



Customer-centric default management

Taking collections to the next level

This issue paper describes how customer-centric default management can generate both short-term revenue improvements and long-term profitability when guided by proven methods and relevant experience.

Wymond Duncan
Executive Consultant and
Credit Consulting Practice Manager
CGI

About the author



Wymond Duncan is Executive Consultant responsible for managing CGI's credit consulting practice. He has an extensive track record of creating business value by transforming the way organizations deliver their customer experience. This includes customer-centric default management, as well as the areas of credit origination, customer acquisition, cross-sell, service and retention. His clients over the last 15 years have included some of the best-known customer management organizations in the financial services and communications industries.

Customer-centric default management

Taking collections to the next level

Customer-centric approaches to default management feature innovative business processes and technology to achieve significant gains in both customer loyalty and operational effectiveness. Companies using this model can achieve better returns while improving the customer experience. This view is shared by many executives, as evidenced by CGI's survey of over 20 leading financial institutions and communications firms on their current goals, challenges and opportunities in default management.¹ More than half of survey respondents said they have customer-centric initiatives planned, underway or completed.

The primary drivers these business leaders indicated for pursuing this approach were:

- Retention—creating a better customer experience to produce better customer loyalty
- Efficiency—using a holistic approach to improve customer interactions and reduce costs
- Effectiveness—collecting a bigger share of available dollars, sooner, reducing write-offs
- Compliance—making it easier to comply with contact limits and Single Point of Contact requirements.

Yet, for many organizations, debt collection is an isolated, disconnected activity, conducted in a way that can alienate customers and achieve sub-optimal results. As a practical matter, a customer can have multiple accounts with varied statuses and treatments for each account. While a single, consolidated customer-level approach is the ideal, companies struggle to achieve it.

Customer-centric default management can generate both short-term revenue improvements and long-term profitability when guided by proven methods and relevant experience. CGI draws its expertise in customer-centric default management from over 350 successful collection implementations worldwide, as well as numerous customer value management implementations. Such efforts have helped clients reduce attrition among target customers by more than 20 percent and increase cross-sell response by more than 100 percent.

¹ "It's time to move forward with customer centric default management," March 2012

KEY CHALLENGES IN DEFAULT MANAGEMENT

Among the business challenges CGI's clients are solving with a customer-centric approach, include:

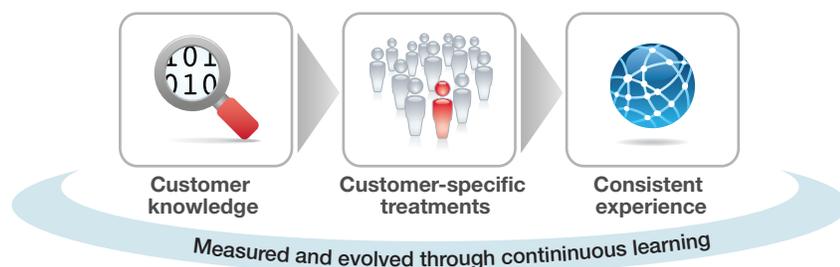
- Finding a way to convert present day collections expense into a strategic investment in customer retention and revenue growth
- Working to eliminate data silos, to achieve a more complete customer view and to enhance the customer experience
- Improving their collection strategies with decision engines, business intelligence tools and data analysis
- Seeking dramatically better collections efficiency and effectiveness
- Reversing declines in right party contact rates and productivity
- Facing difficulty in fielding full or fully capable channel interactions
- Looking for a seamless approach to the management of regulatory compliance.

CUSTOMER-CENTRICITY: A BETTER APPROACH

Drawing from 36 years of experience, CGI has developed a proven approach to customer-centric default management that is based on four principles:

- Know the customer
- Create customer-specific treatments
- Provide a consistent customer experience
- Measure and learn from the results.

Figure 1: CGI's customer-centric collections approach



Customer knowledge

Customer-level information is the key to improving overall collections success. When customer data are stored in disparate systems supporting different lines of business, types of data may be captured and stored differently, and data are difficult if not impossible to share. Customer-centric default management is based on a holistic and integrated view of the customer's risk and exposure across the full relationship. In addition, understanding channel responsiveness, as well as purchase and collections history, is key to determining the appropriate treatment for each customer.

