10 STEPS

to drive more profitable collections operations

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OPERATE AT
MAXIMUM EFFICIENCY

A SCORING STRATEGY IS A COLLECTIONS ORGANIZATION'S BACKBONE

With a primitive strategy at play, a collections business cannot function at its full potential. A sophisticated scoring strategy, however, enables maximum efficiency throughout the entire recovery cycle.

Advanced scores help collectors identify accounts that are most likely to be successful in recovery. The benefits of an effective scoring strategy stretch across the business and allow you to:

- **Prioritize inventory** to enable smarter decisions throughout the workflow

- **Align agent skill** with the likelihood of recovery at an individual account level

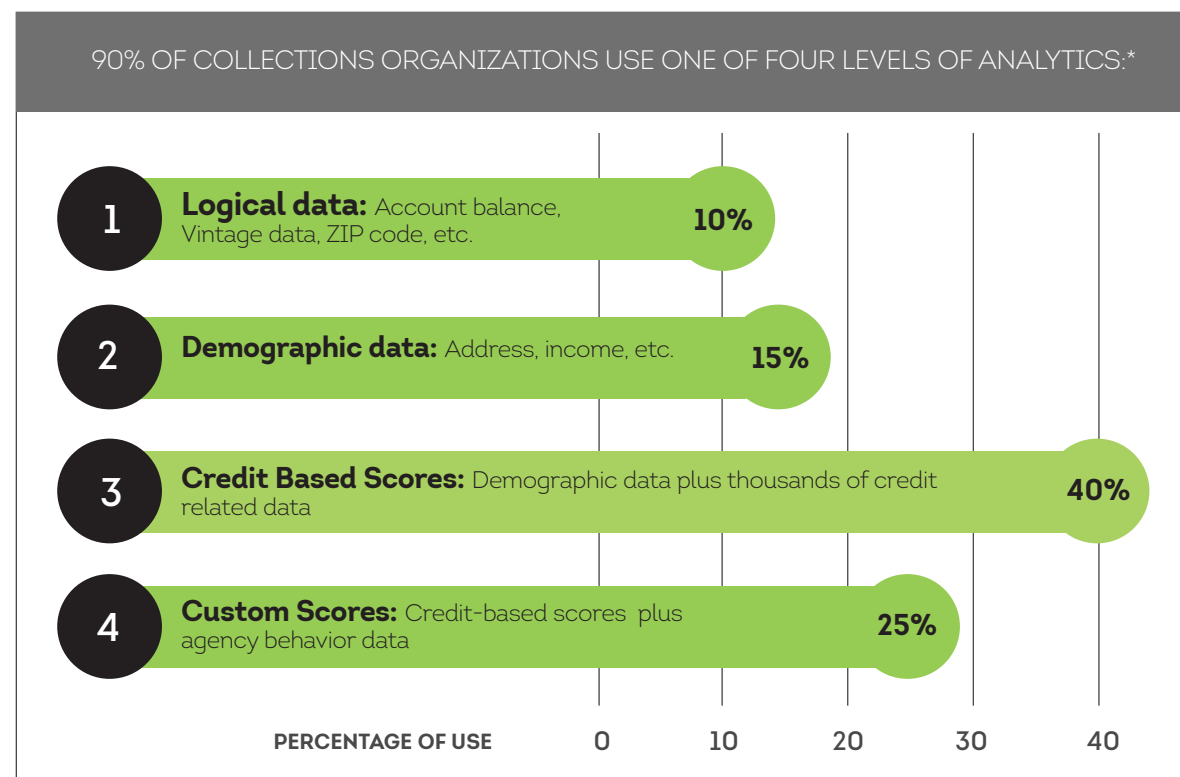- **Optimize operational efficiency** by increasing speed to recovery

- **Intelligently allocate fixed and variable expenses**

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AVAILABLE DATA SOURCES

A BACKBONE WOULD CRUMBLE WITHOUT SUPPORT FROM THE MUSCLES THAT SURROUND IT.

So too would a collections strategy based on inadequate analytics. Simply put, a strategy is only as good as the data informing it.

