Recycling:
A case study of stopping activity

With one of our larger clients we recently proved that one in five accounts eligible for placement with debt collection agencies (DCAs) should not be placed. To do this analysis TDX Group used every possible piece of data available, both provided by the client and also taken from enrichment sources, using modern statistical methods to decipher the outcome from past placements.

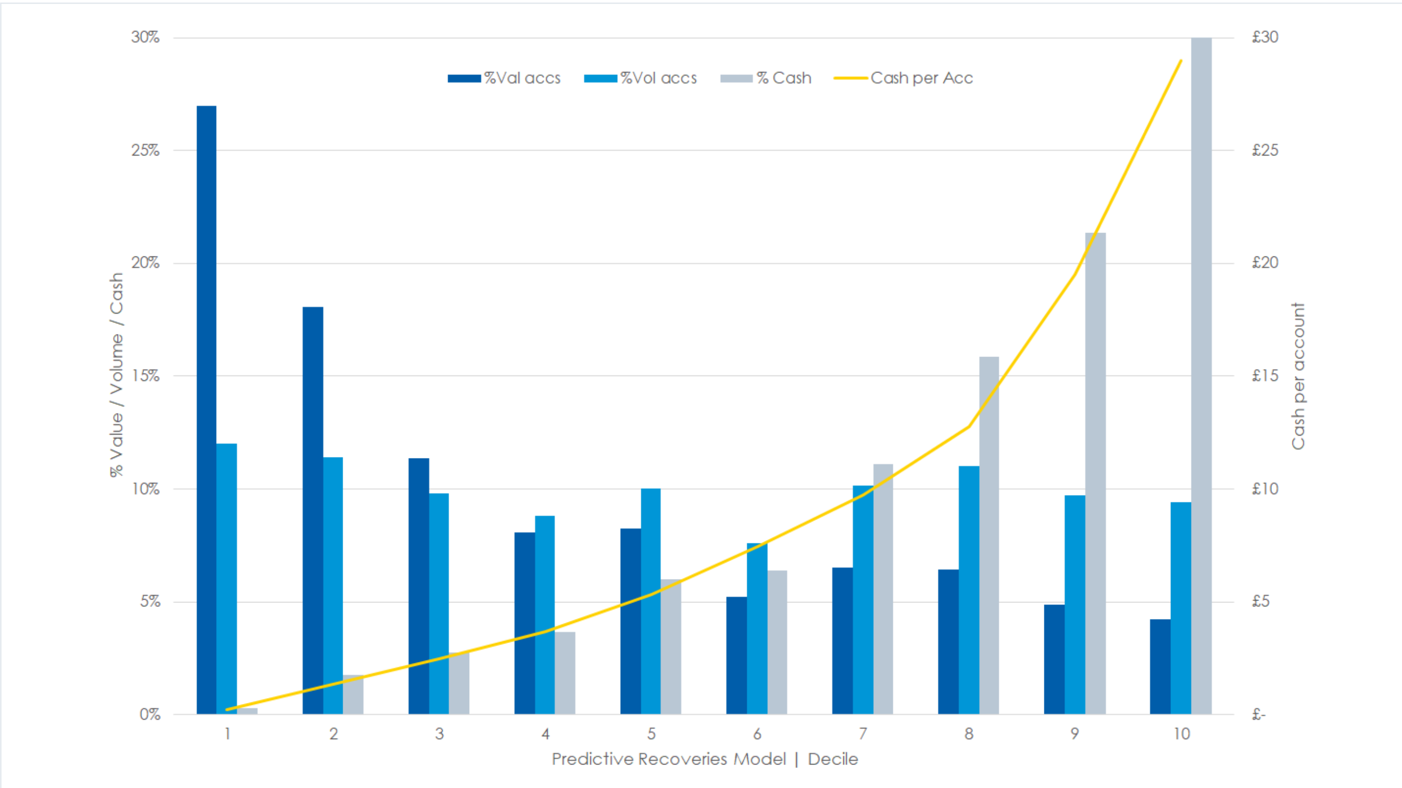
Very quickly, it became evident that a material slice of the portfolio was uneconomic for DCA placement; the cost of collections activity (letters, dials etc) would not be covered by the predicted cash collections from these types of accounts. The result was that these accounts were removed from placement into typical DCA treatment paths and are now being considered for lower cost strategies such as digital collections activity (emails, SMS etc).

A further positive impact of removing these accounts was to ensure that the DCA activity on the remaining accounts become more efficient and more effective; resolution rates increased whilst abandoned call rates decreased.

This approach to statistical analysis, using all of the available data, has enabled us to observe which groups of consumers can or cannot make a contribution towards repaying the outstanding balance of their account. The example in figure 1 shows the portfolio split into deciles, which in turn shows that around a quarter of the portfolio (by volume) is responsible for 45% of the total outstanding balance, yet generates just 2% of all the collections derived from the portfolio – averaging just a few pence per account, which is not even enough to pay for the stamp on one letter.

This approach has the added benefit in that this group are also the most likely to be suffering some form of financial hardship and excluding them from standard treatment paths also reduces the risk of customer detriment from undue harassment. This shows once again that utilising data in the right way is the key to ensuring treatments are tailored both to the customer circumstance and the creditor's economic returns.

Figure 1: Predictive recoveries model 2018



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