

QUALCO

THE DEBT

PORTFOLIO BLUEPRINT

How to use technology to streamline
debt collection and recovery operations

Technology streamlines debt collection and recovery operations enabling activities to run more smoothly and strategic choices to be deployed seamlessly with razor sharp visibility.

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FOREWORD

“Due to the high impact NPLs have on organisations, there’s an urgency for technology investments in collections and recoveries”

We have reached a “have your cake and eat it” moment for collections and recoveries. The right platform can bring such rapid improvements in productivity and results that organisations are being shocked by how quickly pay-back day arrives.

Revenue should also be boosted for years to come as a result of getting the right fit between your organisation and technology that offers virtually infinite possibilities.

A technology revolution is changing the face of debt collections and recovery, offering firms the prospect of achieving more than ever before, but with fewer resources. An integrated platform can enable firms to manage the entire debt lifecycle in one place, with increased efficacy and much greater efficiency.

Such an approach increases the quality of information and processes, helping firms to pass the tests of heightened regulatory scrutiny. It allows firms to manage increasing volumes, with the ability to rapidly scale up their operations and easily make modifications as their requirements evolve.

Agents should no longer have to spend a vast amount of time on mundane, clerical tasks, making hard to maintain to-do lists a thing of the past. Instead, agents can devote themselves to working with account holders to secure early resolution.

Applying advanced technology to collection and recovery gives organisations an overwhelming leap forward in terms of visibility over their operations. Technology empowers firms; they not only gain greater insight into the activities of agents but also invaluable data, which drives much more informed strategic decisions.

The combination of automation and sophisticated segmentation and analytics can enable organisations to attain previously unthinkable commercial goals, with increased productivity bringing fast improvements to the bottom line.

Acquiring the strategic insight to optimise collections and recovery enables firms to make constant improvements, yielding ever more powerful results over time. The beauty of such advanced technology is characterised by the intelligence it brings to operations and its power to simplify.

Due to the high impact NPLs have on organisations, there’s an urgency for technology investments in collections and recoveries. The large stock of non-performing assets, which lead to tied down bank capital, raised funding costs and inhibited efficiency gains, means technology must be a priority for all credit institutions to build a sustainable business model.

Technology streamlines operations because it makes everything simpler, enabling operational activities to run more smoothly and strategic choices to be seamlessly deployed with razor sharp visibility.

But to do this, firms require enterprise software products with accumulated knowledge and consolidated experience that embed market best practices and meet supervisory and regulatory expectations.

The simplicity of advanced technology platforms in debt collection and recovery makes tweaks, which may have previously appeared almost unimaginable, surprisingly effortless.

—
Thodoris Psilopoulos
 Product Director
 QCR

SPEED READ: HOW TECHNOLOGY IS STREAMLINING DEBT COLLECTION AND RECOVERY OPERATIONS



Advanced systems can be used to manage accounts throughout the entire debt lifecycle, from initial contact through to the legal and restructuring stages. Such systems can be easily scaled up to handle increased volumes as well as adjusted to add additional features as firms' requirements evolve.

Technology can reduce the administrative burden and make firms less likely to fall foul of regulators, promoting consistency and the integrity of data.

Productivity should be greatly enhanced with agents able to dedicate themselves to more value-added activities, enabling firms to boost collection results early in the process.

All collection processes can be automated, including resource allocation between internal and external agents. Accounts can be automatically distributed to third-party collection agencies using weighted quantitative and qualitative criteria to optimise collection efforts.

Automation can significantly increase the efficiency of administering core collection functions, greatly reducing the costs of collections.

Segmentation and scoring should enable firms to take more appropriate, effective action early in the process, with bad debt, delinquency and attrition being reduced.

Advanced system technology empowers operational users by providing a toolbox to fully manage debt portfolios according to their needs.

“THE RIGHT SYSTEM CAN ENABLE COLLECTIONS OPERATIONS TO ACHIEVE MORE BUT WITH EVEN FEWER RESOURCES THAN PREVIOUSLY, DRIVING BOTH ENHANCED PRODUCTIVITY AND COLLECTIONS RESULTS”

Firms are under more pressure than ever to optimise collection operations, from initial contact with delinquent accounts right up to when legal action or restructuring action becomes appropriate.

