

# Best Practice Guide to Information Quality in the Consumer Collection Environment

A Decision Analytics briefing paper from Experian

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# Introduction

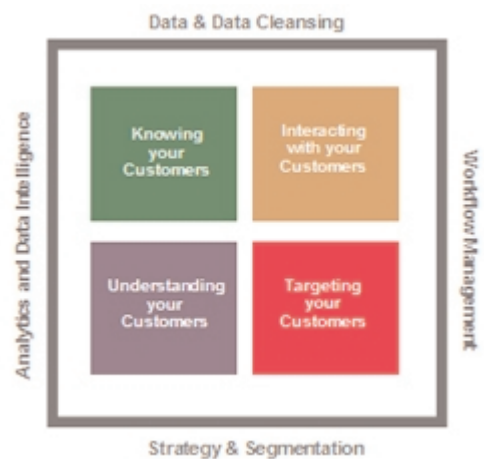
To run an effective collection operation there are a number of key components that every business has to consider, from customer acquisition to effective risk based strategies, agile workflow deployed through leading collection systems, to focused and effective staff operating professionally. One aspect that runs throughout the customer lifecycle and is critical to effective collections is the quality of information held at a customer level.

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## Introduction

Throughout the collections cycle various activities add significant value:

- Knowing your customers  
Verify and validate their details
- Understanding your customer  
Use data intelligence and analytics
- Targeting your customers  
Score and segment appropriately
- Interacting with your customers  
Workflow/Collections systems



The quality of information used in determining each of these four key aspects of the collection lifecycle is critical in creating a successful capability. This paper assesses the importance of information quality and the role it plays in unlocking revenue when assisting the collection processes. We will look at the use of information within the collections environment and how its quality is fundamental to achieving market leading performance levels

## What is Information Quality?

Marketing departments invest wisely in systems and information that allow them to target customers with specific buying attributes, aligned to their commercial objectives and business plans. From this point forward the information obtained in relation to that customer assists in verifying and validating who the customer is and where they reside, making acquisition decisions, identifying risk factors, minimising fraud, confirming ongoing communication channel preferences and generally helping a business to manage the customer relationship.

Integrated electronic validation and verification processes enable businesses to quickly assess the viability of a new applicant and ensure only appropriate applications are accepted and processed. Leading practice will:

- Identify customers in seconds with no requirement for ID documents
- Reduce waiting times and increase customer sign up rates
- Provide a more efficient customer service
- Reduce customer 'drop-offs' during website applications
- Increase customer acquisition capacity whether via web, call centre or branches

- Negate the need for space and budget to copy and store paper-based documents
- Improve staff efficiencies as authentication is managed electronically
- Reduce registered mail costs by not having to return documents
- Significantly reduce cost per transaction
- Shorten the processing time for each ID check

Depending on the organisation and their obligations, a number of industry specific compliance issues may need to be addressed when verifying and validating applicant data. Examples include:

- Full compliance with the Financial Services Authority's (FSA) anti-money laundering (AML) controls, 'know your customer' (KYC) regulations and the Joint Money Laundering Steering Group (JMLSG) guidance
- Different templates to suit multiple risk requirements
- Creating an electronic audit trail
- Mitigating the risk of incurring fines from bodies such as the FSA

Checks to substantiate information quality minimise instances of fraud in a number of ways:

- Identity checks - identify and protect against developed identities, impersonation, identity theft or other high risk conditions
- Reduce card-not-present fraud
- Highlight potential delivery fraud
- Remove the subjective nature of the documentary check
- In certain territories (such as the UK) a traders tax (VAT) number can be checked

As the customer relationship matures so should the level of information held. This helps each business to understand their customer's habits, how these may change over time and predict future buying and risk trends. As customer interactions continue, so the business should invest time and effort to ensure that its information is maintained and accurate, with customer facing agents proactively gathering details whenever possible. It is important to use other sources of data relating to customers to augment this process wherever possible and give the business a comprehensive assessment of changes that will influence future interaction.

