

## › Customer Story



### Industry

Financial Services

### Focus

Risk Management

### Business Issue

Buy debt at the optimal price to return a profit and then better manage the debt collection lifecycle to maximise efficiency, optimise returns and treat people fairly at all times.

### Solution

A SAS® platform including analytics, modelling, predictive forecasts and reporting

### Benefits

SAS supported rapid growth through more accurate and informed debt purchase decisions, then enabled the business to become a more effective and profitable value-added collector of debt.

## SAS® Helps 1st Credit Turn Bad Debt into Good Business

1st Credit®

*Leading debt management firm uses SAS® to better understand debtors, provide a more individual service and handle the end-to-end debt management lifecycle in more focused and profitable ways*

1st Credit is a UK leader in debt collection, managing over 550 debt portfolios along with third party collections and ledger management for banks, credit card providers, utilities, telcos, retailers and public sector organisations. This highly successful business, which has invested over £300m in debt purchase contracts and now manages four million customer accounts valued at £6 billion, is driven by an emphasis on compliance, constructive negotiation, acting with integrity and dealing with debtors on a case-by-case basis. SAS® is supporting 1st Credit in each of those areas, enabling the business to transform bad debt into profitable business.

"SAS enables us to look at millions of accounts at debtor level," says Martin Scicluna, Head of Risk Analysis. "Without SAS we'd be dealing at a portfolio level and working with crude aggregations. Using SAS we can understand debtors, our transactions and interactions, so we can do things in a far more tailored, effective and efficient way. We can now even forecast different debt collection streams daily. When you consider the inherent randomness of this market, that's a big strength. It supports our collections activity and resourcing, it supports evaluation, it supports scenario planning, and the derivation of insight. This means that decision making is done with science."

### The Science of Debt

With debt collection, companies traditionally run on gut instinct but 1st Credit pioneered a far more analytical approach. Indeed, SAS is considered one of the company's most important competitive

differentiators. "We experienced rapid growth from 2002 to become one of the industry's leading debt purchasers," Scicluna says. With data collected over years, plus experience of debtor characteristics using variables like transactional behaviour, age, location, profession and marital status, 1st Credit created SAS models to predict the performance of a debt. The models are redeveloped regularly based on new experiences, economic and market trends and updates from credit reference agencies. This means predictive capabilities constantly improve with the insights provided, enabling 1st Credit to tailor its collection techniques more quickly and effectively, and with greater confidence, than its competitors. SAS is used to explore batches of debt down to individual debtor level, then to aggregate or subdivide the portfolio using different variables to probe profitability.

By late 2008, however, the UK debt purchase market was stalling. "More people were getting into trouble financially, which should have meant more debt offered for sale, but debtors were less able to afford repayments," says Scicluna. "At the same time, investment was trickier to come by." While the price of debt fell, companies holding debt were more reluctant to sell at cheaper rates. "They kept hold of the debt instead and used companies like us to collect it on a contingent basis," Scicluna says.

  
THE POWER TO KNOW.®

## Collecting Debt in Smarter Ways

"Until 2008, the analytics team focused on valuing debt portfolios to support purchasing, and to monitor and project performance of portfolios," Scicluna continues. "However, we've now developed SAS models to support the entire debt collection lifecycle. This includes:

- Contacting debtors - contact strategy models and a model to prioritise cases for the Tracing team, based on the likelihood of success and potential value to be gained.
- Negotiating - propensity and value models covering the likelihood to gain a settlement from a debtor, the optimum rates to negotiate to, arrangement propensity and the most effective repayment rates.
- Managing debtors - models to predict who's likely to default on their pay plans to support proactive interventions, and models based on an expectation of the likely value of a debtor downstream to inform how they are managed: "Do we accelerate payments or pull back, based on the economics of the situation, thereby avoiding having to reset arrangements if something goes wrong," says Scicluna. "We want to set payments that are affordable for debtors and make sense for the business."
- Enforcement - modelling and segmenting debtors based on the different legal action that should be pursued if collection fails.
- Selling - modelling values of all debts for potential sale to other specialist third parties.

"SAS enables us to take a holistic view of debtors," Scicluna adds. As a consequence, the Analytics team moved beyond debt purchasing alone to support Finance, Collections and Operations. "We've repositioned ourselves amongst all those teams, delivering all the models and analysis needed to support them and are involved in far more strategic decisions. We support the Board, answering ad hoc deep-dive questions for them, as well as carrying out more tactical work like text mining."

IT had developed a sophisticated CRM system to support debtors negotiations, recording information on multiple levels including portfolio, consumer, transaction and specific conversation. "We had a wealth of information to exploit," says Scicluna. "SAS meant, for the first time, we could understand debtor behaviour at an individual level." SAS is used to mine words and combinations of words in adviser notes and conversation transcripts, ensuring sensitive cases are dealt with properly offline and guaranteeing people are treated fairly. "We believe we have best in class compliance processes ensuring any sensitive cases are recognised and treated accordingly. However, our text mining capability provides us with a back-stop to ensure nothing slips through".

## A Flexible Platform for Changing Times

Scicluna continues, "Our work in SAS is recognised as being of significant value to the company, providing an area of differentiation against our competitors. External companies rate us highly, telling us we're ahead of the field in terms of debt collection analytics. I put that down to the strategic approach we've followed and our creative use of SAS. When people think of debt collection, it doesn't normally conjure up an impression of highly sophisticated analytical techniques - but that's precisely what we're applying. But we're not complacent and are always looking to challenge what we do and make continual improvements in how we work. In fact, we've probably changed more in the last 12 months than in the entire lifetime of the company"

He says SAS helped 1st Credit to deliver more effective operations when the business focused its operations as an outsourced collections provider when the debt market collapsed - with the SAS platform now stronger than ever to support a new phase in growth as that market returns. "We're leaner, fitter and ready to run. SAS provides access to every technique we need and enables us to deal with very large data volumes: we have about eight billion notes on our debtors covering conversations and mail correspondence with them as well as monitoring changes in their financial and residential status and the business' response to them. We also know we can source analysts: SAS is the common currency in this area. It also brings respectability to our work. Our clients are often SAS users too, so they understand what it is that we're doing here. It shows people we take this seriously, in terms of our professionalism and commitment to doing the right thing."

The analysis and reports provided using SAS touch on every area of the business and its decision making. "We are charged by our CEO to be involved in every major company decision. I have daily meetings with Collections, so we're totally hooked-in with them, we work seamlessly with our Finance counterparts, as well as supporting Marketing and Client Sales. We are everywhere: we've become the hub for knowledge about the business, about our debtors, and about the results of our interactions with our debtors."

**SAS gives 1st Credit THE POWER TO KNOW®**