

## **HEROtsc's Innovative Added Value Services First-Party, Early Life Collections**



**Paper 2, of a Series of 3.**

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## 1. Introduction

This document is the second of three papers describing our class leading service offerings in outsourcing. This paper details our expertise and differentiation in Customer Collections Services.

**HEROtsc have created a solution to Customer Collections that has delivered a minimum 2% increase, over current performance for our customers, of conversion rates of monies collected.**

With consumer debt at the highest levels on record (ref: creditaction.org.uk) and the ‘credit crunch’ having a negative effect across the entire economy, it is crucial that:

- your customer arrears are managed efficiently and effectively
- if your in-house debt collection performance is not operating at sufficient performance levels, that you rectify it as soon as possible.

Furthermore, **customer retention** is a key requirement, even those customers who are in a short-term debt situation, it’s an important factor for your company’s stability and growth, having the opportunity of **debt collection and customer retention through service** is an increasing business imperative.

HEROtsc has a cost effective and successful **Collections through Service** capability, with the combination of our front office and collections expertise, outsourcing your collections operation will help your bottom line by:

1. Increase collected cash with higher conversion rates
2. Increase net benefit by improving cash flow
3. Control costs – converting fixed costs to variable costs, releasing capital for investment elsewhere in your business, enabling you to concentrate on your core business
4. Reduce labour and management costs – not having an in-house collections department to host, hire and train
5. Start collections quickly. HEROtsc will be able to ‘hit the ground running’ as we have the resources, training, people and expertise.
6. Reduce client risk – expertise is with HEROtsc who know collection risks including market conditions, government regulation, financial conditions, technologies employed etc. Your company will not have to develop or maintain these resources, further driving efficiencies and flexibility.

**HEROtsc – Consistently the best UK outsourced collections provider**

## 2. Fundamental Principles

HEROtsc's philosophy is of **Continuous Improvement** to our clients bottom line by:

1. Working with you to continuously improve the service delivered to your customers
2. Following a well prescribed and effective process for customer contact
  - a. Customer insight - ensures that your customers needs are understood
  - b. Call profiling - delivers the right service to the right customer
  - c. Customer service – ensuring that HEROtsc delights your customer.
3. Customer Relationship Management (CRM)
  - a. Updating customer details, reactions and feedback to your service

Our process is an iterative cycle that ensures that with each contact, individual customers as well as customers as a whole, receive the best quality contact and service, improving the customer experience and so increasing revenue potential both short term and longer term.

## 3. Customer Collections

### Background

For one of our clients, HEROtsc Collections expertise delivered a net benefit of circa **£14 million per year** in recovered outstanding payments and debt. A collections case study for this high street mobile vendor client can be seen in Section 9 of this document to provide more detail of the HEROtsc collection success.

### Key Commercial Principles of our Solution

- Our charges are based on our delivered performance (outcome based)
- Primary value driver is Conversion Rate
- Secondary value driver is Customer Satisfaction
- Baseline performance level is set for each line of business (LOB)
- Cap is established on additional investment time (Average handle/call time [AHT])
- HEROtsc investment commitment to set-up, linked to contract tenure and agent (FTE) levels

### Outsourcing Value Driver

- **Our performance:**
  - Outperformed both in-house and outsourced providers by at least 5% via estate leading key performance indicators (KPI) performance.
  - Consistently achieved above target & estate leading key performance indicators (KPI) performance
  - Consistently higher than the outsourced competition conversion rate & all targeted KPI
  - Add significant value & benefits to our clients
- **Our aim is to:**
  - Provide an added value proposition to you that will be based on the Commercial model demonstrated.
  - Provide significant incremental revenue generation
  - We will improve our client's annual earnings by:
    - A projected minimum of £15 million
    - Based on 200 FTE & an uplift of 6% conversion

## 4. Operational Efficiencies via Customer Insight

### Customer Insight Introduction

In order to be effective in our collections strategy, HEROtsc's utilises our **Customer Insight Programme**,

**“Achieve strategic objectives and innovation in customer management through applied customer analytics and by placing people at the heart of the business.”**

Contact centre performance is often judged on resource adherence and achieving basic KPIs. One of HEROtsc's key aims is to achieve true differentiation in a crowded and traditionally commoditised contact centre market place. Customer Insight is a key element in the delivery of this differentiation. Through the use of applied business analytics and the delivery of innovative contact centre collections-through-service solutions HEROtsc ensure that our client's strategic objectives are exceeded. Customer Insight aims to deliver exceptional value-add to all HEROtsc clients as standard through the development, innovative initiatives, techniques and processes based on intelligent analysis of data and behaviours.