Globally, non-performing loan (NPL) ratios have risen significantly since the onset of the financial crisis, rising from 2.7% at the end of 2007 to 4.3% by the end of 2015. European NPLs have risen above the global average over the same period, with the EU-wide NPL ratio standing at 5.6%.

Managing increased volumes of NPLs, while under heightened regulatory scrutiny, demands a more strategic, holistic approach to debt collection and recovery.

Collection operations at the very least need to improve efficiency and get more out of the available resources. Happily, advanced

technology can enable organisations to do far better; the right system can enable collections operations to achieve more, driving both enhanced productivity, improved collections results, and regulatory compliance.

Too many collections operations suffer from not having a viable system to manage accounts throughout the entire debt lifecycle or relying on bespoke systems that represent a drain on internal resources, while falling far short of optimising collections.

A single, intelligent system can provide the means to manage accounts at any stage of delinquency, while supporting the

management of any type of credit product, including consumer, unsecured, mortgages, SME and utilities.

Such a system can drive the optimisation of collection operations by supporting all communication channels, extracting more value from both in-house and outsourced operations, while also addressing the needs of creditors, debt collection agencies and buyers. It should also allow the business to operate without dependency on other line of business applications.

COLLECTION OPERATIONS AT THE VERY LEAST NEED TO IMPROVE EFFICIENCY AND GET MORE OUT OF THE AVAILABLE RESOURCES

Organisations should avoid adopting shiny new technology just for the sake of it; they need to make sure that there is a clear alignment between prospective systems and wider strategic goals.

Equally, some systems may appear to meet requirements well initially but due to high vendor dependency actually include substantial hidden costs in the long term, along with the inherent inflexibility that tends to detract from early productivity gains. Operational needs and changing regulation can often result in high vendor dependency; agile, user-friendly systems that are scalable and customisable can lead to better long-term outcomes.

Collections operations should aim to source a system with true vendor independence, enabling modifications and enhancements to be made quickly, easily and at low cost.

Collections operators need to manage accounts effectively from end-to-end, including in the final stages of the debt cycle when it's time for solicitors to get involved. It is also imperative to be able to offer a comprehensive 360 degree view of the customer and the entire relationship they have with the organisation.

