

# Case Study: Business Review

Maximizing collection agency performance and reducing bad debt write-offs by up to 12 percent



## About the client

One of the largest gas and electric utility companies in the United States.

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“Experian’s Tallyman Agency Management has enabled us to improve customer satisfaction with sophisticated segmentation enabling us to treat all customers in collections appropriately.”

“The world-class operational collections tool will give us strategic advantage in the marketplace with clear performance monitoring of our agencies to improve performance and drive down collections costs.”

“With a clear roadmap for long-term improvements to our collections operation we can drive down the cost to collect and remain competitive in the market.”

- *Manager, Credit Policy*

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## Challenge

The client’s process for collecting debt from customers in arrears had evolved to satisfy legislative policy changes imposed by the Public Utility Commission in California. As a result, they had begun to experience increasing levels of bad debt.

The utility decided to undertake a review of its credit risk infrastructure and concluded that its legacy systems and processes were no longer performing optimally for the changes that had taken place in the environment and business.

The client identified some key objectives it was looking to achieve with a review of its processes and upgrade of its collection system including:

- Reduced write-offs
- Increased recoveries
- Lower provisioning
- Improved Management Information (MI) reporting
- Increased automation of collections processes

## Decision Analytics answer

The client engaged Experian’s Global Consulting Practice to undertake a Business Review in order to identify areas for improvement in their post final bill collection and recovery processes.

Experian’s consultative approach provided a credit risk management roadmap which recommended 12 initiatives varying in complexity and encompassing strategic improvements, process changes and better use of technology and data. Experian demonstrated that implementation of the roadmap would achieve significant improvements through a combination of quick wins and longer-term opportunities.

In addition, the client selected Experian’s Tallyman Agency Management system to streamline the collections process and improve its system for placing accounts with third party collection agencies.

### Benefits

Implementation of the recommendations identified in the Business Review will deliver the following benefits:

- **Improvement in cash flow of between 10 and 15 percent** by fast-tracking
- **Bad debt write-offs reduced by between 8 and 12 percent**
- **Improved productivity in excess of 15 percent**
- **Increased customer satisfaction** with improved final bill process and collections activity matched to the risk of the customer
- **Improved visibility of agency performance**
- Improved agency management with **reduced commission fees**

### Resolution

Key to the opportunity for improvement was a redesign of the client's strategies for agency management. Executing a liquidation based segmentation strategy would increase the amount of debt collected by using a more efficient pricing methodology to promote competition amongst agencies and incentivize collection efforts on lower value cases.

Sophisticated segmentation of the arrears book was recommended in the final bill process to enable the identification and differentiation of 'good' customers who have voluntarily terminated their accounts. By treating these low risk customers differently to those who have defaulted, the client can improve customer satisfaction and use less aggressive and less costly communication channels leveraging automated technology.

In parallel, accelerating treatment on higher risk customers by earlier allocation to third party agencies would improve recovery and cash flow.

Tallyman for Agency Management was implemented to automate the segmentation and agency placement strategies to improve productivity and efficiency of the collections team while reducing losses.

New agencies can easily be added to the collections process and champion/challenger testing enables optimization of agency performance.

### Continuous improvement

Tallyman for Agency Management provides a sophisticated management reporting package to enable the client to fully understand and track the performance of its agencies. They can ensure that

optimal strategies are used and drive improved performance and reduced costs with continuous evaluation and improvement.

### Results

The hosted Tallyman for Agency Management solution with pre-configured templates has enabled the client to realize the business benefits quickly with a fast implementation and minimal impact on IT.

The utility has achieved a streamlined and optimized process for managing its collection agencies.

The client is realizing an uplift in late arrears collections and reduced losses, while accelerating cash flow against prior losses to improve recoveries and lower provisioning costs.

### Future outlook

Experian's credit roadmap will enable the client to achieve further and continuous improvements in the collections process. By prioritizing the recommendations and implementing them over time, the client can adopt best practices which enhance operational efficiency and drive down collections costs while satisfying regulatory compliance.

The partnership with Experian will provide the client with the support and expertise they need to further develop their new recovery process and leverage best practice methodology to drive additional improvements in the collections process.

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