### Benefits

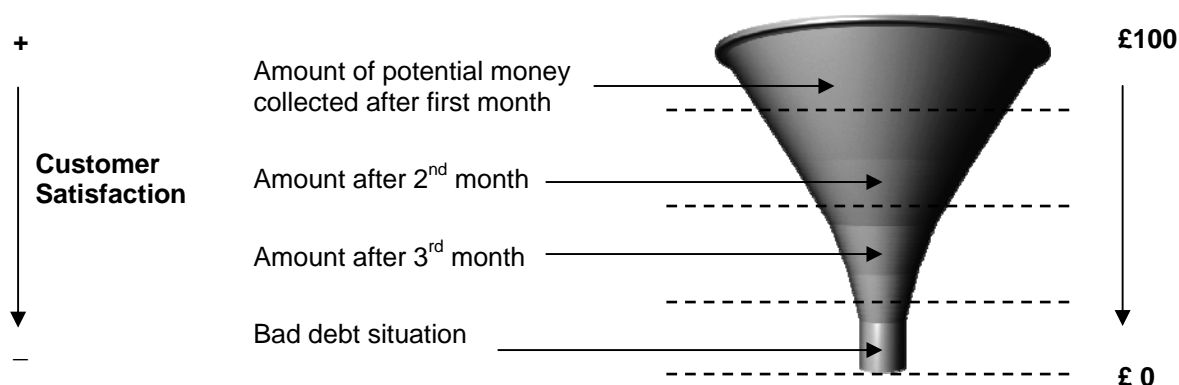
Benefits of the Customer Insight programme include:

- Employee Engagement
- Strategic Alignment
- Strong Business Control
- Accurate Predictive Resource Planning
- Exceptional and tailored Customer Experience
- Maximised Revenue

## 5. HEROtsc Model based on the 1<sup>st</sup> Conversion

### Current situation

The following diagram shows the typical collections scenario where a customer slides into debt. As time goes on the time-window to rectify the situation becomes harder until there is very little chance of collecting the monies.



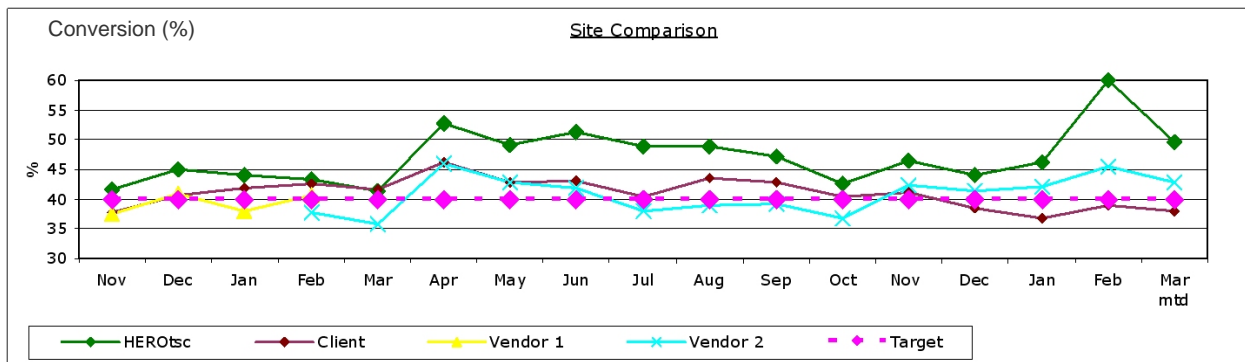
The ideal time to collect overdue money from the client, before it goes into a bad-debt situation is when the first payment default is highlighted. Therefore more effort, time and rehabilitation is needed at this point to collect. Our model of **collection through service** ensures that the maximum amount of cash is collected at this point.

By utilising HEROtsc's industry leading collections through service program, we can radically improve your customers ability to pay.

### What are the benefits to you?

- **Improved Customer Collections** – lower repeat offenders as customers are rehabilitated according to their personal circumstances.
- **Improved Customer experience** - more effective service means customer satisfaction improves
- **Reduced bad debt to you** - with associated lowered debt collection costs for those who eventually default
- **Improved in-house operations** - via best practice and training sessions by having the right people with the right knowledge

## 6. Site and Competitor Comparisons



In September 2009, HEROtsc offered a blended solution taking overflow customer service calls due to client resource & budget challenges. This had a detrimental effect on conversion rate, however, demonstrated our flexibility via our collections through service model and we remain estate leading on conversion.