Approximately **10%** of collections organizations don't have a scoring strategy in place. This is likely because their inventory is low and they don't need one to approach their work. The remaining **90%** use one of the following four levels of analytics:

90% OF COLLECTIONS ORGANIZATIONS USE ONE OF FOUR LEVELS OF ANALYTICS:*

1 **Logical data:** Account balance, Vintage data, ZIP code, etc. **10%**

2 **Demographic data:** Address, income, etc. **15%**

3 **Credit Based Scores:** Demographic data plus thousands of credit related data **40%**

4 **Custom Scores:** Credit-based scores plus agency behavior data **25%**

PERCENTAGE OF USE 0 10 20 30 40

* Percentages are approximate

When scaling for a large inventory is a requirement, any data is better than no data at all. However, sophistication—and productivity—grows as more and more robust data is added to the equation. **With advanced analytics, you're able to make better decisions and ultimately find more money quickly, from the same amount of inventory.**

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CREATE A DATA-DRIVEN STRATEGY

To get your organization operating at optimal performance, you need a course of action. TransUnion experts have compiled their decades of experience in the collections industry to make it easy on you. Here are **10 critical steps** to implementing a data-driven recovery strategy that will positively affect your entire collections operation.

## 1 ACQUIRE THE SCORE AND **RANK YOUR INVENTORY**

If you're using one of the more advanced data sources, like credit-based or custom, each record in your inventory will be assigned an associated score that exemplifies their likelihood to pay. The first thing you need to do is use that score to rank your inventory from the most likely to pay to the least likely to pay (1-100,000, for example).

This process presupposes you're using a sophisticated score. Using logical or demographic data alone does not provide a score and therefore does not afford you the opportunity to rank your inventory. To learn more about advanced data for an innovative collections strategy, visit transunion.com/collections.

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2 ASSIGN **LOGICAL STRATIFICATION**

Once you have your inventory ranked, the key is to group the data for go-forward strategic and profitability analysis. In collections, you shouldn't treat accounts at a singular level—you have to bundle accounts together to scale your strategy. We recommend sorting inventory by twentile, as **5%** is the analytical "sweet spot" for creating intellectual separation of a score value. If you're dealing with **100,000** accounts, for example, you'll draw your first cut-point after the first **5,000** accounts. Doing this exercise refines the separation of an analytically valued inventory.

BUNDLE ACCOUNTS

SORT INVENTORY BY TWENTILE

5% IS THE ANALYTICAL "SWEET SPOT"
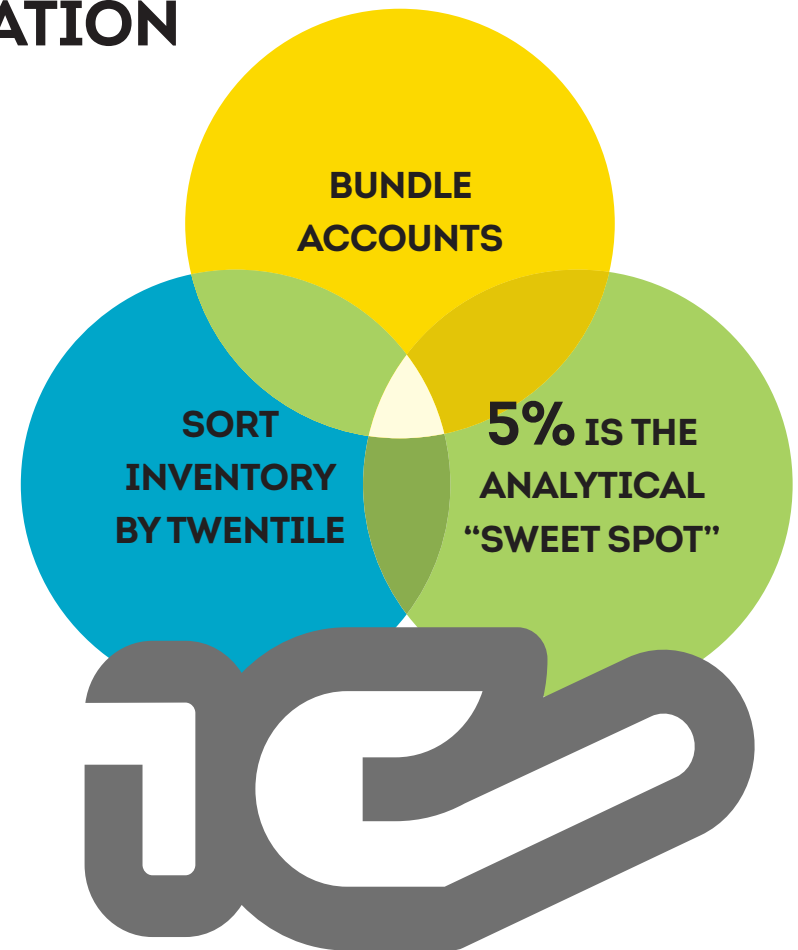
EXPERT TIP

Assign cut-points by twentile, or 5% slices, to minimize cost and increase efficiency