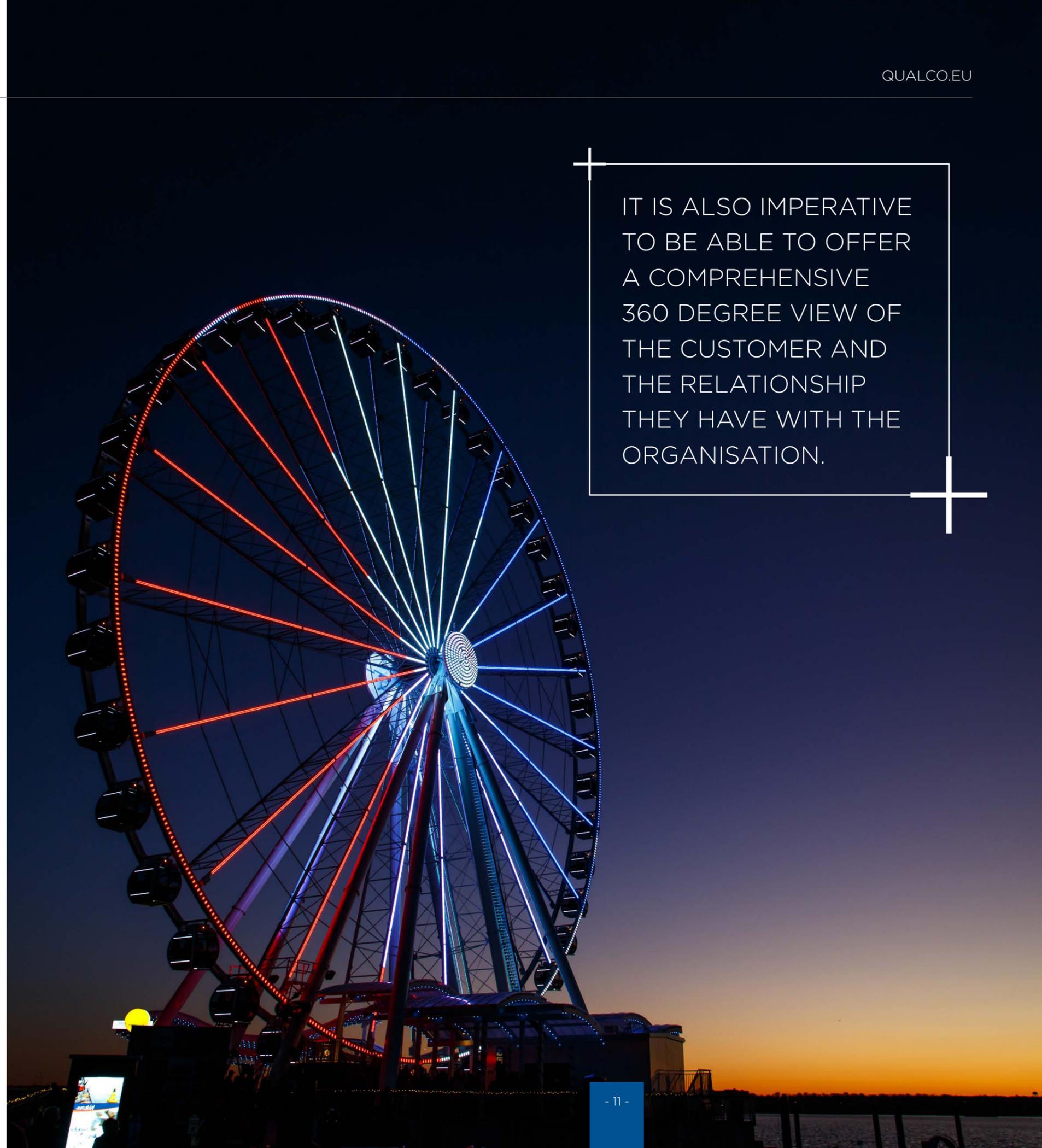
Collections operators also require scalability in order to match growing volumes as well as a high degree of flexibility so that they can modify system features as needs evolve.

Organisations must have systems that are agile enough to react to changing conditions and requirements. It is essential that systems have extensive, user-friendly configuration options to reduce the reliance on IT departments to implement such changes.

By deploying an advanced system and taking a holistic approach to collections, organisations can more effectively satisfy the complex needs of internal executives as well as better navigate the increased external challenges posed by the likes of regulators.

Through the substantial improvement in productivity and collection results that a sophisticated system can bring, a sustainable business can be built.

IT IS ALSO IMPERATIVE TO BE ABLE TO OFFER A COMPREHENSIVE 360 DEGREE VIEW OF THE CUSTOMER AND THE RELATIONSHIP THEY HAVE WITH THE ORGANISATION.



+ CHOOSING A SYSTEM WITH
 INBUILT SCALABILITY AND
 FLEXIBILITY THAT CAN
 MANAGE GROWING VOLUMES
 OF DATA WILL ELIMINATE THE
 NEED TO ADD APPLICATIONS
 TO MEET EVOLVING DEMANDS

SCALABILITY

Against the backdrop of rising NPL volumes, it is perhaps unsurprising that many collections operations have suffered from having insufficient scalability and flexibility within their systems to adequately manage increasing demands.

Moreover, large data volumes have a huge impact on a system's availability and performance – this can lead to large investments in hardware and maintenance costs but these are only ever short-term solutions.

Choosing a system with inbuilt scalability that can manage growing volumes of data across the entire debt lifecycle will eliminate the need to further invest in software applications to meet evolving demands just a few years down the line and ensure business continuity.

A large system landscape not only eats into the cost savings that advanced system technology can bring, but can also create needless system complexity, which may ultimately stymie overall performance.

