

QUALCO

THE DEBT

# PORTFOLIO BLUEPRINT

How to build a fair credit rehabilitation approach to put the customer at the heart of your C&R strategy

---

QUALCO.EU

## CONTENTS

---

- **Foreword:** “Treating customers fairly, by offering solutions and repayment plans that better suit their circumstances, increases the likelihood of securing collection.” Pg. 4
- **C&R ethics speed read** Pg. 6
- **Introduction:** Advanced technology that is able to personalise collections can not only achieve better results, but also improve customer treatment, retention, and rehabilitation Pg. 8
- **Building a strategy for viable collections and recoveries** Pg. 12
- **Conclusion:** Treating customers fairly and proposing repayment plans that good customers in financial difficulties can truly afford is ultimately in the interests of both creditors and customers Pg.28

# FOREWORD

“Treating customers fairly, by offering solutions and repayment plans that better suit their circumstances, increases the likelihood of securing collection.”

Not only can the right platform bring rapid improvement in profitability through enhanced productivity and collections results, but also longer-term benefits that are more difficult to quantify.

Advanced technology reduces compliance and operational risks by eliminating the errors that typically arise from fragmented data and manual processes. At the same time, such technology enables firms to consider customers’ individual circumstances and subsequently treat them more fairly.

As a result, sophisticated systems better align the interests of creditors and customers, bringing significant improvements in rehabilitation and other long-term rewards for both parties.

Treating customers fairly, by offering solutions and repayment plans that better suit customers’ circumstances, increases the likelihood of securing collection at the same time as bringing the longer-term benefits that come from having more rehabilitated and loyal customers.

Smarter systems provide much smarter outcomes; the ability to segment treatment based on individual account characteristics, as well as the power of automation, enables organisations to achieve previously unthinkable commercial goals through their collections operations.

Less customer-centric practices, combined with the use of legacy systems, have often resulted in a “sledge hammer to crack a nut” situation, where creditors deploy expensive collection resources to cases that would otherwise self-correct through simple, low-cost, automated contact strategies.

At the same time, segmentation and analytics tend to indicate that collections can achieve optimum results by offering certain carrots to customers. Just as appropriate, targeted, automated contact can see many more customers self-correct, early in the process, offering customers features such as grace periods can even avoid the need for a formal collection process to begin at all.

Advanced systems enable organisations to know when, how and who to most optimally offer such solutions. While technology naturally aligns customer and creditor interests, engendering a form of enlightened self-interest, businesses are also under more pressure than ever to apply ethical collection practices because of heightened regulatory scrutiny.

Applying inappropriate, flawed or aggressive actions can easily see creditors face sanctions from regulators, as well as needlessly alienating stakeholders. Organisations have much to gain from applying customer-centric, effective and fair approaches to collections; such strategies can reap long-term benefits by improving how creditors are perceived by existing and prospective customers, as well as investors.

**Frixos Ioannidis**  
 Servicing & Portfolio Management  
 Deputy Director  
 Qualco

# SPEED READ: ETHICAL COLLECTIONS AND RECOVERIES



Having accurate, detailed information on customers in an easily accessible, user-friendly format helps avoid flawed actions that can ultimately damage the interests of both creditor organisations and customers.



While automation can significantly improve collection results throughout the entire debt lifecycle, it is particularly efficient and effective in dealing with those cases that can self-correct in the early stages of collections.



Segmentation can be used to identify those customers most at risk of default and allocate suitable resources to such cases with more workable payment solutions.



In the long run, it is in the interests of organisations to support good customers by offering practical solutions that can maximise rehabilitation and enhance customer loyalty.



Deploying more sophisticated, intelligent technology can enable companies to better monitor the activities of collection agents, ensuring that they are applying best practice and interacting with customers in an ethical way.



The combined use of legacy systems with aggressive collections strategies can lead to dire results for companies, including regulatory censure as well as deterioration in their reputation with customers and other stakeholders. Advanced system technology and best practice can ultimately improve how firms are perceived by existing and prospective customers, as well as investors.

