



Vision 2012

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Holistic debt management — a next generation strategy to enhance the collections process

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Introduction



Today's agenda



- Overview of holistic debt management best practices
- Industry case studies
- Questions and answers
- Summary

Industry trends

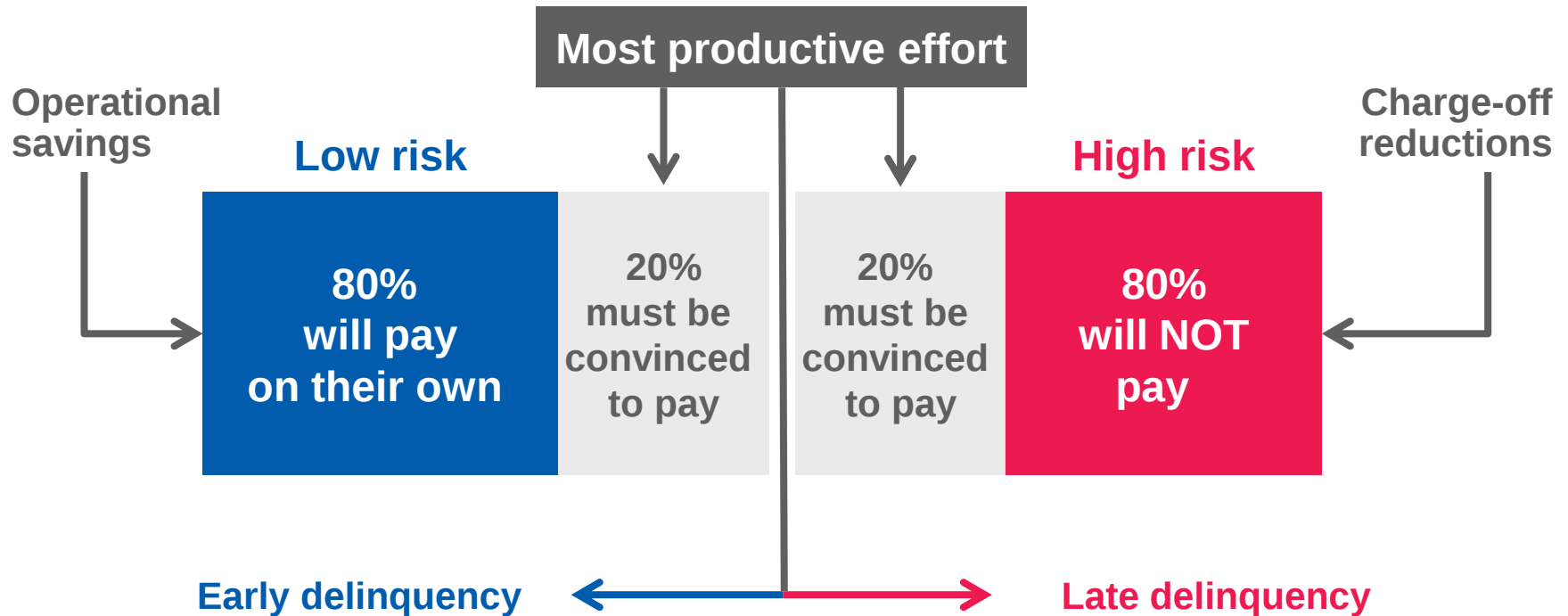
Holistic debt management best practices



- Focus on **risk-based strategies**, not time-based activities
- Expanding use of external data for **micro segmentation**
- Aggressive collections treatment against high risk customers
- Maximize the productivity and performance of internal and external resources
- Optimization of field services / terminations and treatment paths
- Liquidation-based segmentation for post final bill recoveries

The fundamental challenge

Which customers and which treatment?



Segmentation avoids a “one size fits all” treatment approach

Best practices in collections decisioning and operational execution

Internal data

	Name /	Type	Length
1	Initial Contact Date	Date	8
2	Contact Method	String	4
3	Employment Code	String	2
4	Date of Birth	Date	8
5	Last Payment Date	Date	8
6	Settlement Date	Date	8
7	Settlement Date Previous	Date	8
8	Alt Number	String	12
9	Cycles Delinquent Count	Numeric	2
10	Days Delinquent Count	Numeric	4
11	Current Status	String	1
12	Promised Pay	String	1
13	Unemployment	String	1
14	Unemployment Code	Numeric	4
15	Unemployment Code	Numeric	4
16	Unemployment Code	Numeric	4
17	Settlement Value	Numeric	10
18	Tax Code	String	5
19	Tax Amount Owed	Numeric	10
20	Balance	Numeric	10
21	No of Dependents	Numeric	2
22	Married	String	2
23	Married	String	2
24	Married	String	3
25	Married	String	10
26	Value of Shares Held	Numeric	10
27	Dividends received	Numeric	10
28	ISA Level this year	Numeric	10
29	ISA Level Last Year	Numeric	10
30	No of Payments L3M	Numeric	2
31	No of Payments L6M	Numeric	2
32	No of Payments L9M	Numeric	2
33	No of Payments Ever	Numeric	2
34	No of Payments Ever	Numeric	2
35	No of Payments Ever	Numeric	2
36	No of Payments Ever	Numeric	2

- Behavior and preference characteristics of various contact channels
- Internal triggers and usage patterns