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3 GROUP INVENTORY FOR SCALE AND PERFORMANCE

The collections challenge is knowing how to work a large inventory for the best return at the lowest cost. A logical, scalable grouping is a way to help agencies approach their plan—it's essential to efficient and effective operations. Our experts suggest grouping your inventory with the top **10%** comprising your **A group** and splitting the rest into equal thirds. This grouping allows you to achieve good recovery performance with the maximum operational productivity.

EXPERT TIP

Depending on the size of your inventory, a group could be one twentile or it could be many. The important thing is to have enough accounts in each group to make it possible to run advanced analytics and get meaningful insights. We suggest no fewer than **5,000** records per group.

OPTIMAL INVENTORY GROUPING			
GROUP	SCORE	RECORDS	% TO TOTAL
A	716 – 850	5,000	5%
	695 – 715	5,000	5%
B	678 – 684	5,000	5%
	662 – 677	5,000	5%
	646 – 661	5,000	5%
	632 – 645	5,000	5%
	621 – 631	5,000	5%
	610 – 620	5,000	5%
C	600 – 609	5,000	5%
	591 – 599	5,000	5%
	583 – 590	5,000	5%
	576 – 582	5,000	5%
	568 – 575	5,000	5%
	561 – 567	5,000	5%
D	554 – 560	5,000	5%
	547 – 553	5,000	5%
	541 – 546	5,000	5%
	533 – 540	5,000	5%
	524 – 532	5,000	5%
	350 – 523	5,000	5%
TOTAL DATA		100,000	100%

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4 QUARANTINE SPECIALIZED INVENTORY

Every portfolio contains specialized segments of inventory important to both compliance and recovery. These should not be included in your general inventory because they require unique collection treatments. After removing these accounts, on average, agencies are left with approximately **78%** of their inventory.