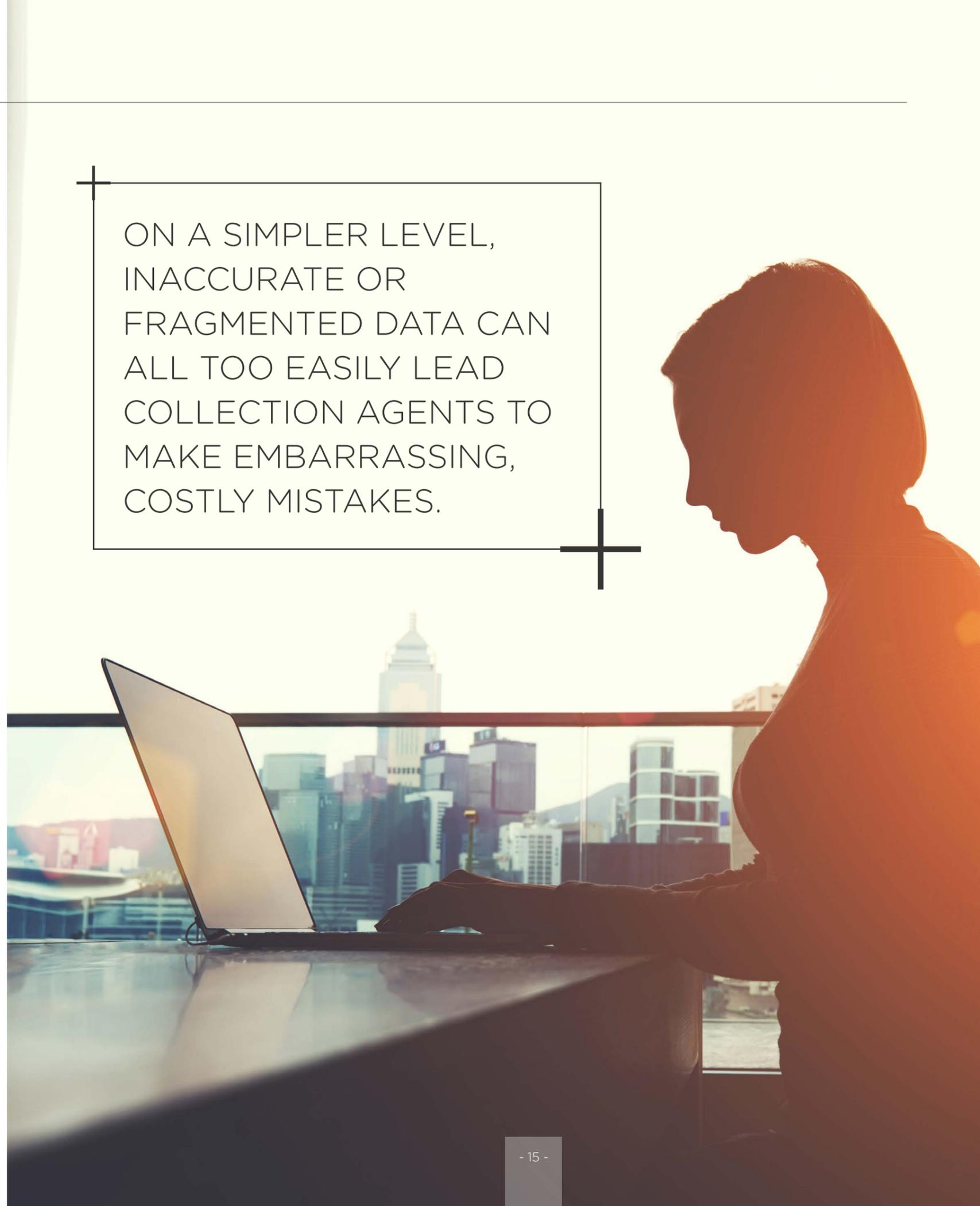
AVAILABILITY AND RELIABILITY

However impressive a system may appear, availability and reliability is of utmost importance to ensure optimum outcomes. If a single system is to be used to drive collections, then firms need to be sure that they can rely on it at all times.

In essence, reliability is also a reflection of the intelligence of systems; sophisticated availability features should also ensure that systems remain operational even when faults do occur.