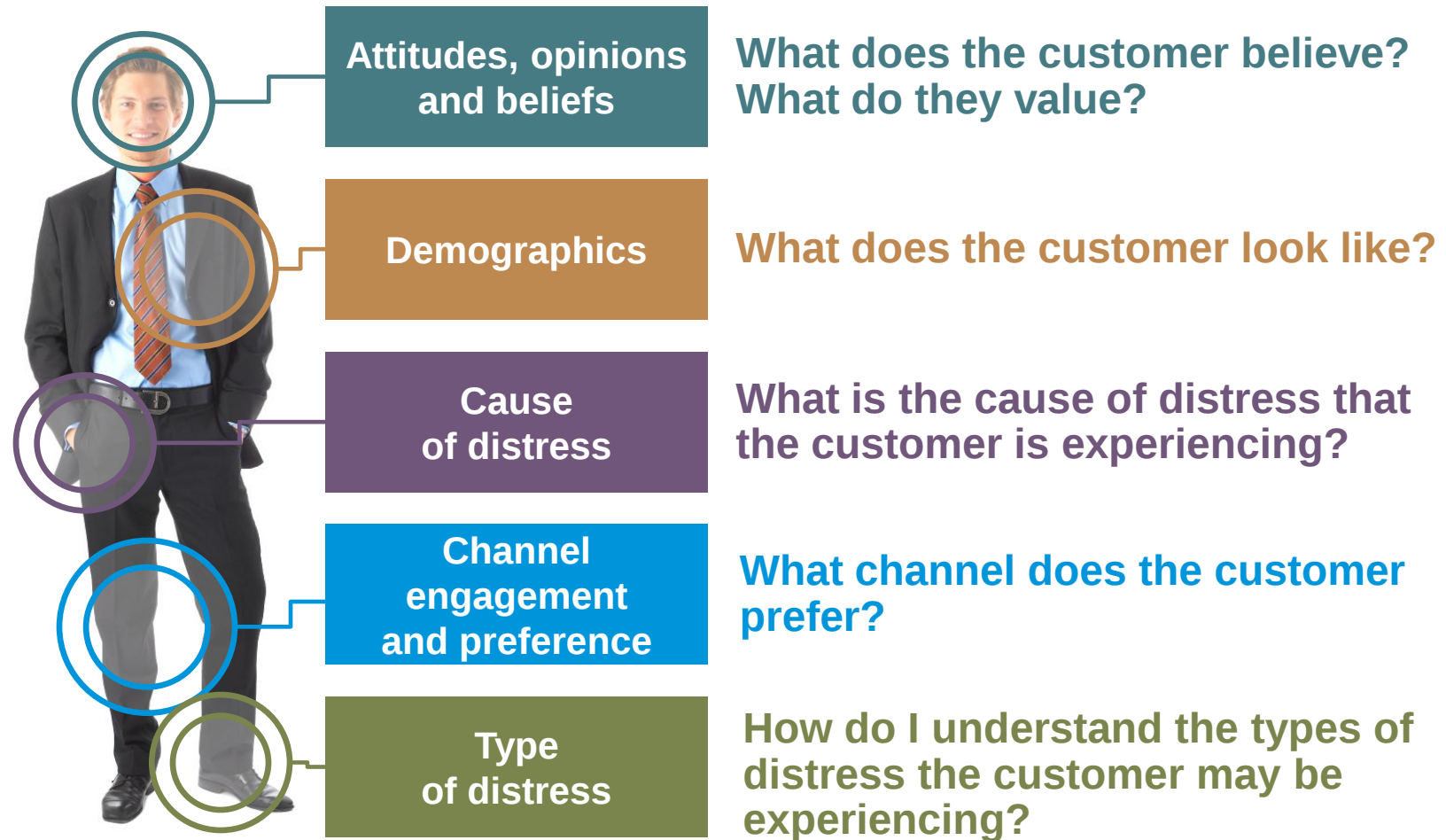
External data

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- Demographic data – income, wealth, age / gender, household composition, property characteristics, etc.
- Propensities – behavior and preference characteristics

