QUALCO

USE CASE

Identifying the Best Communication Channel

Traditional collection approaches often encounter obstacles, such as capacity constraints, when determining the most effective action. Additionally, evaluating the effectiveness of communication attempts across various channels presents a significant challenge.

Case Overview

A bank sought to optimise its communication strategies with debtors by analysing extensive communication and transactional data. This data spanned a portfolio of **22k** active monthly loans over eight years. All loans within the portfolio had defaulted at some point, with borrowers on repayment plans of 1 or 2 instalments. The primary objective was identifying and recommending the most effective communication channels to improve contact rates and streamline payment arrangements.

Our Approach

Leveraging QUALCO Data–Driven Decision Engine, we applied advanced machine learning models to predict the probability of successful contact outcomes - including payments, commitments to pay, or agreements on debt restructuring - through different communication channels. Our system suggested customised communication strategies for each debtor by analysing key predictors and amplifying successful communication attempts.

QUALCO D3E in Action

Step 1 Model Development

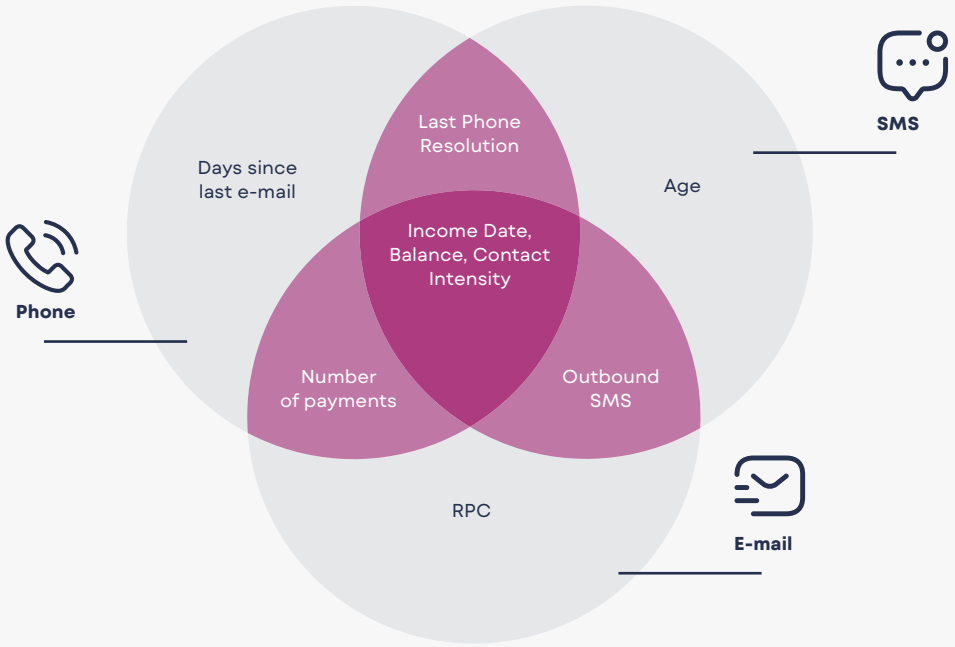
Through a meticulous analysis of thousands of potential predictors, QUALCO Data-Driven Decision Engine identified the parameters with the highest predictive power. These parameters include:

- Number of outbound contact attempts
- Last inbound phone resolution
- Number of payments

We developed a machine-learning model for each communication channel (email, phone, SMS). These models were trained on historical data to predict the likelihood of successful contact outcomes.

Step 2 Customer Segmentation

We segmented customers based on their predicted responsiveness to various communication strategies. We identified a group unlikely to respond to any of the three channels, suggesting that contacting them may be ineffective.



Automatically detected predictors per communication channel

Step 3 Channel Selection

We recommended the optimal communication channel for each customer to maximise response rates and debt recovery outcomes while avoiding redundancy and confusion.

Phone
is most effective for:

- Frequent inbound communications
- High volume of contact attempts
- Two instalments and no defaults

E-mail
is most effective for:

- Occasional inbound communications
- Recent phone contact (emails serve effectively as follow-ups)
- Any number of defaulted instalments

SMS
is most effective for:

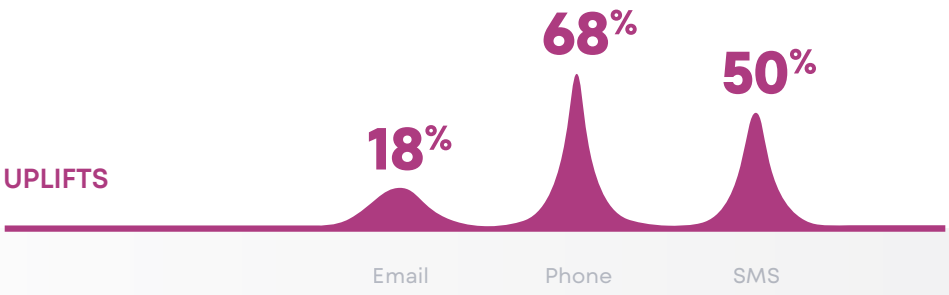
- Infrequent inbound communications
- Minimal outbound contact attempts
- One or two missed payments

Model - driven insights per communication channel

Results

Improved Communication Outcomes

Increased effectiveness in client communication and debt recovery outcomes:



Successful contact attempts increase, following model implementation

Enhanced Resource Allocation

Optimised resource allocation and increased operational efficiency by:

- Identifying **45%** of customers as uncontactable due to a very low likelihood of positive response, allowing for a reallocation of efforts.
- Determining that **39%** of debtors had been initially contacted through less effective channels and pinpointing that **20%** had a greater than **70%** likelihood of a positive response if approached via a more suitable channel.

Achieved Cost Savings

Reduced communication costs and improved return on investment (ROI) through targeted communication strategies and rationalised channel usage.

About
QUALCO Data-Driven Decisions Engine

QUALCO Data-Driven Decision Engine is an integrated decision-making platform that automates every stage of the credit portfolio and collections analytics workflow. It empowers:

- → **Data Organisation** to keep track of one's portfolio's changes easily
- → **Data Processing** to transform and sequence data for analytical insights
- → **Machine Learning capabilities** to understand customer behaviours and segments
- → **Tailored Treatments** to customise actions for various customer groups, enhancing performance
- → **Strategic Insights** to shape treatment strategies and estimate their impact on profitability
- → **Regulatory Compliance,** by generating compliance reports based on analysis results

Designed for any business that manages credit, QUALCO Data-Driven Decision Engine equips financial institutions and servicers with the tools to transform raw data into actionable insights. By leveraging advanced analytics and machine learning algorithms, organisations can unlock untapped potential, drive operational efficiency, and deliver exceptional customer value.

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