

# Collections Strategy Optimisation

Continual improvement to drive  
collections performance



## Experian's Debt Collection and Recovery Suite



Optimisation is a proven methodology for improving business performance across the credit lifecycle. In the collections environment, businesses can significantly increase performance through higher cure rates, reduced provision levels, lower write-off rates and lower operational costs.

### The business challenge

In the increasingly challenging collections environment, the most effective action for a customer is based on one of a number of treatments, channels and timing which will produce the desired outcome.

However, assigning the right combination for each customer is a complex decision, which is traditionally based on a mix of behavioural and propensity scoring.

A further complexity comes from the constraints that exist within the collection operation, especially resources in terms of people and cost.

This is an ideal challenge for optimisation – how to maximise collections performance within the business constraints?

### The answer

Optimisation is the mathematical decisioning technique from Experian which simultaneously considers all the elements of the business objectives and constraints to deliver optimised strategies.

Applying this approach within collections opens up a new way of thinking to assist in delivering optimal levels of performance. Whether focused on the distribution of accounts across strategies or the most effective distribution of debt to external parties, optimisation techniques offer an exciting approach to enhance performance in challenging times.

The software enables the risk and collections teams to evaluate different optimised collections scenarios that can be easily implemented within the existing decisioning software or collections platform.

Optimisation delivers significant performance improvements over current strategies, in terms of both KPIs and operational performance including:

- **9% reduction** in year 1 bad debt (credit card)
- **30% reduction** in early collections activity (call barring)
- **15% reduction** in referral rate (authorisations)
- **22% reduction** in decline rate (authorisations)
- **10% NPV improvement** (retail bank campaign selections)
- **€10 incremental profit** per account per annum (credit line management)

It gives business users control:

- Agility and ability to rapidly react to changing market conditions and improve performance levels

Experian's optimisation for collections helps organisations to achieve their goals. The methodology is proven and extremely effective.

It allows users to:

- measure current performance
- compare routes and work list performance
- build optimised scenarios
- develop optimised tree strategies

The software provides powerful "what-if?" simulation capabilities and enables an evaluation of the recommendations prior to implementations.

The 'what-if?' analysis capability means that the business can explore different optimised configurations for different economic conditions and business requirements.

New routes and work lists can be added into the mix, if their expected impact is known or modelled, and then applied to customer segments where they improve the overall optimised strategy.

Optimisation techniques are equally effective when allocating debt to third party suppliers, where appetite for specific streams of work, volume constraints and varying levels of performance create a challenge for businesses looking to maximise recoveries.

Each scenario identifies the tree that delivers the optimal mix of routes and work lists to be assigned to the portfolio. The best strategy can then be deployed using the business as usual approach for coding the strategy, e.g. in Tallyman, or can be imported into the Strategy Management decision system where applicable.

## Delivery

Experian's Strategy Tree Optimisation is offered as a consulting service. Experian works in partnership to identify what the business wants to optimise within the constraints of the collections operation.

This is designed into an optimised strategy tree for seamless and rapid deployment within Strategy Management or the functionality of other existing strategy tree based decisioning tools. Deployment of optimised strategies using trees removes many implementation obstacles faced by organisations, and opens up a wealth of opportunity to deploy optimisation across the business.

### About Experian's Debt Collection and Recovery Suite

Experian's Debt Collection and Recovery Suite enables organisations to collect more debt, from more customers by managing, controlling and continually improving the collections process.

It brings together the company's data, analytics and software assets to provide organisations with an integrated, end-to-end debt management capability.

**For further information, please contact your Experian Account Manager, email us at [collectionsandrecoveries@uk.experian.com](mailto:collectionsandrecoveries@uk.experian.com) or call the New Business team on 0844 481 8888**