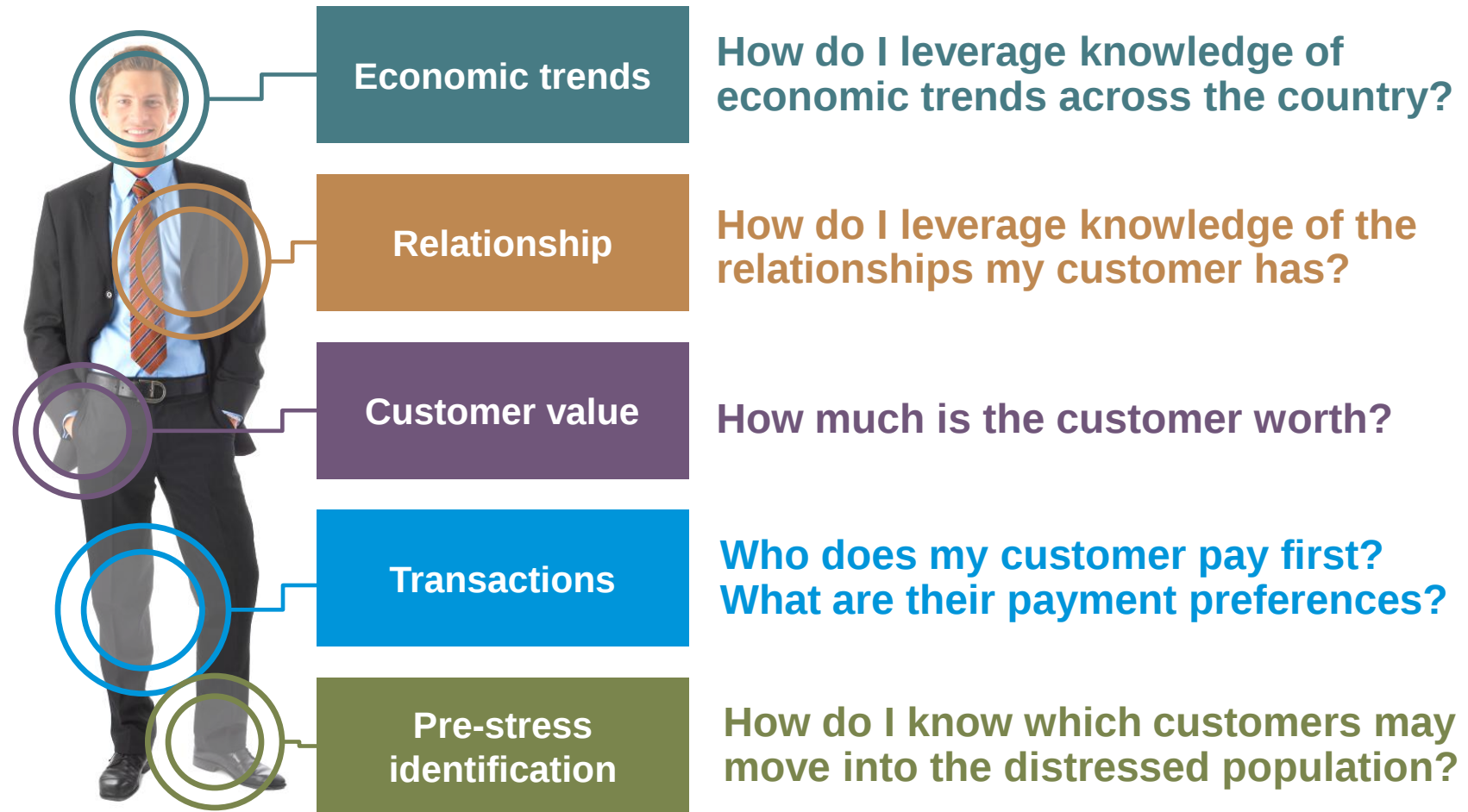
Micro segmentation

Know your customer



Micro segmentation

Know your customer

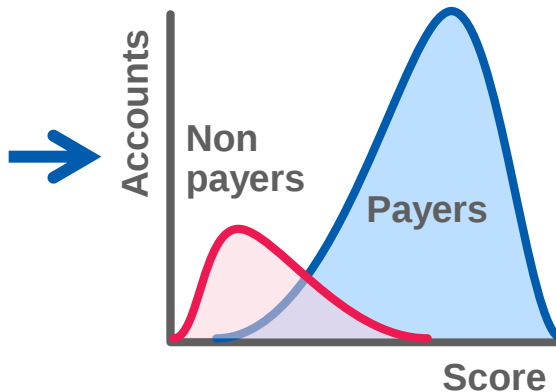


Best practices in collections decisioning and operational execution

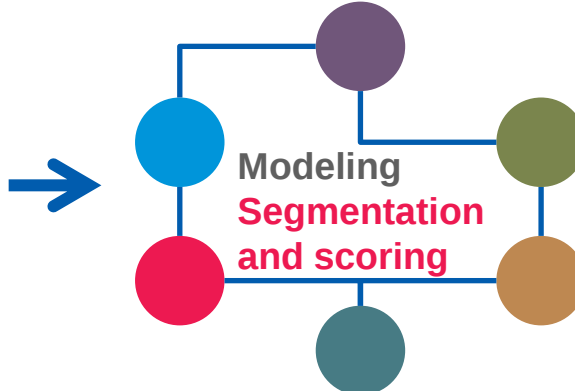
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10	Days Delinquent Count	Numeric	4
11	Current Status	String	1
12	Promise to Pay	String	1
13	Promise to Pay broken	String	1
14	Spouse's SSN	String	4
15	Spouse's SSN	String	4
16	Spouse's SSN	String	4
17	Spouse's SSN	String	4
18	Spouse's SSN	String	4
19	Tax Code	String	3
20	Age Amount Owed	Numeric	10
21	Balance	Numeric	10
22	Spouse's SSN	String	2
23	Spouse's SSN	String	2
24	Spouse's SSN	String	2
25	Spouse's SSN	String	2
26	Gross Salary	Numeric	10
27	Net Income	Numeric	10
28	Value of Shares Held	Numeric	10
29	Dividends received	Numeric	10
30	ISA Level this year	Numeric	10
31	ISA Level Last Year	Numeric	10
32	No of Payments LHM	Numeric	2
33	No of Payments LHM	Numeric	2
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Scores



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Scorecard examples

- Behavior
- Indebtedness
- Bankruptcy
- Income

Generic and custom scorecards are available

- Generic models
- Custom models
- Data pooling
- Optimization

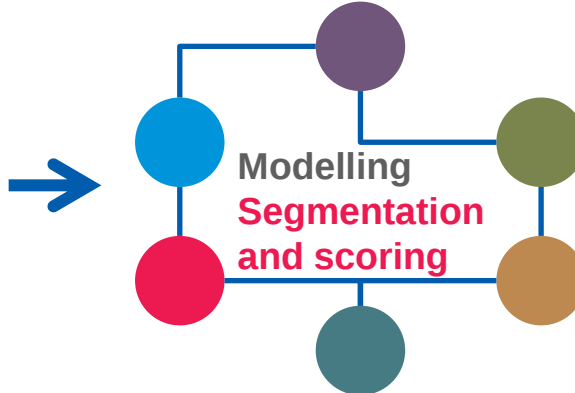
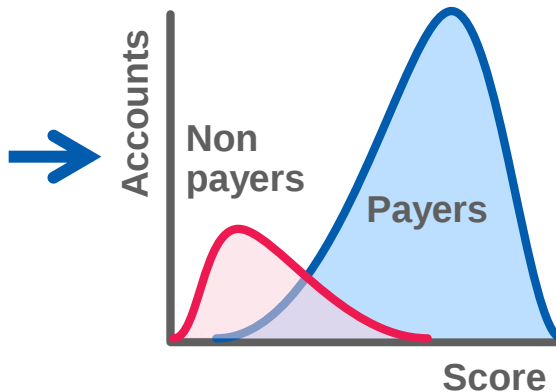
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Scores