Such features are essential for the smooth running and optimisation of collections operations, but integrity of data is paramount.

The only way to drive the business forward is by having the right data, at the right time. On a simpler level, inaccurate or fragmented data can all too easily lead collection agents to make embarrassing, costly mistakes.



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INTEGRATION

Advanced technology allows data from various systems to be integrated in just one location. Having all the data in one place, rather than across multiple silos, should reduce the risk of data inconsistency – this is crucial, particularly as data is constantly evolving in line with the debt lifecycle.

Accurate and up-to-date information should be regularly provided and seamlessly loaded into the collection system so that actions are based on the most up-to-date, accurate picture. It is therefore essential that platforms can be easily and effectively integrated with third-party offerings, including core banking, dialer infrastructure and payment service providers.

Given the global spotlight on data security at present, along with the well documented and infamous security breaches, it is also essential that systems can onboard and share data in a smooth and safe manner, adhering to the latest security best practice as well as compliance to data protection legislations.

LEVERAGE STRUCTURED DATA

A sophisticated, best-in-class system, can leverage the true power of structured data, with the ability to analyse, provide insight and segment large volumes of accounts according to their individual characteristics.

Integrating segmentation analytics within a debt recovery and collection application means that treatment strategies for specific groups of accounts can be applied automatically on an ongoing basis, at the same time as taking into account regular updates on customers so that decisions are based on the most up-to-date information.

Treatment strategies can consist of an automated sequence of actions, configured on the basis of each account's history and current status. Such an approach can both reduce costs in order to maximise efficiency, and boost collections as accounts should be

handled in the most optimum way, without the need for manual intervention.

Accounts can be automatically transferred to different treatment strategies or allocated to alternative external agencies based on their evolving characteristics.

Scoring and behavioural data are used to identify the higher risk accounts, enabling firms to take more appropriate and effective action early in the process, cutting millions in provisions from balance sheets.



+ ACCOUNTS CAN BE AUTOMATICALLY TRANSFERRED TO DIFFERENT TREATMENT STRATEGIES OR ALLOCATED TO ALTERNATIVE EXTERNAL AGENCIES BASED ON THEIR EVOLVING CHARACTERISTICS.



AUTOMATION

Automation is a golden bullet for collections operations, enabling agents to work on many more accounts each month, thereby greatly improving end results. At the same time, it also helps firms comply with regulatory requirements and avoids the inconsistencies and errors that tend to crop up with paper-based, manual processes.

Automation can be applied to generate appropriate review letters to customers as well as to assign future tasks to agents, providing visibility on outcomes and initiating follow-up action. Automation can significantly increase the efficiency of administering core collection functions, greatly reducing the costs of collections. This includes the handling of promises to pay by customers, with the ability to monitor the payment schedule as well as payments that have been fulfilled or missed.

Automation is also an extremely versatile concept: it can be applied to multiple communication channels with customers, including telephone calls, SMS, emails and letters, just as it can be applied to multiple payment channels.

Pending cases can be automatically assigned to the next available agent according to prioritised assignment rules.

Using a fully integrated system, agent activities can be performed through a single screen, which should contain all the necessary information regarding the account, incorporating other collection cases concerning the same customer. It should ensure a “single call per customer” approach since the agent has all the information needed to contact the customer, regarding all active collection cases.

Managers can also use the collation and analysis of statistical data from advanced systems to better deploy internal resources, drawing on parameters such as the availability of collection agents and the number of calls per segment.

+ PORTALS CAN BE SET UP TO GIVE EXTERNAL AGENCIES DETAILED INFORMATION ON THE ACCOUNTS THEY HAVE BEEN ASSIGNED, EXCHANGE MESSAGES WITH OUTSOURCER ORGANISATIONS AND PROVIDE ACCESS TO ANALYTICS. +

OUTSOURCED COLLECTIONS

For many firms, it makes more sense to outsource collections operations rather than finance in-house collections and recovery resources. For instance, the core business of a bank is not collection and recovery, and specialised servicers can significantly reduce maintenance and workout costs of non-performing assets.