Customer-specific treatments

Based on an integrated view of the customer, business intelligence and predictive modeling are used to segment customers and tailor treatments that address all accounts in the relationship, across the collections lifecycle. Treatments may include a variety of repayment recommendations across a customer's accounts and can be designed to eliminate the multiple, redundant and disjointed contacts that hinder the collections process and undermine customer loyalty. A well-informed and well-defined interaction with a collection representative will turn a potentially negative situation into a chance to increase customer satisfaction and loyalty.

ENVISION THE POSSIBILITIES

Before

- Account-based collections only address part of relationship
- Disconnected efforts negatively affect customer relationships
- Disjointed approach for contact channels misses opportunities

After

- Customer-centric approach addresses full relationship and improves the experience
- Coordinated efforts reinforce relationship and compliance
- Customers can interact using preferred channels

Consistent customer experience

The collections experience should be designed with the customer’s point of view in mind, and with their input. As a result, designing the target customer experience begins with voice-of-the-customer activities (e.g., surveys and focus groups) to understand what is important to them in these interactions. Today more than ever, customers expect their interactions with companies to be personalized and to reflect their individual preferences—including the channels they prefer to use. As communications channels continue to evolve, collection interactions must also adapt to reflect a customer’s channel preferences and permissions, and to comply with regulatory and legal requirements. These experiences also must be consistently delivered and monitored.

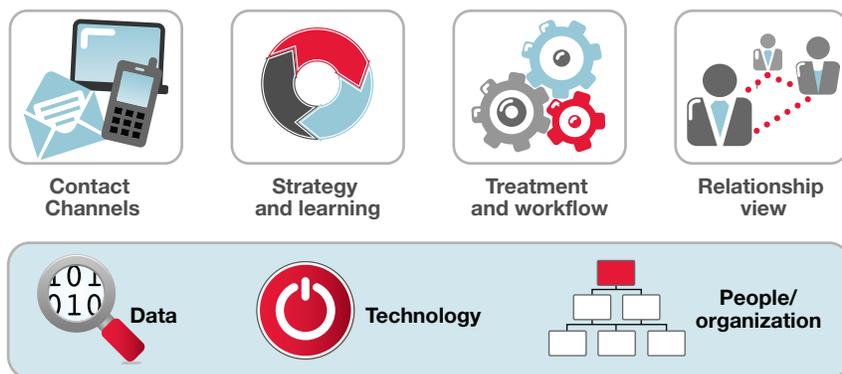
Continuous measurement and learning

New collection strategies prove more effective than current strategies. Channel preferences change. As circumstances evolve, the collection process must be able to learn, grow and adapt over time. This means experimental design of strategy testing, analyzing results, allowing for ongoing discovery of more effective treatments, and capturing and integrating customer feedback on a regular basis. It also means using business intelligence and modeling to support a more strategic and profitable point of view by focusing on the entire lifecycle value of a customer relationship.

CAPABILITIES NEEDED FOR CUSTOMER-CENTRICITY

A holistic approach to default management requires effective contact channels, strategies and treatment based on a solid foundation of integrated data, technology and organizational capabilities. Technology is just one part of the equation. Just as important are the people and business processes informed by best practices (see Figure 2).