Decision systems

Number of days in collections

Less than 30 days

Credit score

High risk

Medium risk

Low risk



30+ days

60+ days

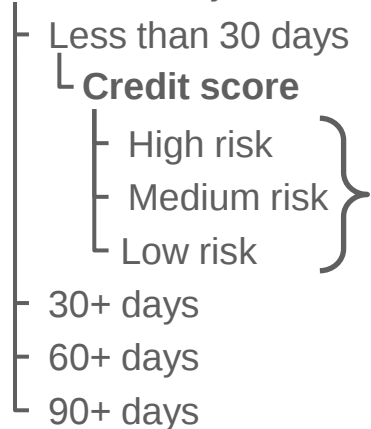
90+ days

Customer-level optimization

Best practices in collections decisioning and operational execution

Decision systems

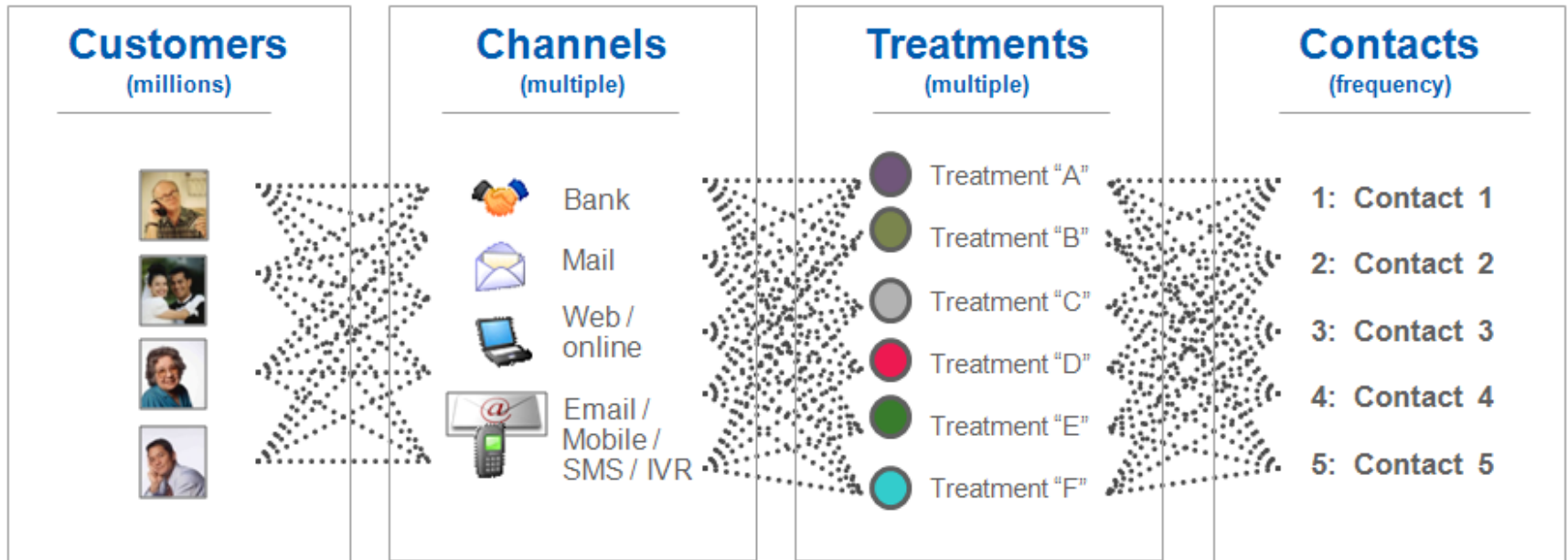
Number of days in collections



**Customer-level
optimization**

- Segment customers
- Apply scorecards
- Assign strategies / actions
- Apply champion / challenger
- Simulate new strategies
- Optimize decisions for channels and treatments

Best practices using optimization



Constraints applied such as:

- Customer contact
- Channel capacities
- Treatment volume minimums and maximums
- Contact frequencies, etc.

Constraint-based optimization
(maximize return)



Using optimization for field collections

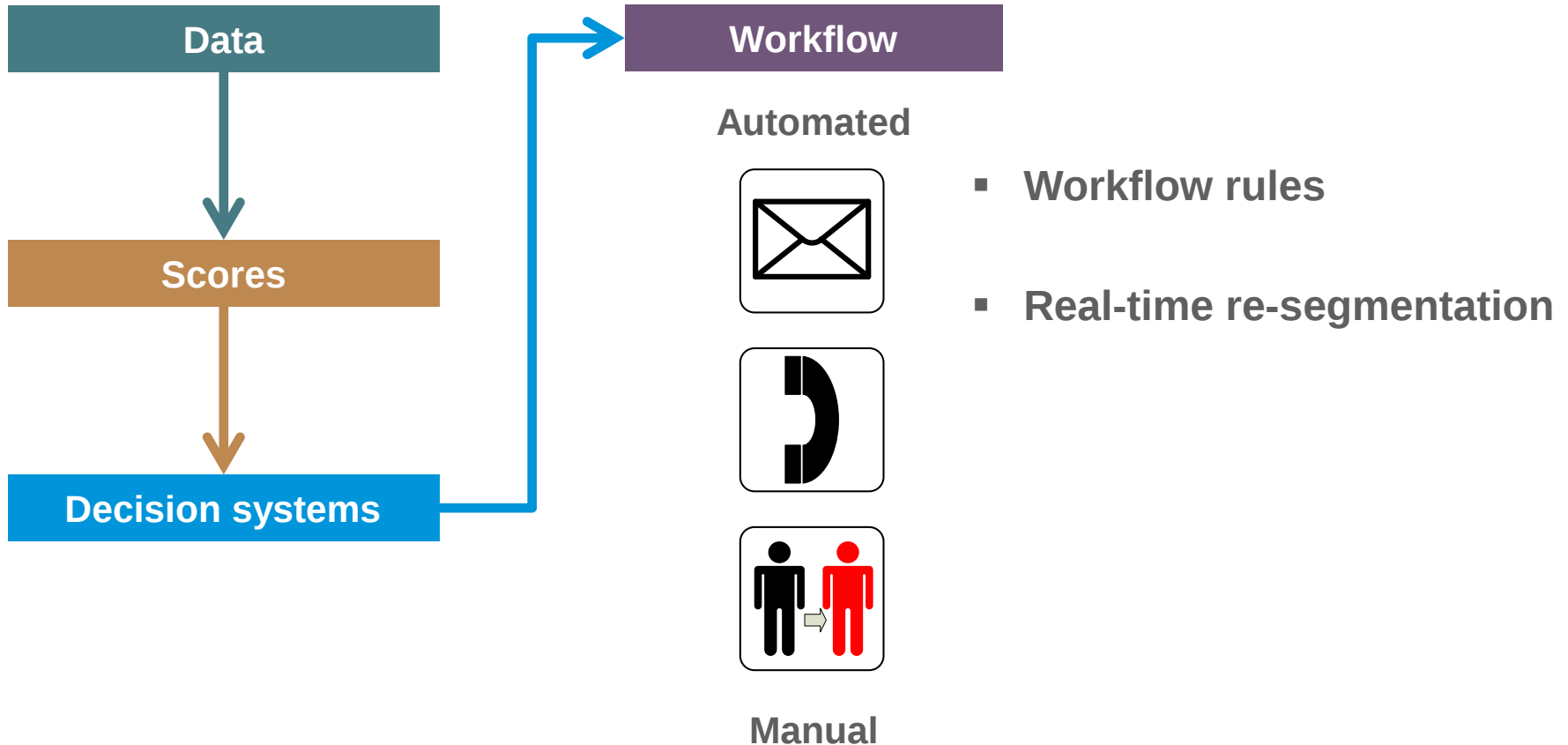
Different scenarios / business goals can now be run against the accounts entering the field for termination