EXAMPLES OF SPECIALIZED INVENTORY

BANKRUPTCY

ACTIVE MILITARY

DECEASED

DEBT SETTLEMENT

INCARCERATED

FRAUD
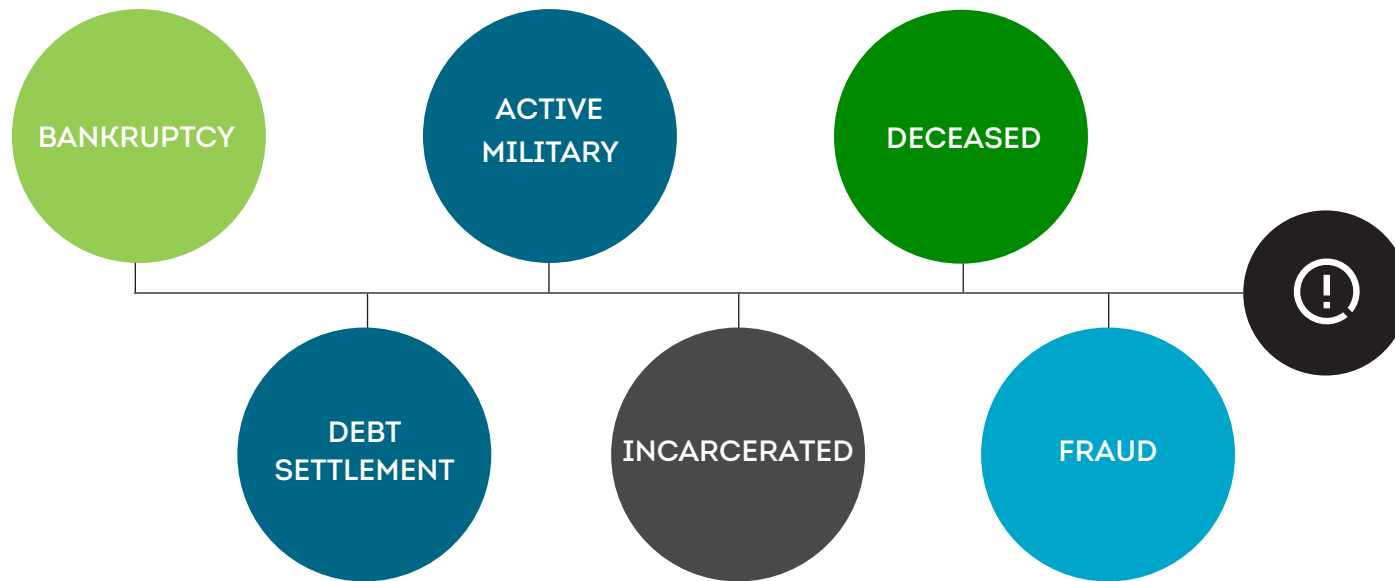
EXPERT TIP

Segmenting your inventory after ranking, rather than before, allows you to easily add those accounts back into your strategy should their status change.

5 CREATE A **CONTROL GROUP**

A control group allows you to know whether or not your strategy is working, and can provide insight into where to make necessary improvements. It's imperative to truly understand the value recovery scores bring to your business and prove return on investment.

"If you don't have a control group, you can't measure reliably. You don't know if it's the score or the treatment that's causing a particular behavior and your D group strategy becomes a self-fulfilling prophecy that makes you question the value you're getting out of scores."

Peter Ghiselli
Vice President,
Third-Party Collections,
TransUnion

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The most scientific approach to creating a control group is to gather a random sample of accounts, equal across each alpha group, totaling **2-5%** of your overall inventory. Then, treat all of those accounts as though they were a part of your **A group**. If your recovery scores, cut-points and groupings are accurate, each account should still perform the same as those in their original alpha group. You're able to verify that even if you treat your **D accounts** like **A accounts**, they still behave like **D accounts**.
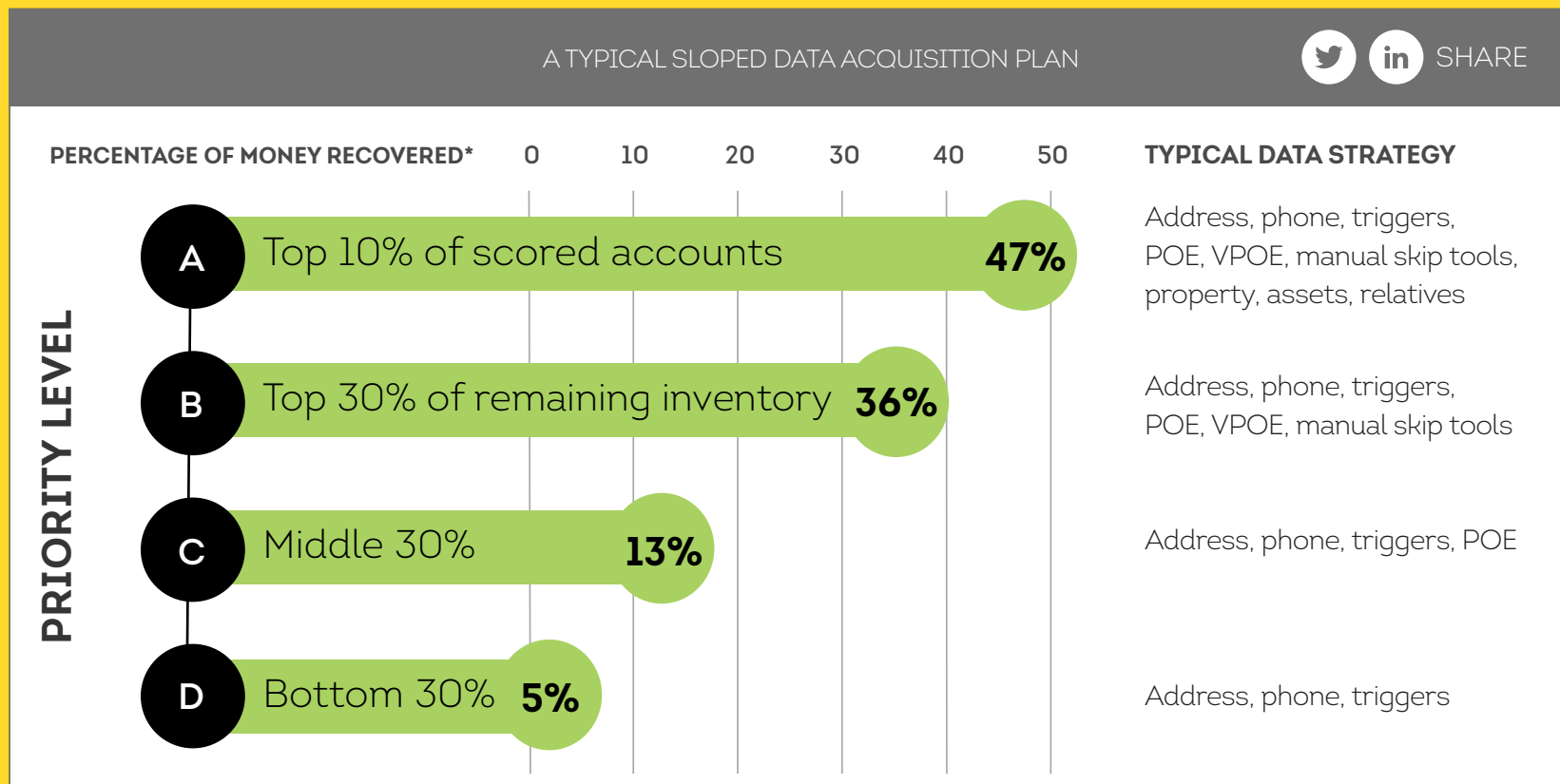
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6 DETERMINE YOUR **DATA ACQUISITION PLAN**

