

Case Study: Consumer finance services — automotive

Delivering effective collections in challenging economic times



About the client

Experian's client is a consumer finance company in South East Europe. It provides a full range of innovative automotive finance and leasing packages.

Experian's Business Review included strategic and operational collections processes to benchmark the client against best practices and to identify opportunities for significant performance improvements.

Challenge

The client was facing the challenges of an economic downturn in a dynamic consumer credit market, particularly through increasing delinquencies and a slowdown in credit demand. In these market conditions, the client wanted to enhance their collections processes and procedures to avoid accruing further debt and the consequent increase in provisions.

For that reason, the client's aim was to ensure they were using the appropriate tools and following the right strategies to properly manage their end-to-end collections process.

The client was impressed with Experian's collections expertise gained through years of collaborating with organisations from different countries around the world. Furthermore, the local presence of Experian resources was a key selection criteria.

The consumer finance company requested an Experian Business Review, which covers both strategic and operational areas. The client recognised that this approach would bring an independent point of view and market best practices to gain effectiveness in their collections processes.

Decision Analytics' answer

Experian carried out a Business Review in order to assess the client's collections functions and benchmark them against leading practices. With this reference, Experian consultants could then make their recommendations for improvements and create a strategic roadmap with key initiatives.

The consultants worked closely with the consumer finance client, considering all documentation, interviewing key stakeholders throughout the business, organising site visits to the headquarters, and more.

With the information gathered, Experian completed the consultancy exercise with a final report that summarised the conclusions of the evaluation and recommended improvements to the client's collections processes.

Benefits

- **Enhanced management** of the collections operations and strategies, resulting in a 30 percent reduction in non-performing loans, and a 60 percent improvement in delinquency balances
- **Improved decisioning** with a more analytical approach to collections
- **Enhanced customer service** with relevant and tailored strategies to customer groups

Business Review

Experian's proven methodology showed that significant performance improvements could be made in the client's collections area, such as:

- From the operational point of view, Experian suggested improving the workload balancing, developing call scripts, letters and SMS samples as well as provided guidance on developing collections system screens.
- The Business Review also covered strategic aspects such as the development of the collections strategy and the implementation of an incentive system.

Experian suggested the implementing collections scores. These would help the client to identify which accounts should be worked, and when. Account prioritisation has demonstrated to provide organisations with cost reductions and an increase in money collected.

Results

Once the Business Review was complete, Experian continued to work in close partnership with the client to ensure that the initiatives were successfully implemented.

As a result, Experian's guidance on operations helped the client to improve their infrastructure and the execution of their plans. But the most significant, measurable results were seen in the strategic recommendations, with an enhanced impact to their call and mailing strategies:

- 30 percent reduction in non-performing-loan (NPL) rates
- Over 60 percent improvement in delinquent balances
- Over 80 percent reduction in the "final" payment request letter, which is sent around 60 days past due

The partnership created between the client and Experian, coupled with the successful results achieved with this project, led to an extended relationship with more Business Reviews for the client throughout Europe.