- Highest arrears
- Age of arrears
- Number of days in the eligible to cut window
- Outbound pre-cut call successful
- Returned checks
- Last payment made (date)
- Location coordinates
- Location coordinates
- Defaulted payment plan
- Meter location (inside vs. outside)
- Two-man vs. one-man areas
- HEAP recipients
- Recently removed protection
- Meter constant variable

Benefits: Maximizes overall risk-adjusted profitability and ROI

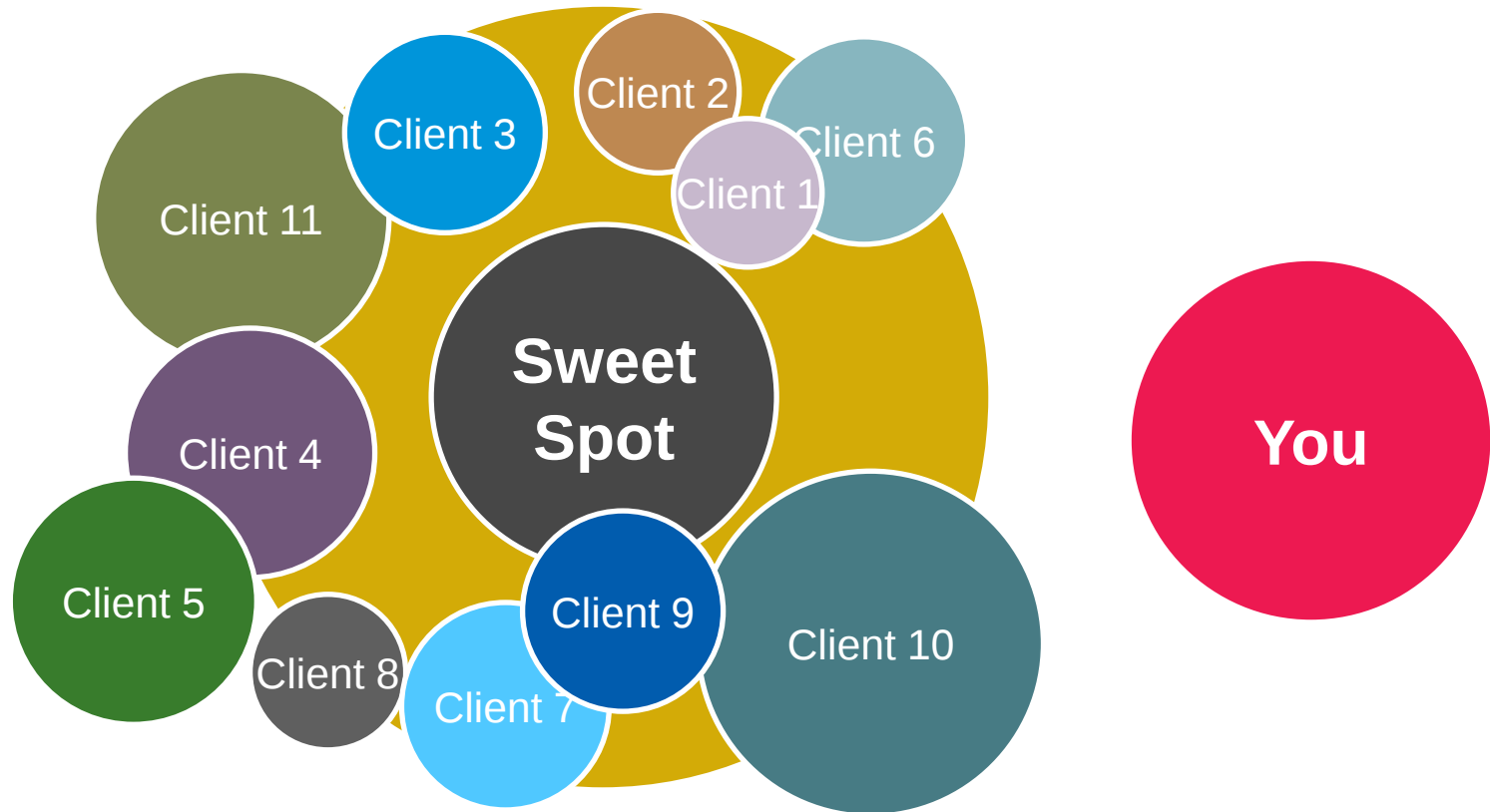
- Increased profitability by 10% to 30%+
- Demonstrated success in the utility / energy industry