Since you know certain accounts have more value than others, you can create a plan that is consistent with intended collection efforts and estimated recovery. This is called sloping. Sloping allows you to increase your expected return on investment by purchasing enhanced data acquisition tools for accounts in **group A**. It also allows you to scale down on purchases so you're not overspending on data for accounts in **group D**.
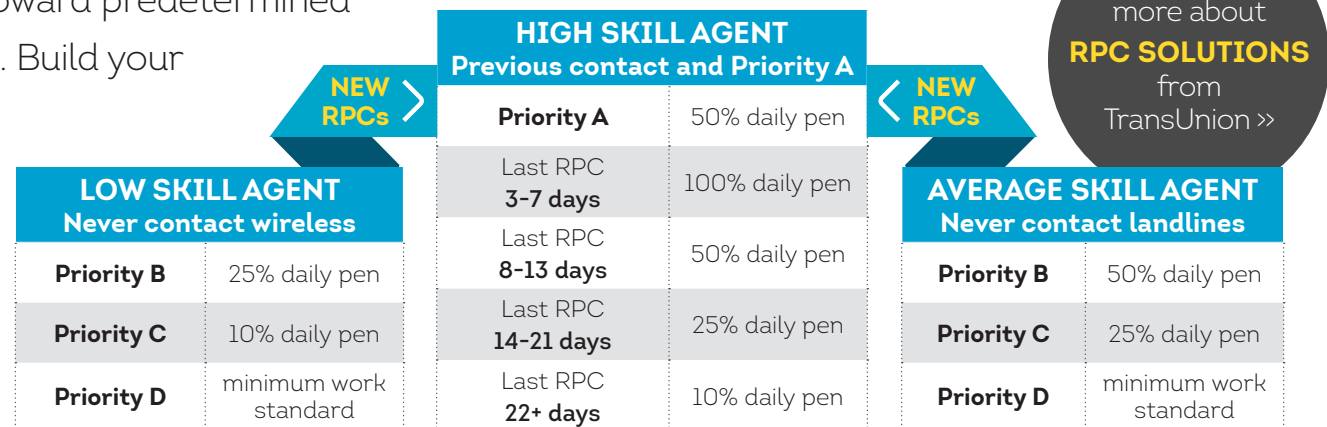
A TYPICAL SLOPED DATA ACQUISITION PLAN

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PRIORITY LEVEL	PERCENTAGE OF MONEY RECOVERED*	TYPICAL DATA STRATEGY
A	Top 10% of scored accounts — **47%**	Address, phone, triggers, POE, VPOE, manual skip tools, property, assets, relatives
B	Top 30% of remaining inventory — **36%**	Address, phone, triggers, POE, VPOE, manual skip tools
C	Middle 30% — **13%**	Address, phone, triggers, POE
D	Bottom 30% — **5%**	Address, phone, triggers

