Building a Smarter Collections Decision Engine

Problem

A leading financial institution's aging collections decision engine was unable to handle the increasing number and complexity of delinquencies

Solution

Within six months, Alacer built and deployed a customized decision engine with an adaptable collections strategy based on past customer behavior

Results

$4 million expense savings, mitigation of $30 million of losses in six months, instant implementation of treatment strategies

Overview

The rapid increase in the volume and complexity of its delinquencies overtaxed a leading financial institution's aging collections decision engine. Regardless of clientele, some delinquencies are unavoidable; however, the sheer length of time it took to identify problems using the financial institution's existing collections decision engine complicated potential remediation. The financial institution asked the Alacer team to create a decision engine that would achieve faster results, eliminate waste and meet its business needs – and to deploy it within six months.

Challenges

Alacer's senior consultants spent three months in cross functional teams in collections, risk, human resources and information technology in order to fully understand the requirements for the new decision engine. The group quickly determined that off-the-shelf software would not meet the organization's goals. Using Design for Lean Six Sigma principles to eliminate waste, Alacer custom built a solution with an adaptable contact strategy that used past customer behavior to determine the most optimal collection methodology.

Results

The new collections decision engine enabled the organization to meet or exceed its critical performance measures within four weeks of launch. Over $30 million in losses were mitigated as a direct result; additionally, expense savings of $4 million were achieved and validated. New treatment strategies, which once took up to three weeks to deploy, are now implemented in real time.