



4. Portfolio Management

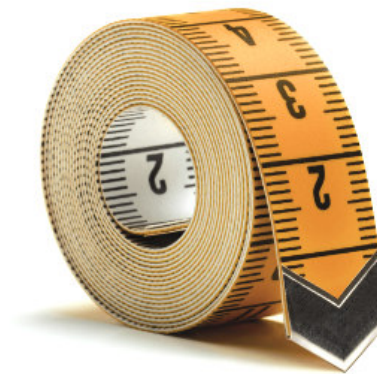
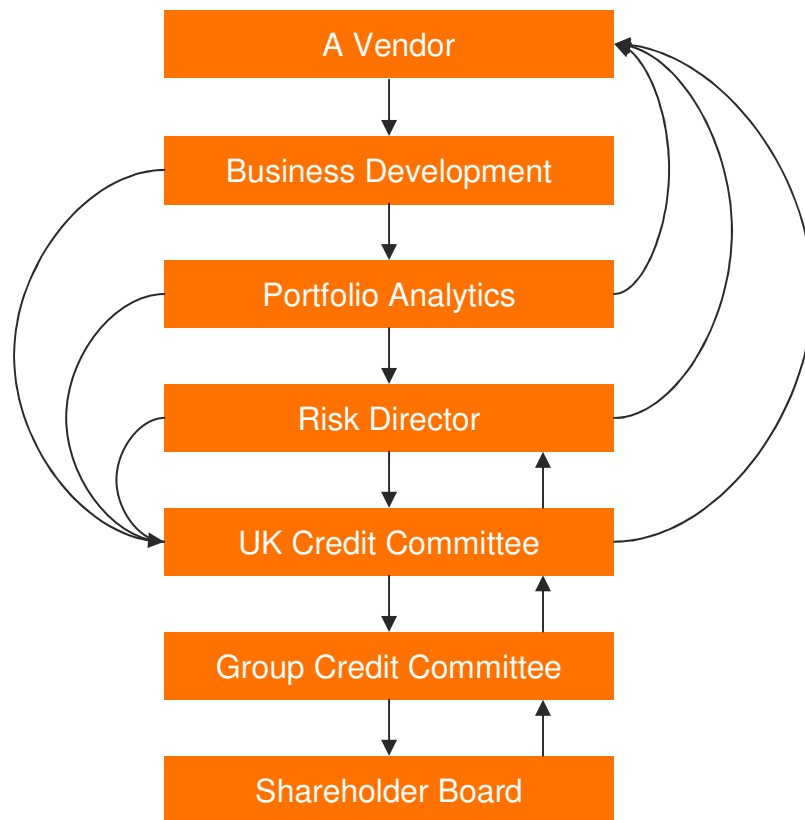
Examples from the United Kingdom

