

The Collections Business Review

Working together to identify value creation opportunities for today's debt management challenges



Unprecedented consumer debt burdens and increasing unemployment is leading to significant increases in delinquency levels and charge-offs in many countries around the world. This challenging period calls for a fresh look and new approaches to maximise the performance and productivity of the debt management function.



Experian's Decision Analytics consultants have conducted hundreds of Business Review engagements that have led to over €100 million of newly created return on investment and benefit.

Our consultants have deep collections industry expertise gained through working in the industry as credit risk and collections managers and directors. The combination of deep industry and collections domain experience combined with our strong market presence and leading end-to-end collections proposition has proven to be a successful combination.

Experian has a highly effective and proven methodology, working in partnership with clients to jointly identify and implement value creation opportunities in the collections environment. The complete Collections Business Review engagement can be conducted in as little as 6 weeks.

Clients have achieved significant benefits from quick wins including:

- **13% reduction in volume of accounts rolling** from 1 to 2 cycles delinquent through a new early stage collections decision strategy
- **11% reduction in balances rolling** from 1 to 3 cycles delinquent by identifying the underlying reason for bad debt loss
- **8% reduction in operational collections costs** with no increase in delinquency
- **9% reduction in operational resource costs** by identifying inefficient processes

The Collections Business Review methodology involves 6 key stages:

1. Define the problem

The first process of any engagement is to define the problem in a highly structured manner using our unique 'Problem Definition Sheets' to ensure we are taking the right approach from the outset.

Within these, we define the key question or problem we are addressing. Additionally, the engagement is put into the correct context, identifying key issues, decision makers and stakeholders, identifying relevant constraints and defining the success criteria for the engagement. This highly logical approach ensures we are embarking upon the right path to identify opportunities for creating value.

2. Benchmark against leading practice

The next step is to compare against leading collections practice within the same industry or peer group. This can be done at the local geographical level or at a global level in terms of leading collections practices.

We typically perform a detailed benchmarking of the collections strategy, process, knowledge, tools and organisation.

We provide overall benchmark ratings, as compared to industry leading practice, at a summary level and drill down into the detail using our global benchmarking framework developed over many years of practical experience.

3. Identify capability gaps

The process is taken a step further by applying our comprehensive capabilities framework to identify gaps between current collections capabilities and the desired future state. Detailed strengths and weaknesses are identified and documented in the areas of collections, strategy, process, knowledge, tools and organisation.

4. Define the opportunities

The input from the previous steps is combined with our knowledge of world leading practice to identify strategic collections initiatives that will generate the highest possible return on investment.

We will typically identify 20-30 initiatives which are in turn rank ordered by implementation complexity and expected return on investment.

During the process we are constantly seeking to identify quick wins that will produce rapid return on investment with minimum effort and/or complexity.

This whole process is highly interactive and is an open dialogue to identify and prioritise the strategic initiatives that are practical within the constraints of each client. Examples of initiatives are redeveloped collections scorecards, improved decision strategies or even the implementation of a new workflow or decision system for the collections environment.

5. Create a roadmap

Jointly with the client we create a strategic roadmap that clearly defines the strategy, process, organisation, knowledge and tool elements required to implement the strategic opportunities. This is highly tailored to each individual client's needs, to deliver a balanced portfolio of improvements, focusing on short to medium term payback. This helps to set the foundation while also building for the future.

6. Develop a business case

A business case is developed for investment in selected strategic initiatives using an ROI focused approach founded on experience in peer organisations across the globe. We have a standardised collections ROI calculator which we can apply and adapt to the ROI question at hand.

Build a partnership

In many clients the combination of the structured Collections Business Review engagement and depth of collections consulting experience results in longstanding partnerships to mutually execute the initiative.

For further information, please contact your Experian Account Manager, or email us at info@experian.com