A wealth of information is available through credit data. Where available, and especially where positive payment data is shared, it should be employed to give a comprehensive view of the risks associated with each customer. This source can be extremely powerful in identifying those customers who are likely to experience payment difficulties and allow the business to take appropriate remedial action. Where restrictions on the use of data are present then the required action can be determined through robust and predictive scoring models

*Changes within customer accounts will vary by country, industry and business and typically include additional take up of products and services, changes in lending limits, preference changes in payment method and frequency as well as general interaction. Maintaining a clear record of these changes, analysing the behaviour and using this analysis to predict and accommodate the most likely future aspirations ensures that businesses are, and are perceived to be, 'in touch' with their customers throughout the lifecycle.*

Data sources used to augment information obtained throughout the customer lifecycle will vary by country, industry sector and business. From address verification to full financial payment history, name of customer to property occupancy dates, leveraging these sources helps develop high information quality standards and, as demonstrated below, this adds significant value. Additional information aids ongoing maintenance and collection activities by enabling targeted and effective actions to be applied when and where appropriate.

## Collections

Organisations deploying leading collection practices in bureau information-rich territories will use bureau data and trends to aid identification of accounts with a high likelihood of becoming delinquent. The use of these 'triggers' allows businesses to apply pre-emptive or pre-delinquency actions that can support the customer in making appropriate arrangements to assist them through any difficult period. This activity is typically applied to the higher risk categories and assists the business in minimising the impact of customers becoming overextended, i.e. having taken on too many credit commitments which they subsequently struggle to pay on time and in line with their agreements. Furthermore, when handling long-term difficult arrears situations, using triggers can identify opportunities to resume contact or to highlight new payment windows.

Introducing strategies which use external sources to support internal data can be highly effective in identifying potential self-cure cases which need little operational involvement or, conversely, those cases where the likelihood of payment is very low, and accelerated recovery action may be warranted. Handling both of these populations appropriately can generate operational savings and release expensive resource to situations where it would be more effective.

Customers may have one or a number of accounts which, if they fail to make payment on time for any one of the accounts, should result in the case being assessed automatically to determine appropriate collection activity. Sophisticated decision tools assess the risks at an account level and allow the business to determine key segments and strategies that aid collection, minimise losses and reduce provisions, whilst effectively managing costs. Depending on the segmentation approach and strategies set, one or a number of remedial actions will be applied, typically escalating relevant to the customer's initial behavioural indicators. In many instances failure to pay is recognised as an oversight and, where risks are low, the customers will be left to self cure. However, as collection activities intensify, e.g. SMS or calls to the customer interspersed with notifications, so the quality of information held becomes an ever more critical component of successful collection processes.

Analytical scorecards provide a range of assessments that may be used in the collection process to predict likely future outcomes, e.g. to roll to a worse state of delinquency, to be written off or to pay when a Debt Collection Agency brand is introduced. Whilst the number and detail of these models vary by territory, industry and business, the principal of using high quality information to build them does not. Scorecards significantly improve the ability to target campaigns and aid performance improvements by as much as 15%.

*Information and detailed data items are critical to the design, build and success of a scorecard that is aligned to the business requirements. The application of scoring in collections is a key component in defining the most effective treatment path and aids streaming cases to the most effective action or sequence of actions.*

Up to date contact information enables contact via the preferred and lowest cost channel, allowing escalation to telephony and written communication when necessary via numerous accurate contact numbers and an accurate and complete address. Leading practice is to identify and utilise significant changes in customer circumstances, typically through automated updates that facilitate relevant changes in strategy, e.g. change of address, customer deceased or bankrupt. As indicated earlier bureau data based triggers can usefully drive this practice.

The method of polling this information, interpreting it and deploying it within a collection strategy may vary from company to company and within the stages of the customer lifecycle. Its importance, however, is fundamental to an effective collection system. Time and effort wasted on pursuing customers at the wrong address or via out of date contact numbers is not only a huge wasted operating

expense but also demoralising for collection staff.

