

Adopting a tailored approach to customers in arrears can increase the likelihood of recovering the debt – and keeping the customer

By Chris Buckham

# CAN CRM TOOLS IMPROVE UTILITY COLLECTIONS?

**T**he face of the European utility industry has massively changed since de-regulation first started in 1999.

Both energy businesses and water suppliers have had to rise to the challenges of the new market and make the transition from technology-driven to market-led businesses.

Pleasing the regulators has given way to pleasing customers. Initially, deregulation confuses customers. They

do not know how a new supplier will read their meters or to whom they will turn for advice.

As consumers overcome these types of fears, they become increasingly confident in buying energy services and products; and churning patterns develop.

Increased competition for customers leads to a need to pay greater attention to customer service and satisfaction. In turn this has led to a significant

re-appraisal of customer management strategies in the utilities market.

Today within the utilities sector the focus is clearly on understanding customers better and ensuring that processes and systems can deliver excellence in all billing, customer service and revenue collection processes.

However, there is one area that tends to be overlooked until it is too late – how to manage customers who are behind on their bills. >>



>> **Managing customers in arrears**

In this newly-competitive marketplace, margins are being squeezed even tighter, so minimising the level of bad debt and increasing the rates of revenue collection is a business imperative.

Unfortunately, many utilities are not adopting a best-practice approach to decrease the level of customer write-offs and continue to rely on IT systems that have evolved over time.

Given that consumers often view utility bills as the least important debt to pay and the ease with which they can switch supplier – even if they have debt – traditional weapons of revenue collection, such as disconnection, are no longer effective or, in some cases, are actually illegal.

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Utilities need to adopt a more customer-driven approach to debt recovery. Understanding customers, and customising contact rather than continuing with a ‘red-letter-fits-all’ approach, significantly improves the speed and rate of revenue collection, ultimately impacting on a company’s bottom line.

To be ahead of the game, utilities must do more than just collect debt and meet the regulators’ minimum requirements; they should go one step further and adopt a proactive customer-centric strategy to identify and manage those customers who are likely to get into debt, or those that will need special attention.

**Specialist revenue management systems**

Specialist collection systems and sophisticated credit scoring and selection facilities are available today, and the return on investment of deploying these has been proven.

These systems automate the collections process by consolidating all customer communications relating to payment arrears including phone calls, e-mails, letters and faxes into a single database.

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They are specifically designed to help companies administer and recoup debt. However, their particular value lies in the ability to segment customers in arrears in the same way that marketing departments segment customers and prospects using customer relationship management systems.

Most utilities will already have an enormous amount of valuable customer

information tied up in mainframe systems, standalone departmental software, or even in paper files. The trick is making use of all of this data in a straightforward and cost-effective way.

By analysing and segmenting the full list of customers in arrears, collections staff can plan their workloads far more effectively, and visualise, model and implement personalised, pertinent strategies for each group, rather than treat everyone in the same manner.

For example, those considered to be high risk will be flagged immediately a payment is missed to allow for telephone follow-up, those deemed low risk will be sent a reminder letter and

vulnerable customers, who are struggling to pay, can be offered additional help and advice.

In so doing, collections staff can retain and rehabilitate customers.

**Return on investment**

The financial returns of implementing a revenue management and collection system have proven to be quantifiable and immediate.

Utilities are reporting a complete payback on their investment in less than 12 months as a result of reduced write

offs and increased revenue collection.

Cashflow too is improved, indeed, businesses that have implemented new revenue management and collections systems have improved their collections performance by 25% in less than six months.

On an operational level, management control will be enhanced, as the performance of individual collectors, teams and strategies can be monitored and reviewed using the solution’s management tools.

Productivity will improve as managers can direct collections staff more effectively and eradicate inefficient collections activity.

Utilities may also benefit from a more positive market perception as they demonstrate a proactive response to the regulators’ spotlight on revenue integrity. And crucially, customer service and satisfaction will be improved.

In an age when debt is no longer taboo and utilities are under increased pressure from investors to improve performance, they will have to think of a pretty good reason for not adopting a customer-centric revenue management strategy. **CCRW**

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