

# Insight and action

An updated guide to help utility companies optimize their collections strategies

---



# Insight and action

## Introduction

The utility industry is facing tough challenges as the residential and business sectors continue to experience rising costs and a reduction in liquidity given the economic environment. Competition in the deregulated energy market continues to be volatile with churn rates remaining high, while operational pressures in all markets to reduce costs drive the need to transform processes and policies.

So why is the utility industry looking to change now? The simple answer is that the industry has long been regarded as having less sophisticated customer insight and risk management practices compared to the financial services sector. It is fair to say that competition, legislation and the economic environment have all been influential in driving the energy sector to better understand its customers, and it is critically important to have the means to react in an agile way.

The next question is, what does this transformation look like? The answer is manifested in the order in which the utility tackles its requirements in terms of data robustness, insight and agility in decisioning and operational deployment. Experian® sees two distinct patterns emerging:

1. We are observing utility companies' desire and commitment to build actionable insight from customer data, both from their own experience and that of third parties.
2. We also see a commitment to the analysis of data to support consistent decision making and deploying those decisions into operationally flexible platforms. Forward-thinking utility companies recognize both critical elements as part of the process of transforming insight into actionable strategies in order to reduce bad debt, increase recovery rates and improve the overall customer experience.

In conclusion, with bad debt continuing to rise, there is an increasing need for utilities to use appropriate and timely resources to minimize costs. Bad debt is already expensive to collect with still relatively modest balances and the potential for long settlement periods. Therefore, the cost to collect often outstrips the recovery value itself, causing internal and external collection support services to better prioritize existing resources. With the job market still trying to recover and the economy not expected to rebound significantly in the near term, collections teams will have to compete even harder for payment, further increasing the cost to collect. The reality is that utility companies will need to make optimal use of their data insight and processes to provide a more comprehensive view of the consumer's characteristics. Experian is uniquely positioned to help utility companies with this approach.

# Insight and action

## A 10-step guide to improving your collections strategy

- 1. Extract the full value of customer data.** Utilities can no longer afford the inefficiencies of treating each account equally, without knowledge regarding likelihood of recovery. Progressive utilities are finding that by developing more accurate insight into each customer and moving to a targeted approach, they can significantly reduce their day sales outstanding (DSO), overall write-offs and recovery costs — with the same or fewer staff members.
- 2. Apply insight throughout the collections life cycle.** The most effective collections teams drive improvements throughout the life cycle, from predelinquency to legal recoveries. By utilizing insight from current and past behaviors and using economic forecasts to prove strategies, utility companies can better understand risk and exposure in their customer portfolios.
- 3. Optimize the value of customer data within your collections systems to operationalize decision making.** As the utility industry moves toward sharing customer credit information, the wealth of data available enhances the opportunity for improved and differentiated collection treatments. Implementing this effectively requires that smart decisions, drawn from predictive data, are coupled with agile systems to operationalize decision making.
- 4. Embrace the opportunity provided by smart meters.** With the move toward managed meters, it creates opportunities to reduce energy theft and decrease the costs to switch the meter from cash to prepay, while also reducing debt exposure. Now is the time to start thinking about how to capitalize on the opportunities provided by smart metering, while tackling the technology implementation challenges.
- 5. Renew the focus on preventing delinquency.** Looking for early signs of financial stress is becoming more and more relevant for collectors, and typically this is done by gaining a deeper understanding of customers. As utilities begin to share data, their ability to determine risk profiles of new customers improves, enabling suppliers to adopt more appropriate controls on new accounts to prevent early delinquency.
- 6. Prioritize and personalize your collections activity to improve response.** An overstretched utility collections team needs to quickly determine which interventions to take and when to take them. Forward-thinking utilities are combining predictive analytics with workflow to help make these value-based decisions that optimize collections and reduce costs.

# Insight and action

- 7. Use your understanding of customers to make it easier for them to pay.** Acknowledging that different customers prefer different payment methods and integrating billing systems and Web payment portals directly with their collections platform ensures the most appropriate payment arrangements are offered to maximize customer response.
- 8. Outsource with care.** With rapidly growing delinquency levels, an increased dependency on outsourcing is inevitable. Getting the most from an agency requires that utilities know what to outsource and to whom. Scoring helps identify which accounts to outsource and which to retain. Returns can be further optimized when accounts are automatically allocated to the agency best suited to collecting the debt.
- 9. Develop smarter recovery strategies.** Utilities will need to work smarter in terms of when to litigate and how best to enforce judgment debts. They also need to quickly and accurately determine if disconnection and/or future movement to a prepaid meter is an option. Collections systems are used successfully by many utilities to navigate and automate collections to reduce mistakes and inappropriate disconnections.
- 10. Adopt an integrated approach.** With increasing pressures to reduce the cost to serve while improving collections strategies, there is an imperative for the industry to work smarter. Utilities need to ensure they know about their customers, learn from their behaviors and intentions, and execute strategies in a timely manner. Most important, utilities need to integrate best-in-class data, analytics, people and technology to optimize collections strategies.

To learn more about our services, go to <http://www.experian.com/business-services/communication-energy.html>.

Experian  
475 Anton Blvd.  
Costa Mesa, CA 92626  
T: 1 888 414 1120  
[www.experian.com](http://www.experian.com)



© 2012 Experian Information Solutions, Inc. All rights reserved.

Experian and the Experian marks used herein are service marks or registered trademarks of Experian Information Solutions, Inc.

Other product and company names mentioned herein are the property of their respective owners.

05/12 • 1224/2822 • 6183-CIS