“ADVANCED TECHNOLOGY THAT IS ABLE TO PERSONALISE COLLECTIONS AND DELIVER FAIR CUSTOMER TREATMENT CAN NOT ONLY ACHIEVE BETTER COLLECTION RESULTS, BUT ALSO IMPROVE RETENTION AND REHABILITATION, AND LEAD TO REPEAT CUSTOMER PURCHASES.”

Creditors are more likely to be sanctioned than ever before for unethical activities and erroneous actions that can potentially damage customers’ interests.

**A**ggressive collections tactics or actions arising from misunderstandings and factual errors, can not only lead to regulatory censure but also adversely affect firms’ long-term commercial interests, as good customers take their business elsewhere.

For far too many organisations, the absence of a single, effective collections systems means that they fall short from both an operational and a strategic perspective. For instance, as well as exposing themselves to the risks arising from low-quality data, many collections operations fail to adequately take into account customers’ individual characteristics and match them to optimum treatment strategies and solutions.

Advanced systems that are able to personalise collections can not only achieve better collection results, but also help improve customer retention, with such approaches having a natural tendency to increase rehabilitation.

When customers do run into financial difficulties, treating them fairly with workable payment solutions can reap substantial rewards for creditors in the long run; the rate of customer rehabilitation is increased with the likely effect that a greater number of customers will continue to purchase their products and services for years to come.

WHEN CUSTOMERS DO RUN INTO FINANCIAL DIFFICULTIES, TREATING THEM FAIRLY WITH WORKABLE PAYMENT SOLUTIONS CAN REAP SUBSTANTIAL REWARDS FOR CREDITORS IN THE LONG RUN



While failing to optimally manage growing volumes of accounts across the entire debt lifecycle, many organisations are stunted by poor visibility and control over their collection operations. Many firms have a limited view over the actions of third-party agents, making it difficult to ensure that their own reputation is being properly safeguarded and maintained through collections. The ability to effectively monitor actions is especially important as organisations have begun to increasingly outsource collections operations in the early stages.

