

Building the Utility

Can technology really transform debt collections?



Customer expectations

Credit has evolved into an integral part of most products. Vehicles are priced in weekly or monthly instalments. Insurance, house purchase, clothing and utilities all offer credit terms as part of the process. With a 24 hour society, credit services have to be available 24/7. Successful collections strategy needs to reflect this trend.

e-commerce maturity

Doing business across the Internet is now accepted as normal practice, with most industries embracing the opportunities it offers to engage more people right to the heart of your business processes. The credit industry was an early adopter of the Internet for all kinds of business-to-business and business-to-consumer activity. The Internet is now seen as an essential tool, enabling business processes that connect with customers.

The forces of higher bandwidth, improved reliability and stronger security protection are stimulating innovative business models around this area. For example, the launch of the credit reference agency Callcredit (www.callcredit.plc.uk) shows confidence and commitment to the Internet as a delivery mechanism.

On the demand side, an appetite for greater functionality over the Internet presents opportunities for commercial models like the Application Service Provider (ASP). Sales-force.com is a high profile example, in a sector attracting the attention of market analysts. Information Age, a respected technology commentator, outlined the principles in a recent article.

The Internet ASP model offers opportunities to address demand for using business support functionality on a 'pay as you go' basis. Combining this with an innovative approach to business process fulfilment means you can integrate functionality into the business via a low risk approach that can achieve early benefits without prohibitive capital costs.

Business Process Management

Business Process Management (BPM) has been identified as a step change in terms of enabling and connecting business processes. See www.fairdene.com for details of seminal research in the area. The market was valued at over £200m in 2003 and is expected to exceed £500m by 2009. It has proved very pervasive with an estimated 90 per cent of businesses expected to be considering what BPM can do for them by the end of 2005.

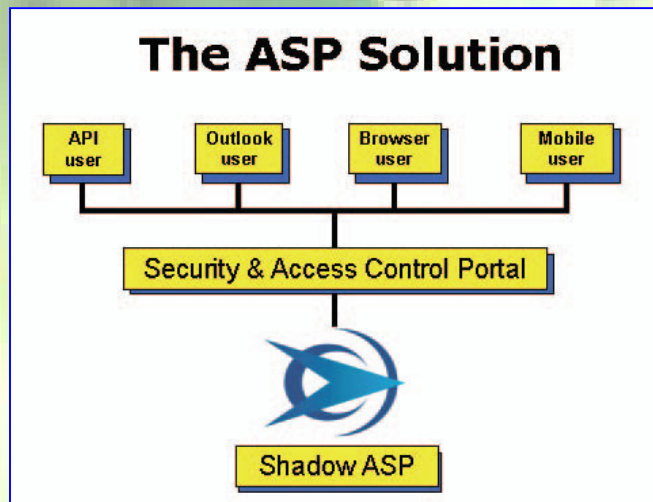
What does this mean to debt collection?

BPM can be seen as a key element of the components needed to build, coordinate, drive and manage change in debt collection processes. In simple terms, it allows different systems to communicate effectively through some defined rules. While this may not sound impressive, it changes a great deal. Real time access to data may allow a new address or contact number to be used as soon as it is available. Debtor information can be monitored

against certain criteria to give warnings if certain events or a combination of events occur. Flexibility is another key benefit. Customers are individuals and late payment may arise for a whole range of good and bad reasons. BPM tools enable individual treatment to be given, leading to better collection performance and customer satisfaction. This last point is increasingly important. Customers are less forgiving than they used to be if they are treated badly. Treating customers as individuals is vitally important in today's growing legal minefield.

In order to create an effective solution, the BPM toolkit needs extensive configuration and additional content to provide specialist debt collection functionality. It is application of technology that adds value. The best way to explain this is to give an example of the BPM system in action.

For example, Shadow has configured BPM technology to bring the following features to the collections industry: -



Visual processes

- 1 View in real time the position of debtors in the debt collection process, enabling relevant action to be selected from a range of user interface options
- 2 Model and amend processes to improve performance and business fit using a visual interface
- 3 Use online simulation tools to assess the potential impact of changes.

Multi-channel access

- 1 Communicate with customers via an array of integrated channels such as letter, email, SMS and integrated dialler technology
- 2 Engage users with processes through delivery mechanisms such as Browser, email, SMS, PDA or interactive API.

Composite views

- 1 Provide users with a personal interface relevant to the process at hand
- 2 Personalise the user interface according to their role and preferences
- 3 Provide a method of introducing low risk incremental change around business process development.

Internet workflow

- 1 Access services from anywhere, without needing local software deployment, enabling organisations to focus on debt collection, not systems management.

Integrated MI / dashboard

- 1 Present real-time information in an accessible format, including the full range of business metrics required to monitor and improve performance.

Web Services

Web services can be seen as components that provide automated functionality over the internet. This type of definition obscures the kind of applications and value web services can bring to the collections industry.

So what does this mean to debt collection?

There are opportunities for web service based applications to bring value to the collections process.

This paper considers each link in the process and asks some important questions about how your processes map to this model, now and in the future.

Data services

A rounded knowledge of the debtor situation can only be complete with access and integration of external data. A key resource for this data is the Credit Reference Agency (CRA). Key to maximising value from the CRAs is the integration of data at relevant points in the collections value chain, supporting existing and new process automation. Due to the subtleties and differences of the CRA datasets and data sources, a multiple CRA strategy ensures you benefit from data consolidation opportunities.

Services relevant to collections include:

1 Tracing - Automatic tracing and monitoring of absconders, usually based on the debtor moving a specific credit account from one address to another

2 Alerts - Actively providing debtor data events such as county court judgments and missed payments.

3 'Propensity to pay' matrix - Constructing generic matrices designed to estimate the risk of the debtor completing a credit agreement without default based on the debtor profile and other statistical variables

4 Fraud matrix - Estimating the risk of fraud based on demographics, debtor information and other data sources

5 Data cleanse / appends - Ensuring a good data match by having the most relevant data in the right format before using CRA data services. Key to maximising the value of these services is integrating the pre-and post-CRA processes into the collections activity.

Business process functionality

Supporting business processes is where the blending of technology functionality is most visible. Superior performance in debt collection requires the ability to maximise the use of the available tools:

1 Letters/SMS/email

Communication media used to contact debtors throughout collection processes. The judicious yet smart use of these types of communications is crucial if they are to be noticed or responded to positively.

2 Payment arrangements

Functionality is used to capture and monitor payment arrangements with debtors. At those crucial moments when a collector is negotiating with a debtor on the telephone, the ability to create a flexible payment arrangement whilst maintaining conformity with credit policy objectives is crucial to maintaining a positive revenue relationship with the debtor.

3 On-line payment

Where a debtor is willing and able to make immediate payments, the ability to take payment there and then is essential to remove any potential delay for payment.

4 Decisioning

Incorporating external/internal data into the strategy in order to position debtors at the right place in the collections process.

5 Dialler integration

Automating the process of contacting debtors using telephony. A growing recognition of

Voice Over Internet Protocol (VOIP) is another area where the Internet can be used to reduce costs.

ASP services

Putting these utility components to work requires a knowledge of emerging technology and the infrastructure that links networks in a secure and reliable form. Most important of all, however, is the ability to understand the credit management process and deliver the vision needed to create lasting improvements for everyone involved in the debt collection process.

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