the process is alert to and based on the latest business information. Tools to achieve the delivery of effective strategies include: -

A visual strategy design interface that joins up how you segment the customer base right through to performance reporting and support of ongoing change and the end to end process

Static decisioning within an end-to-end process is where all the key business process rules are embedded. Key to maximising the benefits of a visual strategy designer is the ability to continually improve or modify these rules or policies as the business changes without causing business disruption

Predictive decisioning takes recorded data from business process activity and suggests changes to improve relevant performance drivers. Used with simulation tools this can highlight connections not intuitive to business process owners or traditional credit management reporting that adds value to processes.

## Treatment

This is defined as completing specific collections activities relevant to the debtor lifecycle in collections. Key facilities required at this stage are a combination of workflow, process integration and communications.

Today's debtors are highly sophisticated in terms of consuming credit products. This is reflected in the way debtors expect to interact with debt management. Support for treatment processes encompasses multi-media communication methods and business process provisioning within a pervasive framework ensuring the customer experience is consistent and matched to credit policy objectives.

## Payment

This is defined as collecting payment from debtors. This core activity of the entire process offers an extensive range of payment scenarios to ensure a willing debtor can be catered for.

The key functionality here is the feature known as Arrangements. Debtors must be encouraged to maintain some kind of payment routine, so flexibility and alert functionality here can be seen as a key last line of defence maintaining both payments and a line of communication with the debtor.

## Monitor

This is defined as monitoring performance to drive ongoing improvements.

Integrated reporting is an area benefiting organisations by providing the ability to action a change directly from an interactive report, including any business process changes required to fulfil the change.

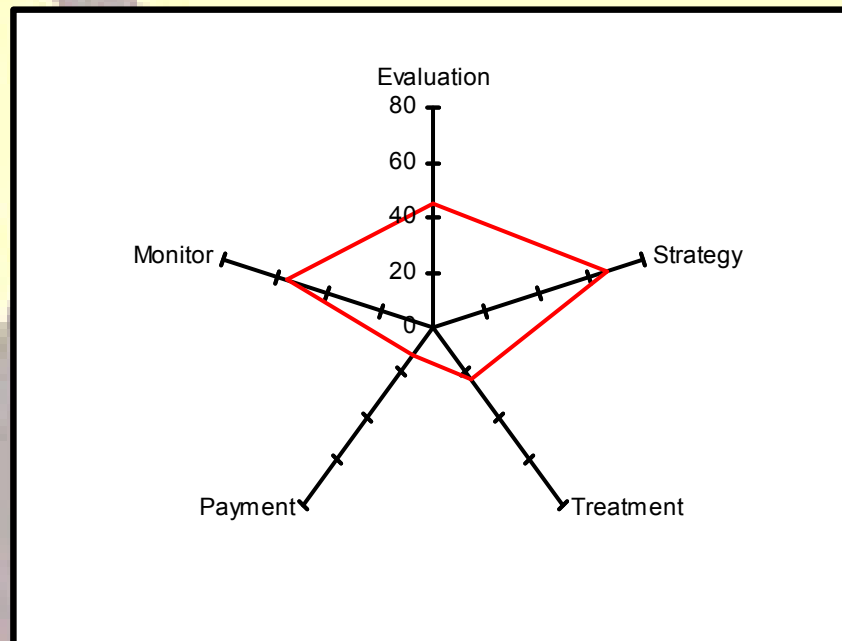
This intelligent approach makes collections process management a practical reality and gives organisations the ability to make a difference *in good time*.

A key starting point for this kind of collections process management is defining the range of business metrics or 'dashboard' information that provides an insight into process performance, which can free up management time to develop capability around the business drivers responsible for superior performance.

## Assessment

A strategic audit of your collections capability mapped to the Real Collections Value Chain provides focus and brings value to your road map, blending with the shape of your business.

Key outcomes identify which particular area of the Collections Value Chain requires attention. The audit quickly provides this view and is used to regularly benchmark your ongoing capability development.



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### Issues to consider today

How does your organisation map to the real collections value chain?

What will your collections capability look like in three years time?

When do you expect to start making a difference?