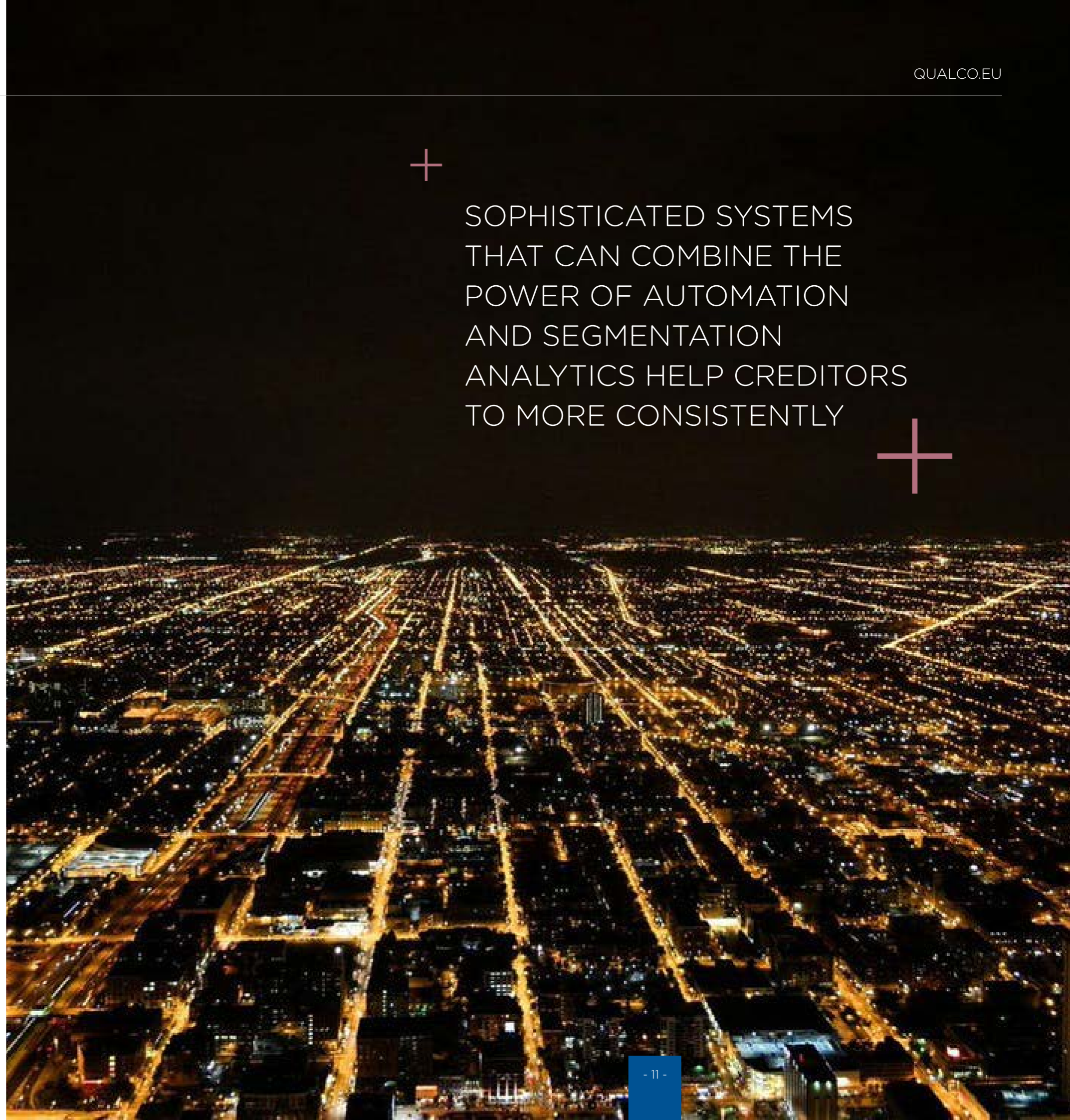
Sophisticated systems that can combine the power of automation and segmentation analytics help creditors to more consistently and appropriately service accounts across the entire debt portfolio. Such technology offers the scope to greatly improve the management, results and efficiency of collections operations.

Firms should take into account not only the quick gains that such systems can bring, but also the longer-term benefits that can accrue as rehabilitation is increased and the creditor's reputation with customers and other stakeholders is better protected and even improved. The strategic benefits of such advanced technology should be considered alongside the operational advantages.

Fair debt collection practices have never been more important given the increased regulation that debt collection and recovery operations are subject to. At the same time, organisations face the challenge of managing higher volumes of delinquent accounts just as more intense competition is driving a search for increased productivity from collections operations as well as better results.



SOPHISTICATED SYSTEMS THAT CAN COMBINE THE POWER OF AUTOMATION AND SEGMENTATION ANALYTICS HELP CREDITORS TO MORE CONSISTENTLY





THE INTEGRITY  
OF DATA IS ALSO  
IN THE INTERESTS  
OF CUSTOMERS

# KNOW YOUR CUSTOMER

In order to optimise debt collection and recovery results, it is essential to have accurate, detailed information on customers in an easily accessible, user-friendly format.

**H**aving the right information at the fingertips of agents should help ensure that collections resources are concentrated on the most appropriate cases early in the process, when there is the highest chance of achieving positive results.

The integrity of data is also in the interests of customers; while avoiding embarrassing and potentially damaging situations where agents act incorrectly on flawed information, it ultimately makes customer rehabilitation far more likely to succeed.

The integration of consistent, high-quality data on customers provides the foundation for very effective segmentation strategies.



# PROMPT AND APPROPRIATE

More aggressive collections strategies can needlessly lead to long-term damage in relationships with customers. This is especially true for those cases that will effectively self-correct with just a reminder, including cases where a payment has been missed due to a technical reason or an error on the part of the customer.

**W**hile automation can significantly improve collection results throughout the entire debt lifecycle, it is particularly efficient and effective in dealing with those cases that can self-correct in the early stages of collection.

Of course, it's important that all cases get an early reminder to pay up, as the longer the delay in chasing missed payments, the

higher the risk that accounts will fall into more serious stages of default, especially when other creditors are also requesting repayment.