Best practices in collections decisioning and operational execution



Agency management

Profit motives of agencies and clients are not often aligned



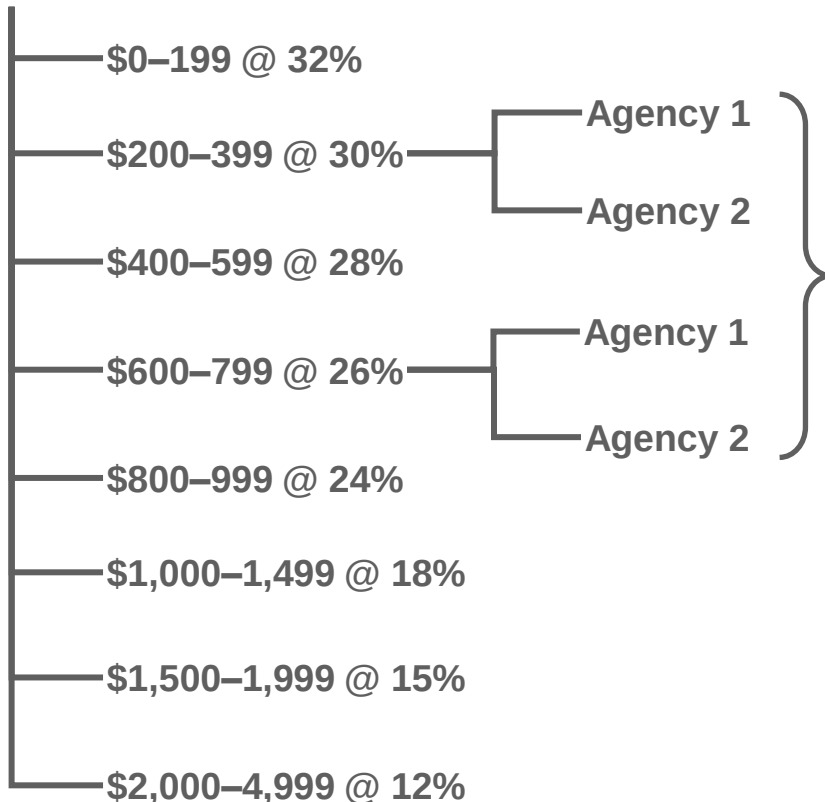
Agency sweet spot

Commissions received greater than the cost to collect

Agency management

Segmentation by liquidation value for yield adjusted pricing

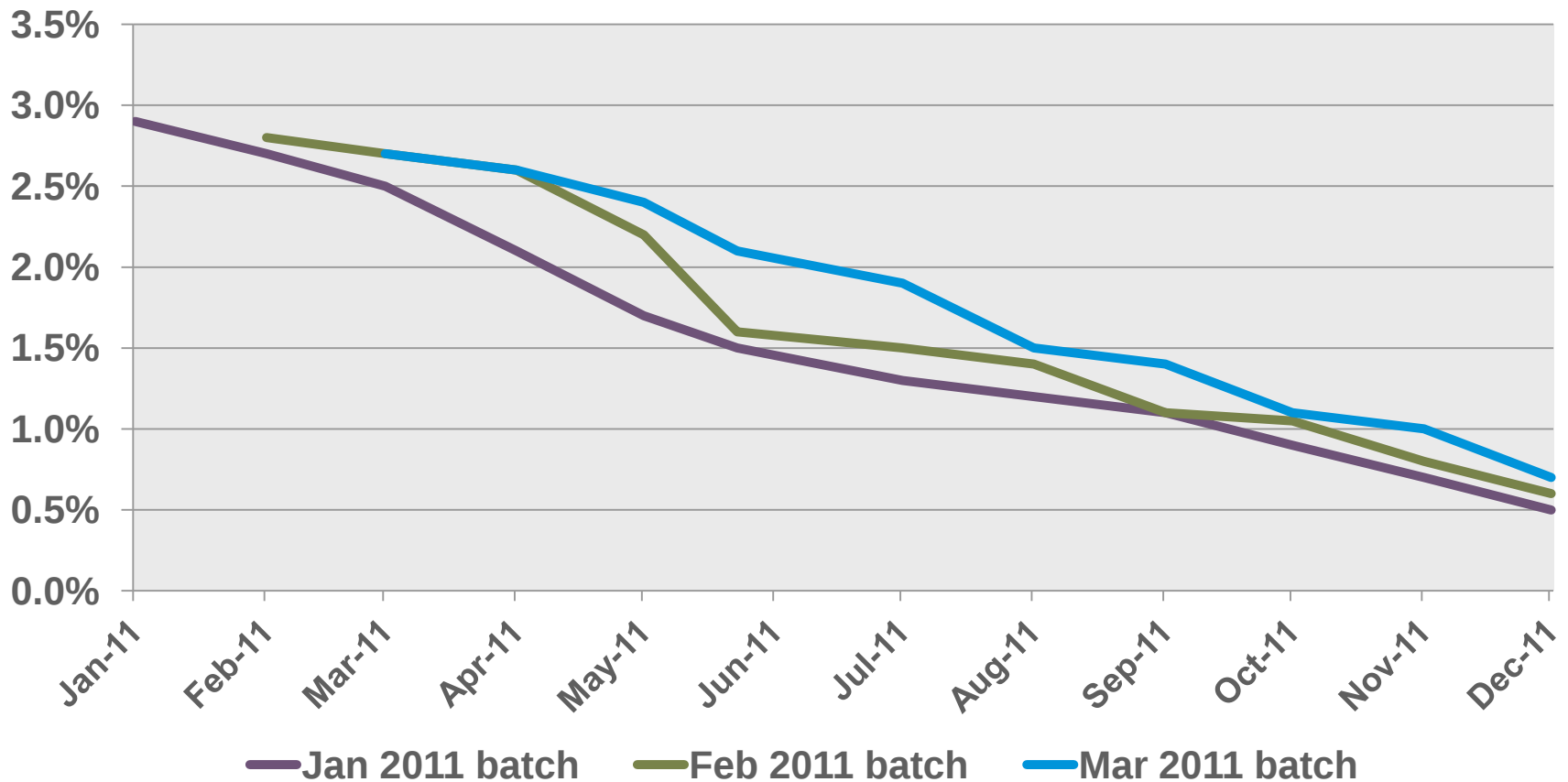
Liquidation model



Leverage reporting to measure performance of agencies against defined liquidation model forecast by segment and provide competitive metrics for market share competition

Agency performance ...