Figure 2: Capabilities for customer-centric default management



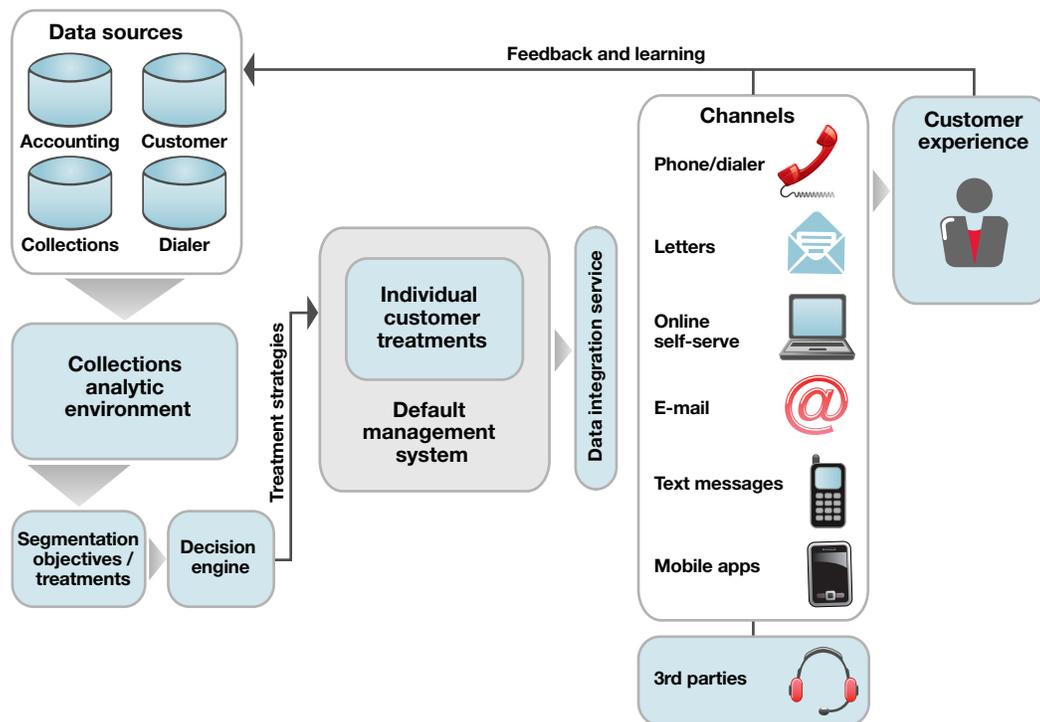
The key capabilities required for customer-centricity include:

- **Strategy and learning** programs that draw on customer-level predictive models, business analysis, and an ongoing customer feedback mechanism
- **Treatments and workflows** operating from a customer-level view to enable negotiation across products
- **Relationship view** providing real-time access to a customer's complete portfolio of accounts and transactions, regardless of the stage of delinquency
- **Contact channels** that provide consistent functionality and are supported by a default management system that is integrated with self-service websites for online payment, contact and settlement
- **Integrated data, technology and organization**, including a common customer ID, technology to support the business processes, and highly trained people with incentives aligned to the target customer experience.

A FUNCTIONAL VISION FOR CUSTOMER-CENTRIC DEFAULT MANAGEMENT

The ideal default management environment analyzes and learns from operational results as well as customer feedback. The result is an end-to-end solution that elevates companies from isolated, low-value collections to high value, customer-centric default management.

Figure 3: Functional architecture for the customer-centric collections experience



TARGET CUSTOMER EXPERIENCE

- *They know me*
- *They want my long-term business*
- *I can use the contact method I want*
- *They look at my total debt picture*
- *They have programs to help me manage debt when I need them.*

CGI's vision for customer-centric default management, shown in Figure 3, features:

- **Data sources** include all information about the customer and their collection interactions, from customer data warehouses, dialer systems, company accounting systems, and separate collection systems
- **Collections analytic environment** uses predictive modeling and business intelligence to generate customer knowledge and insight about channel preferences, purchase and payment behaviors. Incumbent strategies are challenged here to formulate better ones and determine the value of retaining particular customers over time.
- **Customer segmentation** uses customer knowledge to group customers with unique characteristics and define business objectives and appropriate treatment for each group
- **Customer decision engine** calculates the scores, segments the population, and sends instructions to the collections system to execute customer treatments
- **Default management system** enables the unique treatments for each customer segment. Treatments are designed pre-delinquency, early-stage (self-serve, revolvers and low contact), late stage (low contact, hardship programs), specialty areas and recovery
- **Contact channels** are specified by the customer and provide full functionality to deliver treatments providing target customer experience.