The use of automation to contact creditors with digital communication channels such as SMS and email helps optimise collections as it facilitates prompt action while keeping operational costs to a minimum.





IT IS IN THE INTERESTS OF BOTH CUSTOMERS AND FIRMS THAT REPAYMENT SOLUTIONS FULLY CONSIDER THE INDIVIDUAL TRAITS OF EACH ACCOUNT.

## TCF WITH TAILORED SOLUTIONS

A comprehensive risk profile, as well as information on the status of each customer, should enable operators to apply the most optimum strategy to each account.

**F**or instance, more sophisticated systems can take into account external data that shows when customers are behind on payments with more than one creditor.

Segmentation can be used to identify those customers most at risk of default early in the process, so that firms can allocate suitable collection resources to such cases and offer more workable payment solutions. It is in the interests of both customers and firms that repayment solutions fully consider the individual traits of each account.

Treating customers fairly (TCF) is ultimately in the interests of creditors themselves, as offering a payment plan that customers can properly afford means firms can potentially win twice; not only does it increase the likelihood of securing full repayment, but it also brings the long-term benefits that come from having a greater number of rehabilitated and loyal customers.

# BETTER VISIBILITY OF CUSTOMER CIRCUMSTANCES



In order to offer appropriate repayment solutions to customers in genuine financial difficulty, organisations can benefit from systems that provide better visibility of their customers' financial obligations and circumstances.

In the long run, it's in the interests of creditors to support good customers by offering practical solutions that can maximise rehabilitation and even enhance customer loyalty. To be able to do this effectively, it's essential that organisations can properly assess the reasons behind non-payment and the temporary or long-term nature of the financial challenges that their customers are experiencing.

# RISK PROFILING

---

It is also important that firms can properly identify customers who have run into difficulties because of less responsible borrowing practices. Again, risk profiling and segmentation strategies should help identify such accounts so that appropriate resources can be allocated promptly.

**E**arly action is particularly important with customers in this group as it is highly likely that they are already being chased by other creditors. While professional negotiation can help achieve positive results, applying sophisticated analytical techniques can achieve a more optimum outcome.

For instance, in certain cases, systems that use advanced financial modelling may suggest that some sort of debt reduction could maximise the amounts actually recovered by the organisation.

+ WHILE PROFESSIONAL NEGOTIATION CAN HELP ACHIEVE POSITIVE RESULTS, APPLYING SOPHISTICATED ANALYTICAL TECHNIQUES CAN ACHIEVE A MORE OPTIMUM OUTCOME.



IT IS ESSENTIAL THAT CREDITORS CAN HIGHLIGHT THE NEGATIVE CONSEQUENCES OF DEFAULT TO SUCH CUSTOMERS.

# SAFEGUARD REPUTATION

A sophisticated system, combining high-quality data with automation and segmentation strategies, should help firms to make the all-important distinction between those customers who are unable to pay and the minority who will not pay despite having the resources to do so.

**A** different approach is often necessary with customers who fall into this latter category; it is essential that creditors can highlight the negative consequences of default to such customers.

At the same time, a professional, ethical approach that treats customers fairly remains essential even with accounts in this group so that the reputation of creditor firms is properly safeguarded and regulatory obligations are met.

# SEGMENT AND AUTOMATE

---



The ability to segment treatment based on individual account characteristics, combined with the power to automate, enables organisations to adopt more intelligent strategies that are more likely to be both in their own interests as well as those of customers.

**F**or instance, segmentation analytics may suggest that a certain group should be offered a grace period before collection costs become applicable, thereby giving customers an additional incentive to settle early in the process.

The lower costs that automated collection can bring makes such a solution more economically practical for companies than ever before.

Organisations should consider not only the boost to profitability that such an approach can bring from the higher amounts collected

earlier in the process and with lower costs, but also the benefits of lower attrition that should come from having more satisfied, rehabilitated customers, who are more likely to continue purchasing products and services from them in the future.

