

# Case study: BMW Financial Services

Adopting a segmented approach  
for collections to avoid bad debt



Experian provided **BMW Financial Services Germany**, with Tallyman, its debt management and collection system.

**The project has been a great success and the business goals have been exceeded. Due to this project, the delinquency rates were halved and BMW Financial Services reached the lowest delinquency levels in its history after just four months of going live.**

#### The challenge

BMW Financial Services Germany was interested in improving profits and cash flow by reducing debt write-off and having less cash locked up in outstanding debt.

To meet these business goals, the company required a new collections management system that could introduce differentiated workflows into its main collections processes through differentiated scorecards based on customer treatment strategies.

Additionally, customer satisfaction and customer relationships had to be sustained for valuable customer segments. This would not only help to maintain the existing customer base but it would also be the foundation for successful end-of-term programmes.

#### The Decision Analytics answer

Experian Decision Analytics has been serving the collections market in many countries for a number of years. It provides the widest range of tools in the industry. Experian has a unique, end-to-end collections offer that provides a customisable and seamlessly integrated set of products and services in the form of consultancy, software and analytics.

This blend of capabilities allows Experian's clients to properly analyse and adopt the most appropriate, customised approaches for different groups of customers.

BMW Financial Services decided to implement Tallyman, Experian's debt management and collections system, along with an appropriate collection scorecard. The tailored solution not only matched the German market requirements but could also be rolled out to many other countries in the future.

Tallyman, a highly configurable and flexible system, met the business and technical requirements. It allowed quick changes in a rapidly changing business environment.

### Benefits

- **Reduction of bad debt.** The delinquency rate was halved after just four months of going live.
- **Reduction of provisions.** The provisions were reduced tremendously. The investment has been paid back within two months of going live.
- **Improved customer relationships:** Applying the best-fitting communication helps improve relationships with premium customers as well as focussing on maximising recoveries from high risk customers.
- **Better resource allocation:** Tallyman enables the business to use resources most effectively by allocating the right cases to the right people at the right time.
- **Better decisions** to grow BMW Financial Services' business but at the same time control bad debt, business risk and exposure.
- **Increased efficiency:** Lower process costs due to automation of workflows, processes and strategies.
- **High user acceptance** through an intuitive browser-based user interface, ease of use, professional training and comprehensive online help.

### Resolution

With the implementation of Tallyman and the scorecard, BMW Financial Services could assess the likelihood of the applicant to pay within 90 days after entry into collections, and to apply different collections strategies depending on customer segments.

By segmenting those individuals in arrears and using risk scores for new and existing customers, the software helped to identify those customers most at risk of default. The system identified customers who had fallen behind on their loan and lease repayments and flagged those who may be facing financial difficulties.

Tallyman automated the collections process by consolidating all customer communications relating to payment arrears; including phone calls, emails, letters and faxes into a single database.

This further enhanced BMW Financial Services' existing processes by helping them to treat each customer segment with the most appropriate action.

The contact strategies differentiated the tone and content of customer communications, depending on payment probability and stage of an account in the collections process.

The collected receivables were maximised where possible and, by identifying delinquent cases early, overall costs were minimised where necessary.

### The results

Within just four months of implementation of Experian's software and analytics, the delinquency rate was halved, and consequently, the provisions were also reduced tremendously.

The business improved in effectiveness in early collections, which had a positive effect in other stages of delinquency.

Collections process effectiveness increased by a cost-benefit oriented allocation of resources, resulting in a significant decrease of allowances and write-offs.

Following the successful implementation, BMW Financial Services can roll out the solution internationally.