Using vintage liquidation curves

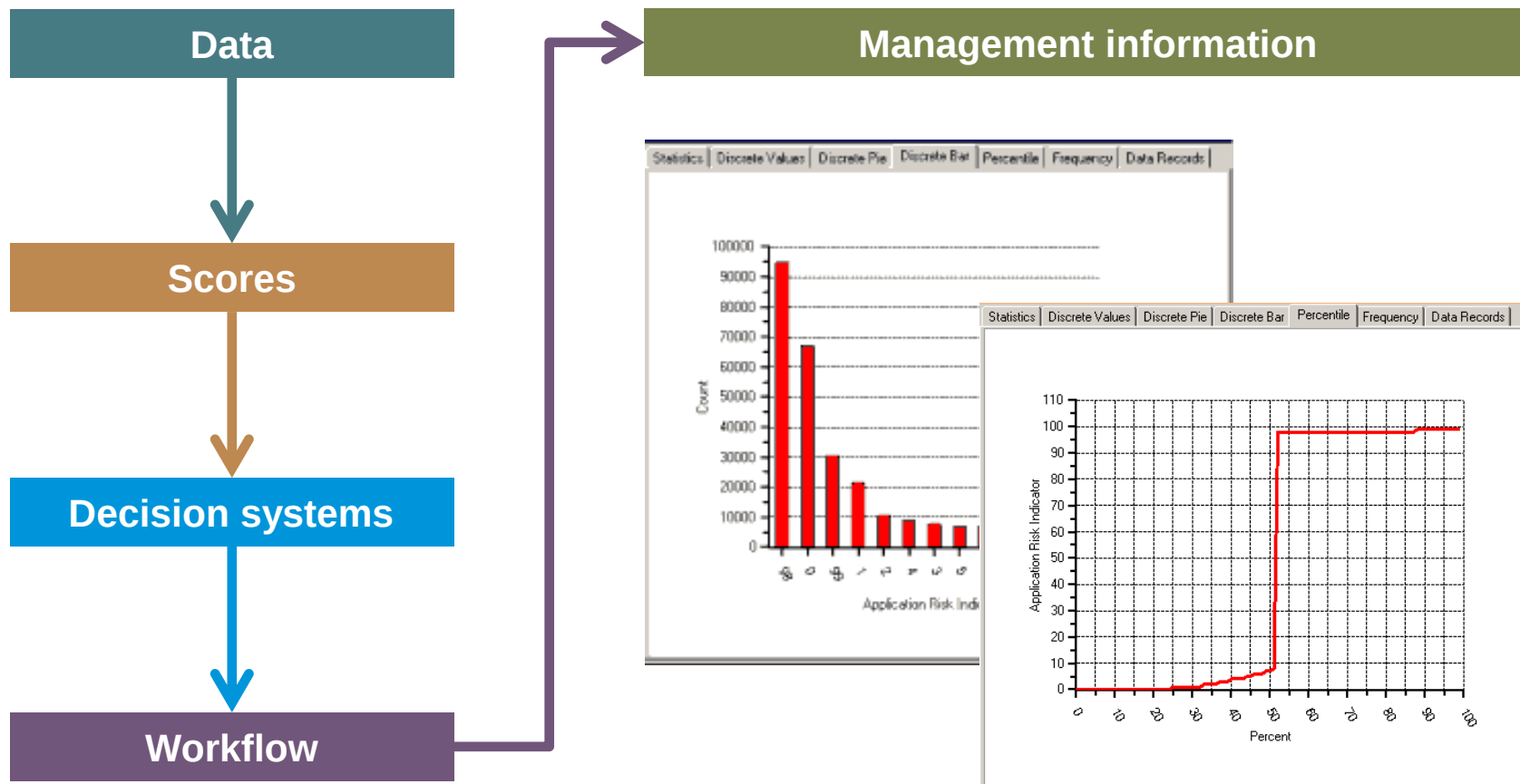


Agency management – Improving performance through agency scorecards and competitive market share

- Weight liquidation performance through the assignment cycle
- Assign scores by performance ranking
- Adjust scores by audit issues and other performance criteria
- Publish scorecard results to all agencies
- Market share adjustments will drive agency competition



Best practices in collections decisioning and operational execution



Industry case study examples



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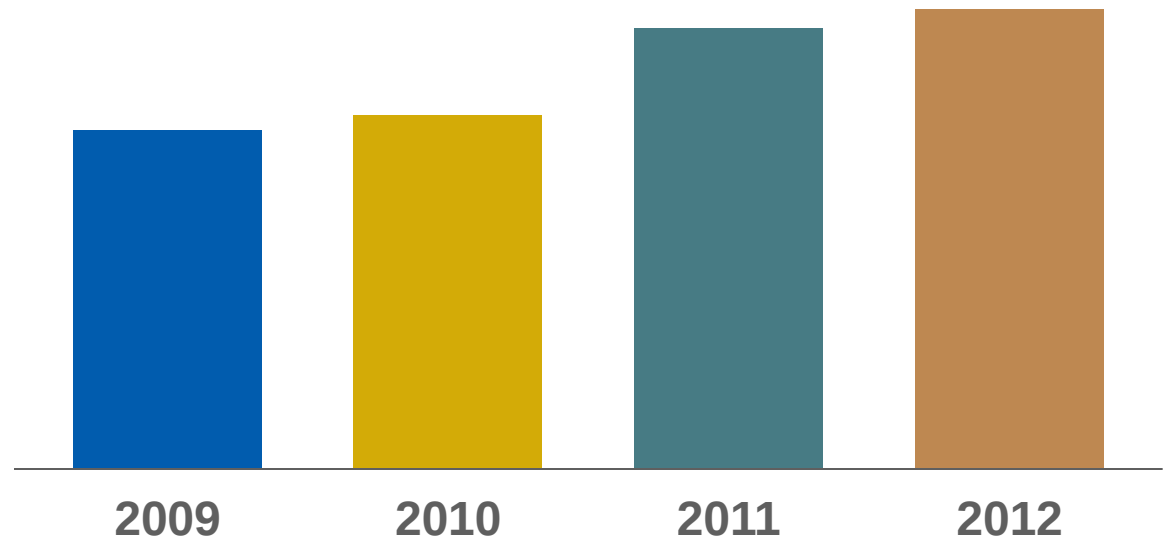


