



## Business Impact

“Many executives fear that the reputation of their companies will suffer if collections become too aggressive, but the careful segmentation of debtors and the flexible pursuit of delinquents – applying pressure, in other words, only where it’s really justified – can largely eliminate these risks.”

Tobias Baer, Rami K. Karkian and Piotr Romanowski  
*The McKinsey Quarterly:*  
*Best Practices for Bad Loans*  
 November 2007

## Challenges

- **Understanding the best use of channels.** The call center works the best, but costs the most, so it’s important to know which channel is the best choice for each situation so you can maximize effectiveness without maximizing cost.
- **Budget constraints.** Organizations aren’t in a position to increase their collections budgets, but it’s a struggle to improve their collections efforts without incurring higher costs.
- **Inefficient call center usage.** There are peak times when the call center operators are at maximum capacity, but at other times they don’t have any calls to make.
- **Insufficient contact policies.** It’s difficult to know how often and when to contact customers to maximize the possibility of collecting debt.

## How can we plan and prioritize our collection efforts to get the best possible results?

### YOUR GOAL: Maximize collections and the use of collections resources

There is increasing pressure on organizations to reclaim unpaid debt to address increasing default rates in tightening markets. Rising unemployment and economic uncertainty have meant that more and more consumers are unable to pay their bills. With debt expected to be at an all-time high in 2009, managing the collection of this debt has become even more critical. However, the resources necessary for executing the collection process – both money and people – are scarce.

Complicating matters is the delicate nature of collection processes. Customers are sensitive to how, when and why they are contacted. While call centers are the most effective method of communication, they are also the most expensive. As a result, companies are trying to figure out how to make effective use of alternative methods of communication, including SMS, IVR and e-mail.

Unfortunately, the systems organizations currently use for debt collection aren’t able to help determine the best customers to contact or which channels to use for that contact. And there are other factors to consider, including channel capacity, cost per contact, customer response rates, the amount expected to be collected, etc.

### OUR APPROACH

Optimizing the collections process can have a dramatic positive effect on profitability and ROI from the investment. SAS approaches the problem by providing software and services to help you:

- **Know which customers are most likely to respond**, which communication channels will provide the highest return, and the amount likely to be collected by using customer behavioral models to gain critical insight.
- **Determine which channels to use for individual customers** in order to maximize the effectiveness of each communication channel by using advanced analytic techniques to evaluate multiple channels simultaneously.
- **Understand the impact of changing various constraints** – e.g., call center capacity, customer contact policy, etc. – with an easy-to-use interface that lets you run multiple scenarios to gauge their effectiveness.
- **Create, view and share optimization reports and optimization objective summary reports**, then use these results to improve the use of collections resources.

With SAS®, collection managers can plan and prioritize all of their outbound communications in order to maximize effectiveness while balancing the organization’s capacity to deliver and the likelihood that customers will respond.



## THE SAS® DIFFERENCE: Greater effectiveness and profitability in collections

Tapping into more than 30 years of experience with optimization, SAS has developed a patented, custom algorithm for collections that includes innovative new approaches born from that experience. With SAS, you get:

- **Effectiveness.** SAS uses true, mathematical optimization to consider all factors and provide the best of all possible solutions.
- **Speed.** While complex mathematical computations have typically caused processing bottlenecks, the patented SAS algorithm reduces optimization approaches from days to minutes, giving managers quick and easy access to accurate information for making smarter decisions.
- **Ease of use.** An intuitive interface allows users who know nothing about optimization techniques to enter objectives, constraints and contact policies and run all reports and analyses.
- **Integration.** Based on the same robust, flexible framework as other SAS solutions, our marketing optimization solution enables you to take advantage of existing technology investments, which decreases your total cost of ownership.

Only SAS combines mathematical optimization, user-defined constraint modeling and integration with industry-leading predictive analytics, enabling you to reach the next level of effectiveness and profitability in collections management.

### CASE STUDY: A large financial services institution

#### Situation

The bank's collections manager was facing a growing number of issues. Hundreds of thousands of customers were in a collection status, but the limited budget for collections was shrinking rapidly. While there were several collections channels to choose from, there was no way to determine which channel to use for individual customers. Previously, these decisions were left to a sorting and prioritization scheme. But with multiple channels and limited channel capacity, the bank wanted to move beyond standard collection solutions to increase balances collected.

#### Solution

SAS provided the bank with a collections optimization solution that included:

- An easy-to-use, intuitive interface.
- Robust optimization formulation.
- Flexible scenario analysis capabilities.

#### Results

- Increased daily recovered balances by an average of \$100,000.
- Reduced operating costs by more than \$1 million annually.
- Reduced bad and doubtful debts by more than \$3 million annually.
- Based on early results, the ROI from this project will exceed expectations.

#### The Vision

##### More for less

What if you could maximize total collections by simultaneously optimizing the expected amount to be collected, the preferred communication channel, and the likelihood of response?

##### Maximum channel effectiveness

What if you could determine the best communication channel to use for each collection opportunity?

##### Reduced collections budget

What if you could improve your efficiency and actually increase collections for less cost?

##### Optimal contact policy

What if you knew which contact policy to enforce for maximum effectiveness and understand how often and when to contact customers to maximize the possibility of collecting debt?

### SAS FACTS

- SAS has been in business since 1976 and today has customers at more than 45,000 sites worldwide.
- SAS customers make up 91 of the top 100 companies on the 2008 FORTUNE Global 500®.
- *CRM* magazine has named SAS the leading provider of CRM analytics for four consecutive years.

Learn more about SAS software and services at: [www.sas.com](http://www.sas.com)



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