Technology can facilitate seamless collaboration between such institutions and third parties, maximising the potential of a powerful network of collections resources, enabling specialised partners to effectively process the extended workload presented by very large volumes of data.

Accounts can be allocated and placed to third-party collection agencies using weighted quantitative and qualitative criteria in order to optimise collection efforts.

Importantly, systems can be configured to ensure firms have full visibility of all activities performed by each agency, through the automated two-way interchange and synchronisation of data.

The sharing of data between agencies and firms should enable better control of outsourced activities, ensuring that third parties are following best practice. Portals can be set up to give external agencies detailed information on the accounts they have been assigned, exchange messages with outsourcer organisations and provide access to analytics.

ANALYSIS

Advanced systems offer a virtually unlimited number of ways to analyse data, focusing on more operational aspects, including daily activities, payments and proposed arrangements, along with issues such as portfolio performance.

Analytics can be used to address matters of strategic importance, including the efficiency of collection strategies and outsourcing models, as well as legal and restructuring workout.

The findings of sophisticated analysis can ultimately enable organisations to make improvements in strategic areas. Systems must capture all collection activity, including phone contact, correspondence, payments collected, promises to pay and arrangements made, together with the state and main attributes of the account at the time of the activity.

This provides the depth of statistics to be able to provide detailed analysis on the evolution of accounts, qualified by the actions taken. Advanced technology enables the effectiveness of automated segmentation strategies to be constantly evaluated so that adjustments can be made to enhance performance.

SYSTEMS MUST CAPTURE ALL COLLECTION ACTIVITY, INCLUDING PHONE CONTACT, CORRESPONDENCE, PAYMENTS COLLECTED, PROMISES TO PAY AND ARRANGEMENTS MADE

EMPOWERING USERS

Advanced system technology empowers operational users by providing a toolkit to fully manage debt portfolios according to their needs, enabling them to respond rapidly to new business practices without vendor or IT involvement.

Best-of-breed systems offer the means by which to balance the workload between internal and external resources, while applying advanced business strategies at any stage of the debt lifecycle – from typical contact campaigns in early arrears to complex legal and restructuring processes mandated by companies’ credit policies or by the local legal framework.

Along with legal actions, systems can be set up to facilitate the restructuring of NPLs, including steps such as assessing eligibility, managing documentation and granting approvals.

In addition to all these capabilities, systems enable the business experts to take control of system configuration at the business level, empowering users and eliminating dependency on IT teams and other parties.



BEST-OF-BREED SYSTEMS
OFFER THE MEANS BY
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“MOST FIRMS ARE SURPRISED BY HOW QUICKLY SUCH SYSTEMS CAN PAY FOR THEMSELVES, THROUGH A COMBINATION OF REDUCED COSTS AND IMPROVED RESULTS”

Innovation in the area of debt collection and recovery management is providing firms with an opportunity to manage non-performing assets more effectively than ever before.

Advanced technology systems better handle the burdens of increased regulation as well as the challenges of managing higher volumes of delinquent accounts. Such systems can bring wide ranging benefits for internal stakeholders, investors and authorities, with a substantial improvement in efficiency and collection results.



INTEGRATED, INTELLIGENT,
AUTOMATED SYSTEMS IMPROVE
THE EFFICACY OF OPERATIONS
IN THE ALL-IMPORTANT EARLY
STAGES OF COLLECTIONS WHEN
FIRST CONTACTS ARE MADE

More sophisticated systems bring about simplification on many levels:

- Leads to a richer user experience for the end users.
- Advanced business configuration options without IT involvement.
- Self-service tailoring capabilities so that organisations can customise systems according to their needs without vendor engagement.

A holistic approach that deploys advanced technology to the whole debt lifecycle can ensure maximum revenue at the lowest cost. Integrated, intelligent, automated systems improve the efficacy of operations in the all-important early stages of collections when first contacts are made as well as in the latter stages, when legal processes or restructuring measures are appropriate.

Organisations deploying such technology can achieve much more than ever before, but with fewer resources. Most firms are surprised by how quickly such systems can pay for themselves, through a potent combination of reduced costs and improved results. Technology designed to facilitate continued improvement should be expected to enhance efficiency for years to come.

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