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A holistic approach to Collections in Telecom

Collections success today is measured in terms of customer retention and increased customer base. How can telcos leverage business process service providers to score on these parameters?

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Old methods of managing the Collections function are a passé

There's one for every one. That is the rate at which we see telcos launching new products and services to retain customers. The trigger for this is the addiction that consumers have developed for speed and connectivity. The ongoing expansion of the mobile ecosystem, coupled with demand for high-bandwidth applications and services such as video and gaming has directly added to the pressure on telcos to compete tooth and nail to meet customer expectations, be it with new products and services, value added services at marginal difference in Average Revenue Per User (ARPU) or flexing the Collections terms and conditions to simply avoid churn. A growing variety of consumption needs of customers implies need for new products and services which in turn suggest that the traditional Collections (also known as dunning) which was mainly about either sending notices for payments or discontinuing services for missed payments, today requires a new approach to avoid all possible chances of revenue leakage and maximize working capital.

Consider the regular Telecom Collections process. It includes

- **Delinquency Movement Tracking** - tracking account movement due stage wise
- **Dunning Approach** - reminder mails/calls, red letter and disconnecting the service.

Times are such that Collections cannot just be about soft actions (sending notices) or hard actions (discontinuing services). There is a lot in between that telcos need to wake up to if they want their customers retained. While it is true that technology works hand-in-glove to automate Collections through configurable workflows, set triggers for responses in the form of emails, letters, schedules customer calls, supports collection agents with a referenceable knowledge base on collectibles and enables easy update of system with customer information; ensuring customer satisfaction and thereby a secured customer base is dependent on the learnings and best practices accrued by the Collections team and their ability to quickly expedite it into actionable.

Ensuring success from service providers

When telcos select a third party to manage their Collections process, it's a normal practice for the third party to suggest a few tweaks to the process to increase straight through processing, after which it is business as usual. Under such circumstances the goal of 'improving customer base' can be missed.

We need to bring our attention to the fact that 'increased customer base' is a key success parameter to measure Collections, and this linkage is seen as a strong one today. Service providers have the potential to make a stellar impact on customer base by managing the Collections function more holistically and tad differently. The thing to marvel about is that these simple shifts in managing the process go a long way to up customer satisfaction and make a stark impact on your customer base.

From our experience we have learnt that suggesting drastic changes to the Collections process upfront to the client and expecting them to implement it is a difficult try. Instead, driving pilot improvement project, basis the process changes, we believe will benefit the client; when showcased with proven results earn a confident buy-in. Here are some aspects of Collections that can be taken up differently.

Process knowhow of the telco client

It shouldn't surprise if the client has a history of operating the Collections function in a bare skeletal format with minimum variables and is expecting the third party to take charge of the process and outperform. In such a case, meticulous investment to understand the process to its base elements, and training the team is a worthy one. It calls for mastering the payment process, payment terms, customer segments, their corresponding characteristics and behavior, dialer management, supporting technology and the role of Lean and Six-Sigma to deliver on new, revised goals.

It is easy to skip the measurement of dialer efficiency, an important component in the Collections process. To prevent this, a safer practice is to jointly (telco and service provider) implement SLA terms for dialer management. This makes it simple for the telco to measure third party performance as per capacity, in step with the dialer SLA. And the most important side is to share best practices imbibed during the learning process with the client. We have benefited from such measures and reduced customer churn through non-payment by over 22%.

Risk rating at Point of Sale (PoS)

Although, it's the telcos who decide on the risk rating criteria for customers, studying the upstream process in detail is a good way for the third party to get started. They need to share the gaps identified with the client. Telcos most often bucket all risky customers together. To increase the effectiveness of the Collections process, it is advisable for the third party to do some intelligent customer segmentation and further categorize the risk factors. Advanced risk categorization during PoS has the power to provide clearer insight to the Collections teamto be ready with corresponding actions/conversation pointers for each category. Our experience shows that over time, this detailed categorization has supported us with actionable insights from data points like collections history, risk category and payment patterns. It is vital to keep the risk rating of a customer dynamic. This seems like an apt step for any third party to stay on the top of 'customer credit rating'.

Intra cycle balance monitoring

'Bill shock' is an unpleasant phenomenon that leads to customer churn. Capturing the 'surge' factor in every customer's bill and finding the best way to communicate this with them before the bill is generated does a lot good towards CSAT and customer retention. This is also a perfect opportunity to improve customer experience by educating the customer on the reasons for the surge, informing them on their payment options, payment deadline or providing a relaxation on the same if applicable in special cases reduces the debt amount. Our experience on this count has been a great one where we have succeeded in reducing bad debt written off by our customers. This typically happens when customers abandon the connection or have defaulted on payments.

