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Managing collections cost-effectively has never been more critical than in today's economy. Collection agencies are dealing with an increase in resource constraints, yet they have more accounts to collect than ever before. In addition, accounts are paying slower, leading to more accounts in collections, resulting in fewer collections and shrinking profit margins.

Collection agencies have to adapt to changing times. To accomplish this, most agencies need to develop better ways to improve their cash flow and reduce losses, both of which can be enhanced through the addition of next generation scoring models designed for the collections industry.

At eBureau, we hear many reasons why collection agencies have not implemented scoring-based technologies in their accounts receivable management practices. Currently, only about 35% of agencies are using statistical-based collection scoring solutions to determine which customers they should focus on, what type of collection method should be used for a given customer and when they should apply that method. In this article, we'll explore many of the questions and offer solutions based on eBureau's industry leading scoring solutions.

I collect all different types of paper. How will one score work for me?

eBureau has pre-built many industry enhanced scores with our patented modeler to meet the needs of each type of paper being collected. Where in years past it took several months and thousands of dollars to build a scoring model, we can deploy a production ready model over night, in most cases, with no up front cost. Collection agencies have a couple of options in the development of a predictive model. If sufficient performance data is available, we can build a custom model based on this historical information, or you can use one of our tested industry specific scores.

My agency is small, will a scoring strategy help me?

No agency is too small to employ a scoring strategy. In order to be competitive in today's marketplace, an agency needs to be able to prioritize the accounts they have to work and identify which accounts are likely to pay. In addition, you need to be able to contact the debtor either via mail or phone. By implementing eScores you will be able to predict collection probabilities, returned mail and other key outcomes in order to maximize overall profitability per account.

How do I employ a score in my operation?

Before a score will work for your agency, all members of management must buy in to the process. eBureau will help you understand how your portfolio is scored, describe the segmentation of scoring, as well as suggestions on how you might want to work your accounts.

I don't know which score to use. An internal built score? A credit-based score? A score using external data?

Internal Score

At eBureau we have found that while internal customer data is very important and predictive, it shows only part of the picture. It captures information about the process of defaulting for example, time since last payment, but it fails to account for other key factors like access to assets and contactability.

Credit-Based Score

A score based on credit data alone has proven to be of value in identifying potential payers. Unfortunately, credit-based data alone falls short for two main reasons. First, a portion of any file will be unscorable based on credit data because of the inability to find the correct

credit file at the bureau. This problem is more severe for older debt and for less well-banked individuals. Second, credit-based scores tend to overlook the importance of contacting the customer before a debt can be collected.

External Data Score

Depending on the source of these scores, they may focus on contactability, or on ability to pay, or both. At eBureau, we have found that a score focusing on both contactability and ability to pay provides a better solution than internal alone or credit-based scores, and produces a meaningful score on every record.

The Best Score?

If cost was not an issue, a combination of all three core scores would provide you with the overall best scoring strategy. For many, this is not an option. Our recommendation is to test scoring in your agency and see what works best for you.

For further information about eBureau scoring solutions, contact Nancy McLaughlin, MCE at:
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