SAS® Debt Management for Utilities

Ensure customers pay promptly while safeguarding your company's reputation

Key Benefits

- Reduce write-offs and provision charges on bad debt.
- Make better decisions on how to collect and and manage debt.
- Reduce chances of negative brand feedback.
- Collect more debt without increasing staff numbers.
- Provide credit terms tailored to prospective customers.

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

Expedia

"With SAS we are reducing chargebacks because our predictive models can take brand new information and immediately crank out more accurate results."

Santhosh Shanmugam
Senior Statistical Modeler and Developer

In the current economic climate, more customers will struggle to pay their bills. As a result, utilities are forced to set aside ever greater sums for debt provision and write off increasing amounts of bad debt.

Utilities face a number of debt-recovery problems:

- As regulated businesses, they may have a universal service obligation to the low income customers who are the most likely to default on their payments.
- With limited resources available to collect revenue, utilities must ensure that they recover as much money as possible for each pound they spend.
- If they delay their attempts to collect revenue, they may find themselves competing with a growing number of creditors for customers' limited funds.
- Heavy-handed attempts to recover debt are likely to damage any company's reputation.

Utilities can avoid these pitfalls by using customer data to develop a more sophisticated approach that will ensure customers that can pay do so promptly.

Maximising recoveries and reducing average debtor days will significantly improve your organisation's cash flow and maximise your ability to invest in the future.

The SAS® Solution

SAS® Debt Management for Utilities analyses customer data from multiple sources to model the risk and the value associated with all your customers – current and prospective, new and long-term. By understanding customer behaviour, you can devise effective strategies to collect revenue that will not damage your organisation's brand reputation.

The SAS Debt Management framework will:

- Identify customers who could fall into debt.
- Identify the most cost-effective strategy to collect revenue.
- Identify factors inside and outside your organisation that will affect the success of the strategy.
- Maintain and improve the relationships you have with your customers.
- Automate tasks that were previously done manually.
- Identify the risk associated with prospective customers.
- Scale to handle large amounts of data and create the most accurate models.

SAS has the following capabilities to help you manage customer debt:

Risk profiling

Build risk scores for all of your customers based on credit ratings, demographic data and their payment history. When a critical decision about a particular customer must be made, it is the right one for the customer rather than a one-size-fits-all process.

- Understand the underlying factors that dictate the risk associated with customers.
- Gain new insights into indebted customers and reveal previously hidden patterns of debt.
- Prioritise your debt-collection resources.

- Predict how customers are likely to respond to different strategies. Will they simply delay payment for a short time, or will an email or prompt phone call speed up payment?
- Set the speed at which defaulting customers are escalated through the collection process.
- Use "what if…?" analysis to predict how your entire customer base will respond to the changing economic climate over a period of years.

Value at risk scores

Measure "value at risk" (VaR) for each customer using current and predicted future debt and probability of default. Reveal the value of customers to your organisation and the potential financial risk they represent.

- Calculate VaR scores using current debt, forecast consumption and risk of default, for individual customer.
- Automaticaly recalculate VaR based on the customer's response to recovery activity.
- Prioritise and escalate recovery activity based on the customer's VaR to maximise recoveries.

Optimal treatment plans

Base your revenue collection and recovery strategies on a detailed understanding of customers. SAS Debt Management analyses individual customer data gleaned from multiple sources to model their behaviour.

- Build a deeper understanding of risk profiles and customer responses to develop more sophisticated debt recovery strategies.
- Tailor your approach to each individual customer.
- Use improved targeting and strategy optimisation to maximise the return from your collections department.
- Avoid the costly deployment of pre-payment meters to recover debt – Consumer Focus has revealed that one in six prepay customers self-disconnects.
- Reduce the potential for your recovery strategy to attract adverse publicity for your organisation.
- Recover as much debt as possible.

SAS® Debt Management "what if…?" analysis

Take a glimpse into the future. "What if…?" analysis using SAS Debt Management lets utilities test their treatment strategies, ensuring that only treatments suitable for particular customers are implemented.

SAS® customer behaviour data layer

Every time you communicate with your customers, you gather data about them. SAS Debt Management matches, cleanses and augments data from all of these interactions to create a single view of each customer's behaviour.

- Generate an in-depth knowledge of all your customers and their behaviour by bringing together data from your call centres, your website and bills; and from external sources such as credit reports and demographic studies.
- An in-depth knowledge will also provide a firm foundation with which to address other issues from churn analysis to cross-sell marketing.

The SAS® Difference

The SAS® solution brings together data management, analytics and reporting in a framework that lets you manage customer debt. There is no need for complex technological handoffs or workarounds to make different bespoke or specialist systems work together. SAS is not a black-box technology, so users are not limited to a predefined list of data or analytics processes.

- SAS Debt Management analytics lets businesses make decisions about customers and their associated risk and value based on the facts.
- SAS is used in all the UK's major utility, finance and telco companies.
- Perform smarter analyses faster than market competitors to develop new customer strategies.
- Get up and running in months with SAS' proven implementation plans.
- Have the flexibility to implement SAS solutions in phases, starting where your needs are greatest and adding more tools over time as your needs change.
- Combine robust data and analytical tools with best practice understanding, insight and analytical approaches.

1st Credit

The ability to get good business fast, and then manage debt collection effectively, has enabled 1st Credit to grow at a rate of 50% per annum.

"SAS is business-critical. If our bids are too high, we will be unprofitable, and if our bids are too low, we won't get the business in the first place."

Dr Simon Young, Chief Risk Officer

THE POWER TO KNOW.

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