Scale: 0 10 20 30 40 50

* Based on CreditVision Recovery Scores

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DEVELOP **PRODUCTION STRATEGY** CONSTANTS

The most important account in your inventory is the one willing to talk. To get your production strategy working with precision, you must set up constants at each stage and work toward predetermined daily penetration goals. Build your structure of strategy constants around three dimensions of your inventory: the four priority groups of scored inventory, the line type of the phones you have to dial, and whether or not you have a right party contact on an account. **The image below depicts one potential structure.**

Learn more about **RPC SOLUTIONS** from TransUnion »

HIGH SKILL AGENT Previous contact and Priority A	
Priority A	50% daily pen
Last RPC **3-7 days**	100% daily pen
Last RPC **8-13 days**	50% daily pen
Last RPC **14-21 days**	25% daily pen
Last RPC **22+ days**	10% daily pen

NEW RPCs

NEW RPCs

LOW SKILL AGENT Never contact wireless	
Priority B	25% daily pen
Priority C	10% daily pen
Priority D	minimum work standard

AVERAGE SKILL AGENT Never contact landlines	
Priority B	50% daily pen
Priority C	25% daily pen
Priority D	minimum work standard

8

ALLOCATE RESOURCES BY **AGENT SKILL**

Of course you want to use all your resources—including personnel—in the best way possible. To do this, put your highest-skilled agents on your most important accounts, both those in which you've reached a right party contact and all **group A** accounts. On the other end of the spectrum, assign your lower-skilled agents to TCP, or wireless, contact accounts in which a right party has not yet been identified. These employees are likely newer to your systems and may not be quick enough to work within the time constraints of an auto-dialer. As soon as a right party contact is identified, the account should filter to higher-skilled agents.

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9 DOCUMENT YOUR INTENTIONS

Memorialize your workflow and decision points on paper for future challenger strategies. Make sure your organization sees and understands the process you're implanting. And hold the team accountable. The previous eight steps don't make a difference if you don't execute correctly. 🐦 in SHARE

EXPERT TIP

Check progress daily to see if you're reaching, exceeding or underperforming against your goals. That way, you can make adjustments and improve the process in real-time rather than waiting a month and risking lost productivity and, ultimately, revenue.

10 ESTABLISH A FACT BASE

The final step in a data-driven collections strategy is to close the data loop. Regularly evaluate results using your control group to compare against the scored inventory. Look at your liquidation by alpha group and make sure the accounts are performing the way the scores said they would. Then, reexamine each step of your approach to see where you can alter your plan to get further optimization.

CLOSE THE DATA LOOP

REGULARLY EVALUATE RESULTS

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IMPLEMENT A DATA-DRIVEN STRATEGY TODAY

✓ PUT YOUR PLAN INTO ACTION

Now that you understand the steps needed to implement a data-driven strategy, here's a checklist to help you set your organization up for success. Each step is essential to achieving the overall goal of collecting more money, faster, with the minimum required investment. Don't cut corners by skipping a step or two—your outcome will not be as favorable as those that execute the full plan.

- ○ Acquire the score and rank your inventory
- ○ Assign logical stratification
- ○ Group inventory for scale and performance
- ○ Quarantine specialized inventory
- ○ Create a control group
- ○ Determine your data acquisition plan
- ○ Develop production strategy constants
- ○ Allocate resources by agent skill
- ○ Document your intentions
- ○ Establish a fact base

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If you'd like to learn more about optimizing your collections strategy and testing it for yourself through advanced scoring, please visit transunion.com/collections, contact your TransUnion sales representative or call 844-245-4071.

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ABOUT TRANSUNION

(NYSE: TRU)

TransUnion supports customers in achieving a common goal: Collect more while spending less. Whether the objective is prioritizing accounts, improving skip tracing or streamlining workflow, TransUnion can help. We combine data, analytics and in-depth understanding of the collections industry to help organizations reduce costs, better predict consumer behavior and increase recovery rates. The result is that with TransUnion, businesses can work more accounts and achieve better results–while spending fewer resources and less time doing so.

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