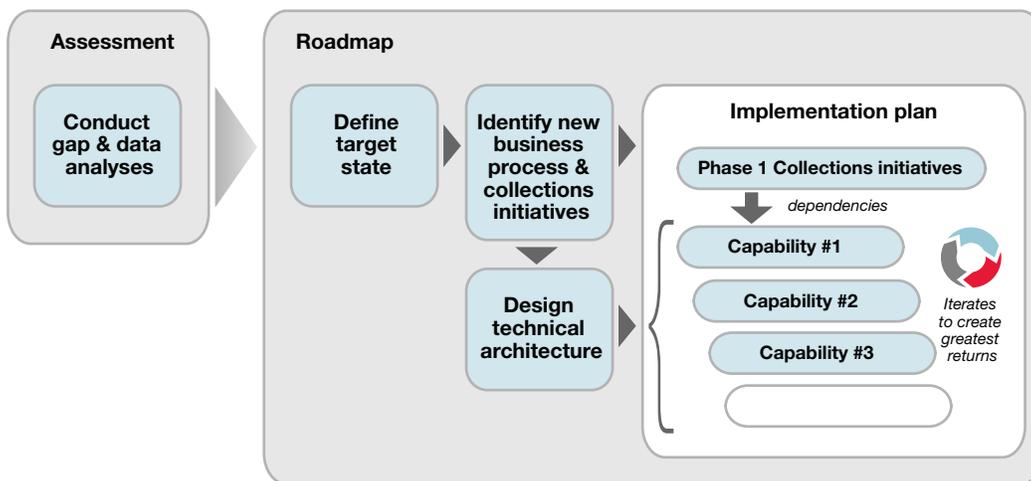
A PROVEN PATH TO SUCCESS

The path to successful customer-centric default management implementations begins with an *operational assessment* (see Figure 4). This includes a gap analysis comparing the organization's current-state operations with CGI's library of customer-centric best practices. Opportunities for improvement fall into such areas as modeling and segmentation, customer strategies, process workflow, contact channels, vendor management, work setting and technology. The data analysis determines the extent of benefit to be gained through process enhancements and improves understanding of each customer segment.

Following the assessment, a *customer-centric roadmap* defines the target state for operations, builds an implementation plan for realizing the vision, and creates a business case to support the entire effort. The target state is based on the target customer experience, business process flows and collections initiatives, and the underlying technology architecture.

Developed in collaboration with clients, the *implementation plan* sets priorities, establishes phases and specifies initiatives for achieving the target state. The plan describes key deliverables and identifies required resources. Planning is arranged so that early benefits can be used to fund downstream investments. A *business case* uses cost-benefit analyses to evaluate performance improvements, cost savings and investment outlays.

Figure 4: Customer-centric default management implementation approach



CONCLUSION

Today’s default management organizations increasingly are looking to a customer-centric approach to improve the customer experience and increase operational effectiveness. A qualified partner like CGI can help you get started with an assessment of your current operations and customer base to identify opportunities for improvement.

WHY CGI

CGI offers leading organizations the strategic vision, seasoned experts and flexible solutions needed to transform today’s accounts into tomorrow’s loyal customers. In addition to consulting and systems integration services, we offer our CGI Collections360 end-to-end default management solution which:

- Combines the leading case management technology of CACS® with workflow and treatment capabilities, Strata® for decision support, and best practices to create a strategic view of the customer
- Supports fully functional, cost-efficient, cost-effective collection interactions, regardless of channel
- Includes capabilities for in-depth business rule design and experimentation, customer-level dashboards, scoring, segmentation, testing and decision support
- Provides customer-level information to deliver effective treatment strategies.

CGI’s world-class credit management solutions have been implemented by more than 350 leading financial services, telecom, utility and government organizations. When it comes to truly customer-centric default management, our proven approach combines the right people, processes and technology to deliver both short-term and long-term results.

Visit www.cgi.com/collections.

ORGANIZATIONAL BENEFITS

Collection representatives

- Easy access to the full customer relationship
- Complete view of all history and notes
- Training and tools to assist customers with all products
- Encouragement to reinforce long-term relationship with customers
- Ability to address customer’s full financial situation, with programs to help them

Management

- Clear understanding of target customer experience
- Rich set of data to develop customer insight
- Insight to determine segmentation and customer-specific treatments
- All contact channels used most effectively
- Robust customer metrics to analyze effectiveness



ABOUT CGI

At CGI, we're in the business of satisfying clients by helping them succeed. Since our founding in 1976, we've operated upon the principles of sharing in clients' challenges and delivering quality services to address them. As the world's fifth largest independent IT and business process services provider, CGI has a strong base of 71,000+ professionals operating in more than 400 offices worldwide. Through these offices, we offer local partnerships and a balanced blend of global delivery options to ensure clients receive the optimal combination of value and expertise required for their success. We define success by helping our clients achieve superior performance and gain competitive advantage.

CGI
11325 Random Hills Road, Fairfax, VA 22030

cgi.com/collections
© 2013 CGI GROUP INC.