In February, 2010, HEROtsc significantly boosted the conversion rate through the benefits accrued via our Insight Programme and allowing a greater number of calls being serviced from our collections team.

### Outcomes

- 5% additional revenue collected
- 9% increase in conversion rate (collections v target)
- Improved first call resolution by 2%
- Reduced call transfer rate by 3%
- Improved credit by £1 for each paid minute
- Sharing of best practice has resulted in improved in-house operational performance
- Conversion target achieved in-house for the first time as a result of best practice sharing initiatives and resulted in increased targets for 2009. This in-turn has led HEROtsc to be **Estate Leading Performer** for both in-house and outsource collections

## 7. HEROtsc Pricing Model

HEROtsc are able to provide a variety of charging mechanisms, ranging from a contracted / paid agent hour to a productive hour including a risk and reward model. The table below shows multiple pricing options that we typically offer and also identifies the attributes that are associated with each.

Charging Mechanism	Simplicity	Flexibility	Productivity	Efficiency	Quality	Partnership	Revenue Generation	Cost Reduction
<b>Paid / Contracted Hour</b>	Yes	Yes	No	No	Yes	No	No	No
<b>Worked hour</b>	Yes/No*	Yes	No	No	Yes	Yes/No	No	No
<b>Available hour</b>	Yes/No	Yes/No	Yes	No	Yes/No	Yes	No	No
<b>Productive hour / call min</b>	Yes/No	No	Yes	No	Yes/No	No	No	No
<b>Cost Plus</b>	Yes	Yes	No	No	Yes	No	No	No
<b>Transaction pricing</b>	Yes	No	Yes	Yes	No	No	No	No
<b>Risk / reward</b>	Yes/No*	Yes/No*	Yes	Yes	Yes	Yes	Yes	Yes
<b>Gain share</b>	Yes/No*	Yes/No*	Yes	Yes	No	Yes	Yes	Yes

\*Yes/No: Relative to the other options.

## 8. Summary

HEROtsc's collection through service model delivers a win-win by:

- Has improved conversion rates from 35 to 40% in 1 month
- Improved cash-flow from the extra revenue generated
- Bringing additional net benefit – we can demonstrate exactly how
- Reduced operating costs
- Increased first call resolution
- Improved customer retention
- Improved customer satisfaction
- Ensuring customers credit score is accurate
- Guaranteed quality gate
- Backed-up by an aggressive risk and reward scheme (outcomes based)

## 9. Case Study

### Background

With over 16 million UK customers, client is the 3rd largest operator within the UK mobile telecoms industry and is part of one of the largest mobile companies in the world whose subsidiaries and affiliated companies serve over 86 million mobile customers worldwide.

- Client required that their in-house and outsourced collections campaigns improved performance.
- Due to HEROtsc's extensive experience in collections, we were given the opportunity to pilot a collections through service campaign.
- Commenced operations in October 2008 in Dearne Valley (South Yorkshire) site.



### Client Objectives

- Collections through service.
- To ensure that customer pays outstanding balance.
- Rehabilitate and retaining the customer to ensure that they remain with client as their provider, preventing disconnect.
- Review their contract and payment options with a positive outcome for customer i.e. ensuring they have the best plan for their circumstances, review of their bill cycle and payment options.
- To ensure accurate credit scoring and release information to rest of client collections estate.
- To help customer avoid bad debt.

### HEROtsc Activity

- Circa 180,000 inbound calls per month.
- 365 day service provision (8a.m. -10. p.m.)
- Manage collections call queue for entire client estate & outsourcer providers.

### Outcome

- Initial growth from 70FTE to 110FTE after 2 months
- 5% increase in collections revenue
- Increased collections conversion from 36% to 45%
- Improved first call resolution to the customer by 2%.
- Reduced the call transfer rate from 11% to 7% enhancing the customer experience.
- Improved credit by £1 for each paid minute
- No. 1 estate leading collections performer in both outsource and in-house partners
- HEROtsc shared best practice with In-house teams, allowing them to improve on their collections targets:
  - 36% to 40%
  - First time in-house achievement in breaking 40% mark

### Benefits to Client

- Generated 5% additional revenue
- Reduced bad debt to client and increased customer retention
- Improved in-house operations via best practice and training sessions by having the right people with the right knowledge
- HEROtsc best practice agent incentivisation schemes adopted by in-house operation.
- New collections forum planned for entire client estate to share HEROtsc's experience and knowledge of collections industry. → improve results.