*Leading practice incorporates the use of real time information about a customer to determine changes in strategy. These changes have to be reported, captured, interpreted and acted upon efficiently by the decision engine within the collection process to ensure an appropriate and effective approach is being applied to collect monies outstanding.*

Where information gaps occur a business should look at ways to plug those gaps. If telephone numbers are missing then efforts should be taken to locate those numbers, either through improved data gathering in the customer management process or using automated routines to source and apply effective numbers. The sources for such information vary, however, so take time to identify a partner that offers a truly differentiated service, e.g. the Experian bureau in the UK has unique access to large amounts of credit application data that give high levels of mobile, work and household numbers. The results of a tele-append trial of distressed debt cases is detailed below:

	Total credit applicants in batch with number	Of which within 12 months	Of which within 6 months	Of which within 3 months	Of which within last month
Home	73.5%	42.5%	23.0%	12.1%	3.6%
Work	59.4%	35.5%	18.2%	9.5%	2.6%
Mobile	21.9%	55.1%	31.0%	15.5%	5.3%

#### *UK Telephone Append Case Study*

Businesses aspiring to apply leading practice will invest significantly in collection work flow systems and collection staff, where treatment paths are applied automatically in every possible instance and only where necessary will accounts be escalated to a collector. These organisations recognise that collectors are motivated by working cases that give them an opportunity to collect outstanding monies and be seen to be effective. This is a key driver in creating a vibrant and motivated collection workforce and the quality of information presented to them in the process influences their ability to succeed.

Augmenting known internal customer data with external information strengthens each collector's ability to negotiate, with confidence, and drive the most appropriate level of arrangement with the customer. Negotiating from an informed position increases promises taken and kept ratios and ultimately drives in higher collection performance. Tools like the Collections Information Service from Experian are developed specifically to overcome the constraints of traditional credit searching, to bring real-time credit data to the collector without impacting handling times.

*A collection system that provides comprehensive real time operational and performance data gives significant advantages to its collection operation. Giving collection staff and managers real time feedback supports the creation of a lively and vibrant collections area, driving the highest performance levels.*

Advances in the approach to collections has seen predictive diallers, automated voice messaging, SMS, scorecards, fully automated collection systems, e.g. Tallyman, and champion challenger techniques introduced. A new phase of analysis provides optimisation of processes, where collection actions, their outcomes and associated costs are all analysed relevant to individual customers, in order to derive the best combination of outcomes for a given set of constraints. For example, where there is a fixed operating budget, a finite number of proactive collection staff and a desire to maximise collections whilst minimising losses, the actual best combination of actions to be applied to cases in order to optimise

within these constraints would be unknown.

Optimisation techniques mean that this complex assessment of all actions for all accounts in order to determine the best combination, given the constraints, can now be achieved. By assessing the propensities of customers to respond to each action and statistically combining all actions we are able to determine the best possible combination. This is an extremely powerful approach that sees performance uplifts of 9-15%.

**Trace** One key issue that occurs in most collection operations, and is a key contributor to losses, is that of gone away customers. Identifying these cases quickly, ideally automatically, and applying remedial action is crucial to support the business in dealing with the problem. The method for locating and tracing these customers will vary by region and below is an overview of the steps that are applied in leading practice organisations.

- Search other systems to establish any prior contact details or next of kin information that may aid the confirmation of the whereabouts of the customer. This approach is dependent on staff knowing where to locate the data and being able to make use of it effectively.
- Countries with bureaux can utilise skip trace facilities, e.g. Autotrace Plus, where the potential new address for a gone away customer is established by linking activities relevant to either public domain or credit specific activities. These matches should be provided with a confidence weighting and allow the business to determine the type of match they deem appropriate to accept. This is a low cost and effective way to trace gone away customers, especially where the process is fully automated and policy rules are set around the balance thresholds that should be issued for 'skip trace'.
- Telephone trace where the whereabouts of a known gone away customer is established using specialist tracers, dedicated to tracing absconders by ringing neighbours or relatives. In most territories this is a sensitive activity and requires strong adherence to industry best practice, e.g. In the UK there must be no use of subterfuge to establish a customer's new address. Typically provided on a no success no fee basis, telephone tracing will give a small uplift on the skip trace process, account balance typically determines which cases are economically viable for telephone trace.
- Field trace, where a specialist investigative approach is taken, making enquiry calls at or in the vicinity of the last known address for the customer. This is often an expensive approach where a fixed fee is required for unsuccessful trace plus a large incentive payment where trace is successful. Typically used on specific cases where balances are high or some asset investigation may also be required.