Sophisticated, customer-centric strategies can significantly reduce bad debt, delinquency and attrition.

# BETTER MONITORING

Deploying more sophisticated, intelligent systems can enable creditors to better monitor the activities of collection agents, ensuring that they are applying best practice and interacting with customers in an ethical way.

In particular, the increased visibility that such systems provide over collections operations should enable organisations to more adequately control the reputational risks that are inherent in outsourcing collections to third parties.

Advanced systems also provide a more transparent view of performance, enabling creditors to better judge the results of agents and treatment strategies in the context of the actions actually taken, as well as suggesting appropriate adjustments in order to constantly improve results.

Companies should aim to protect long-term relationships with customers wherever possible in their collections strategies. While unnecessarily aggressive strategies and inappropriate actions can needlessly damage relationships that could otherwise be highly profitable over the long term, firms should also consider the wider damage that unethical practices can do to their reputation in the market.

Treating customers fairly and proposing repayment plans that good customers in financial difficulties can truly afford is ultimately in the interests of both creditors and customers.



+ UNNECESSARILY AGGRESSIVE STRATEGIES AND INAPPROPRIATE ACTIONS CAN NEEDLESSLY DAMAGE RELATIONSHIPS THAT COULD OTHERWISE BE HIGHLY PROFITABLE OVER THE LONG TERM.



“TREATING CUSTOMERS FAIRLY AND PROPOSING REPAYMENT PLANS THAT GOOD CUSTOMERS IN FINANCIAL DIFFICULTIES CAN TRULY AFFORD IS ULTIMATELY IN THE INTERESTS OF BOTH CREDITORS AND CUSTOMERS”



+



+



+



+



With an ethical C&R approach, not only can organisations benefit from improved collection results, but also reap the longer-term rewards that should come from having a greater number of loyal, rehabilitated customers.

Solutions that are specifically tailored to customers' circumstances are likely to be far more effective than a blanket, one-size-fits-all approach.

By matching solutions more appropriately to customers early in the process, advanced technology can greatly increase the likelihood of customer rehabilitation and improve collections results.

More ethical and effective collection practices, which enhance customer rehabilitation, will boost profitability in the longer term as rehabilitated, loyal customers continue to purchase services for years to come.

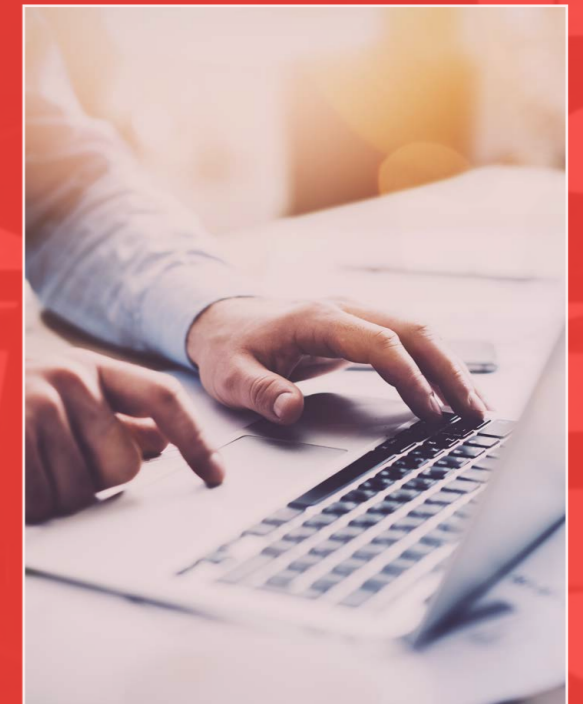
Along with the rapid payback and substantial return on investment that advanced system technology can bring for C&R, organisations should also consider the reputational benefits: improving how they are perceived by existing and prospective customers, as well as investors, can have a long-term, powerful impact on the business.

## SHARE THIS BLUEPRINT



Are you ready to take our **Debt Portfolio Maturity Audit** and discover how we can help you build a more cost-effective C&R strategy? Find out now.

FILL OUT THE AUDIT







QUALCO

QUALCO.EU