Kam Newman
Sr. Manager,
Credit, Debt & Prepaid Strategies



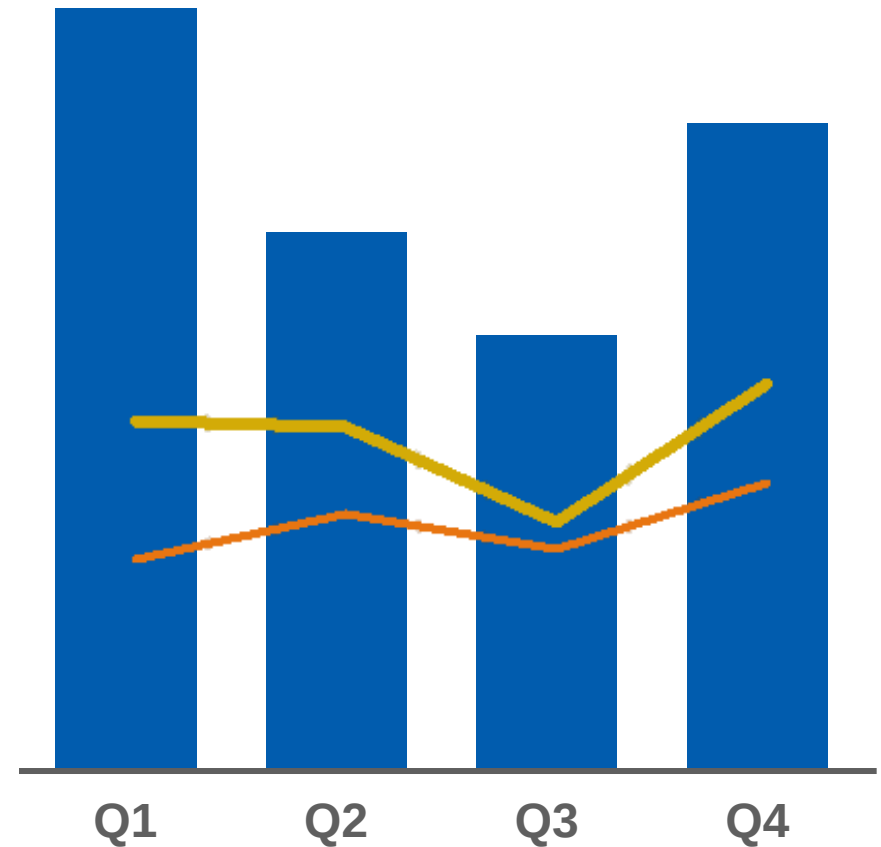
Credit decision optimization

- Smart meter vs. analog meter
- Tier deposit / prepay
- Thin file / no hit / alternative attributes
- Fraud prevention
- Debt owed



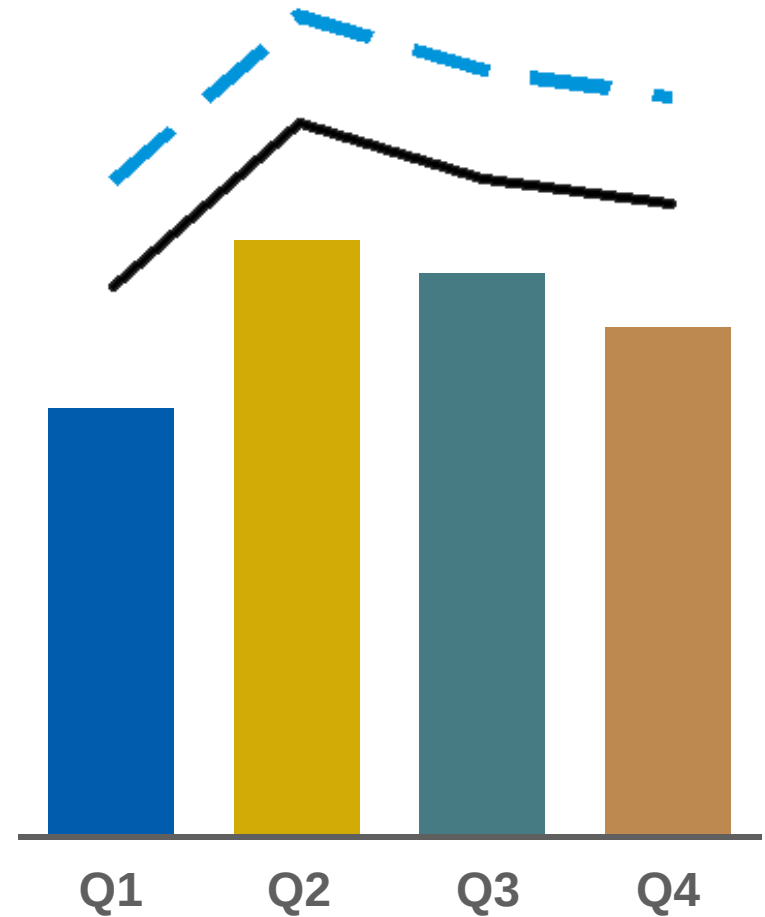
Live account management

- Multiple timeline segmentation
- Behavioral / predictive analytics
- High risk prepay conversion
- Life time value
- Fraud management



Post charge-off optimization

- Risk-based commission structure
- Micro segmentation
- Performance analytics
- Next generation collection conduit
- Net-back optimization



Questions and answers



Summary



- Synthesize **data** to profile customers
- Use **segmentation** to drive a risk-based collections strategy
- Leverage **optimization** to balance competing objectives in contact channels and field services
- Accelerate cash flow on recovery inventory using **liquidation** based **segmentation**
- Operationalize through **decisioning and workflow systems** to drive lower losses and cost savings

Thanks for attending!



For additional information, please contact:

Jeff.Bernstein@experian.com

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