The success of tracing is ultimately only truly relevant if customer contact is re-established and payments start to flow in to the business. Assessing outcomes post trace should be a key measure in any business to ensure true value is being delivered. In this instance it is the ability of the business to effectively use the information provided that drives success.

Should a telephone trace service be deployed, it is recommended that where contact is achieved and the previously gone away customer is located and available on the phone, the call is immediately transferred to the collections operation. This proves to be a far more effective way of securing funds than allowing the tracing company to end their call and send on the details for subsequent follow up.

**Summary** The use of customer information is prevalent throughout the collection process. If the quality of this information is poor or not maintained then the effectiveness of the collection processes are significantly diminished.

Information quality is improved where a business invests time and effort in maintaining and augmenting its data, ensuring contact opportunities are used to enhance details wherever possible. The internal sources are further augmented through external bureau sources, sometimes facilitated through third party suppliers.

<b>Internal sources</b>	<b>Bureau/External sources</b>
Original applicant data <ul style="list-style-type: none"> <li>• Last known address</li> <li>• Next of kin</li> <li>• Contact numbers</li> <li>• Salary details</li> <li>• Date of birth</li> </ul>	Other credit applications <ul style="list-style-type: none"> <li>• Home, work, mobiles</li> <li>• Latest address</li> </ul> Number of applications often a predictive factor for risk assessment
Multiple account holdings <ul style="list-style-type: none"> <li>• Other contact numbers</li> <li>• Total indebtedness</li> <li>• Other addresses</li> </ul>	New address searches (trace) <ul style="list-style-type: none"> <li>• Skip trace</li> <li>• Telephone trace</li> <li>• Field trace</li> </ul>
Notified change of address details	Telephone searches <ul style="list-style-type: none"> <li>• Home</li> <li>• Work</li> <li>• Mobile</li> </ul>
Notified change of contact number details including email addresses	Credit data and performance <ul style="list-style-type: none"> <li>• Full risk profile</li> <li>• Pre-delinquent triggers</li> </ul>
Full contact history	Verification and validation of data
Full payment history	Fraud indicators and links
Internal behavioural scores	Generic behavioural risk scores
Billing data / credit utilisation	Total credit exposure
Channel usage history	Channel propensity models and additional electronic contact details may be held for some individuals

Application processing, scoring, decision tools and collection systems all use key information to determine and deploy effective collection strategies. If the quality of this information is poor then the effectiveness of the collection activities applied diminishes. This should be avoided from both a strategic and tactical collections perspective; it impacts operating expenditure and staff morale where levels of information are insufficient to complete a task. Experian has spent many years honing its offerings and provides real support in

the areas outlined in this paper. From initial customer account verification and validation through to Autotrace Plus; fraud avoidance to rigorous collection systems, the effective combination of all these tools and services is important for a business that strives to maximise its collections performance, whilst operating in challenging markets, particularly in these challenging financial times.

Organisations are increasingly turning to their data and the information they hold - possibly their most important corporate asset, to help them:

- Increase customer satisfaction
- Improve performance and productivity
- Collect more revenues
- Maximise returns on investment
- Leverage significant efficiency gains
- Reduce risk
- Reduce losses
- Increase top line growth through better targeting

Many organisations need assistance fostering information quality best practice. Many have no idea how 'good' their information is, or know how to use it to best effect within the consumer collections environment.

In this paper we have outlined the areas where information is critical in the collection lifecycle and why its quality is of upmost importance to effective and successful collection actions. At Experian we possess a depth of knowledge in this area, that assists organisations in reviewing their business processes and identifying areas ripe for immediate improvement.

With a strong focus on return on investment, any plan developed jointly will focus on adding significant value and enhancing your overall business performance. We are here to offer support and insight into the use of data throughout the collection process and eager to identify opportunities for your business to leverage proven processes and leading practices.





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