Having 'Cash collection' as the sole focus of the Collections process can run you the risk of leaving a lot on the table. Other softer nuances need equal attention to make your customer's ledger books look good.

Bill format

If 'billing query' calls be carefully studied, they will show a trend on the reasons for confusions that customers have around billing. Example: if customers are moving out of direct debit (the most ideal for telcos), then the communication on the bill should be scrutinized for risk of carrying inadequate information or confusing the customer. This can be fixed by simply re-wording the bill format. This humble yet powerful step helped us reduce our customer's DSO to 8-12 days from 32 days.

Quarterly/Monthly billed customers

Revenue projections differ for quarterly and monthly billed customers. Quarterly billed customers do not normally opt for direct debit. However there is a way to engage in conversations with this category of customers to check if they will consider enrolling for direct debit on a monthly basis, built on accurate estimations. This is early revenue realization for the telco, provided the customer buys the idea. These conversations are delicate and need to be handled with tact. We implemented this for one of our clients in the UK a couple of years ago when the economy was down. It proved to be a well-timed welcome relief for the client.

Unnecessary hand-offs

A common, yet unpleasant scenario is when the Collections team disconnects the customer's connection for reasons seen as valid, for the telco. This is followed by a conversation between the customer and the Customer Service Representative where the connection is reestablished for fear of churn – clearly a bad experience for the customer.This goes on for a few cycles and it remains undecided as to where the buck will stop.

A better way to manage this can be if these delayed payment/defaulter cases are managed only by the Collections team and not the Customer

Service team. To do this effectively, the Collections team needs to be educated on the customer list that is up for disconnection and the associated conversation required for restoring the relationship with the customer, without putting the telco at loss. When the customer's line is restricted they have the option to call the telco and this line canbe routed to Collections. The Collections representative should take this opportunity to educate the customer on the next steps to avoid loss of connection, and also facilitate the payment process. Our experience tells that customer education even at such an uncomfortable juncture can reduce customer churn and improve cash collections – a team of 30 collections representatives succeeded in dropping call repeats by 50% for one of our clients.

The above examples are a portrayal of a clear shift in attitude towards the Collections process. The point is to move away from looking at Collections as a plain vanilla last step in the customer management lifecycle. While technology can power every step to automate the Collections process, the onus of making it successful cannot be left on technology. Although it's true that Collections will sequentially remain the last step in the customer lifecycle management process, the secret lies in seeking an element of Collections in every step of the life cycle and making the necessary impact right then and there. Here's how.

Point of Sale (PoS)

Risk assessment is done at the PoS stage but has the highest impact on Collections. A careful mapping of customer behavior to risks and a system to manage risk assessment dynamically can guarantee desired results from Collections.

Order Fulfilment

Fulfilment within the cycle time plays a key role in making sure that customers don't fall into the debt cycle. As the process unfolds, completion of order adjustments needs to happen as deemed fit. In cases of provision delays, the risks are twofold – either the customer falls into the dispute category or will most probably churn. If the provisioning has not happened then disputes arise on 'charge' terms at the Collections stage. This leads to debt management at some point in time if the customer churns. The choice of avoiding these situations to a large extent rests with the telcos.

Intra cycle balance monitoring

This takes care of every event in the customer lifecycle management. For effective debt management it is imperative thattelcos closely watch every customer's payment options and consumption pattern. The need is of a robust mechanism to feed the dynamic data backinto different stages and make relevant adjustments in customer management approach, on the go, so the customer knows that we are truly aware of their preference patterns.

Conclusion

'Collections' is a lot more that collecting dues from your customers; it is about pledging that you get your due revenues on time. Collections as a flavor must be ingrained in the DNA of processessuch as PoS, order fulfilment and intra cycle balance monitoring stages. It is the responsibility of the Collections function to convey to customers that they needn't look at Collections as a hazard, but take them as their trusted partners who can help improve their credit rating.For a moment, step into the customer's shoes who is attending to a collections call – they are worried about their credit rating, are reluctant about giving up the connection, and may even be worrying about funds. At such a volatile stage, if the Collections representative, empowered with the right insight, is able to empathize with the customer and suggest ways to salvage the situation, then the telco-customer journey just got catapulted on a path exactly opposite to 'Churn'. A healthy customer base is just a fall out of many such saves.

About the author

Abegail is an experienced BPO practitioner with focus on migration, process improvement, business intelligence and delivery. She has handled delivery for various processes spanning different verticals and s a graduate of Industrial Pharmacy and holds a Level 2 diploma in Credit Management from the Institute of Credit Management-UK.

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IND/SHAYEEN/MAR 2015