Philip Lunn
Country Manager
Aktiv Kapital UK



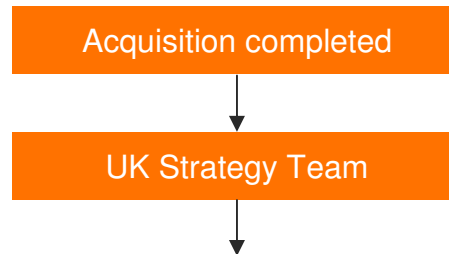
Structure – Simplified

Aktiv Kapital Group UK



Post Acquisition Handling

UK Strategy Team



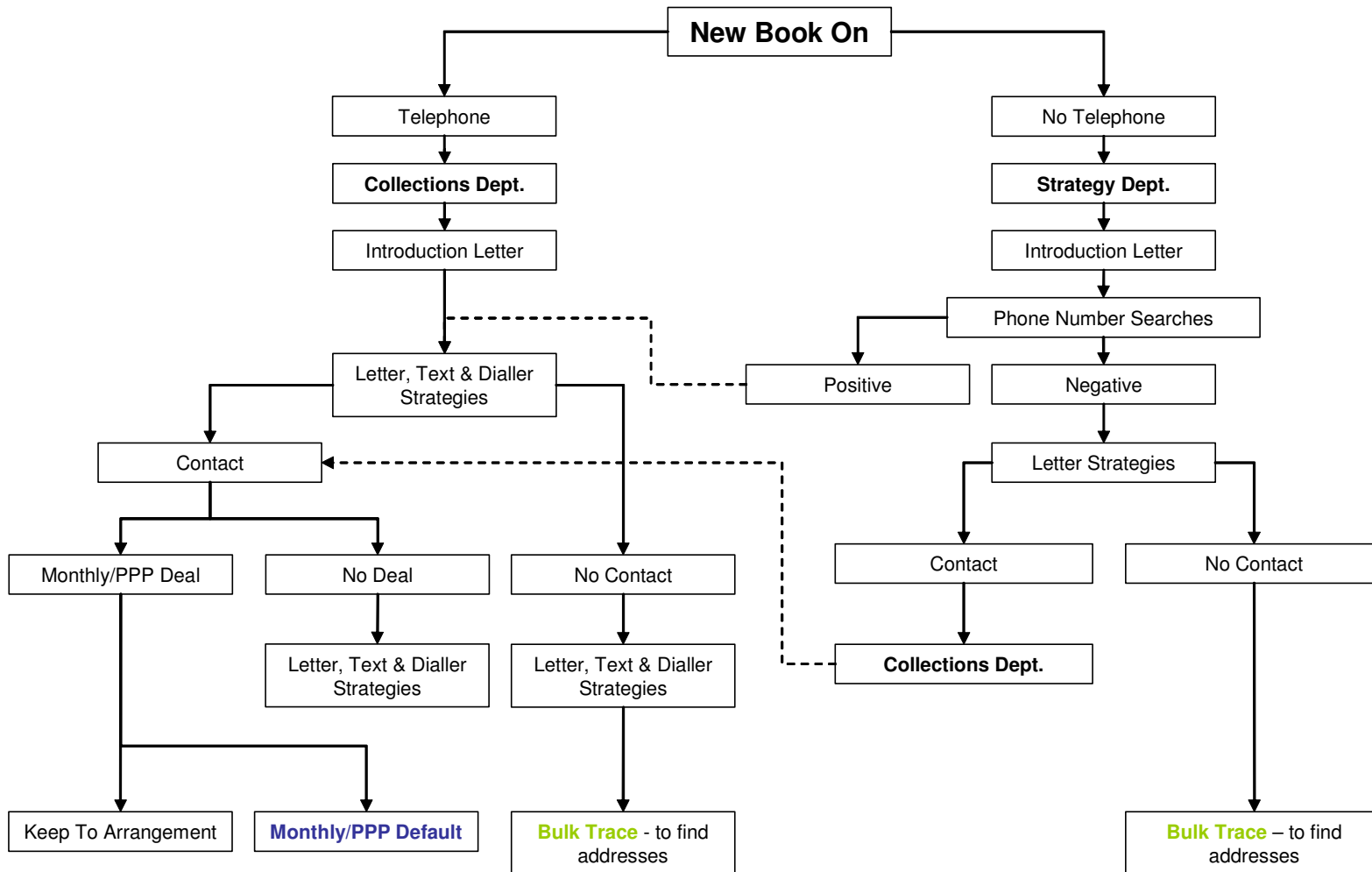
- Verify segments against the vendor / contract description (or the whole portfolio, if purchased)
- Contact Vendor's post-sale team to establish rapport & address any queries
- Consider import ramifications
 - CRA requirements – do we have all mandatory reporting fields
 - Hierarchical structure – e.g. “main client”, sub-client groups
 - Reporting requirements (internal / operation / group) – by client, by product type
- Define “book-on” structure (after consideration of the above)
- Run audit trail on book-on

Post Acquisition Handling continues

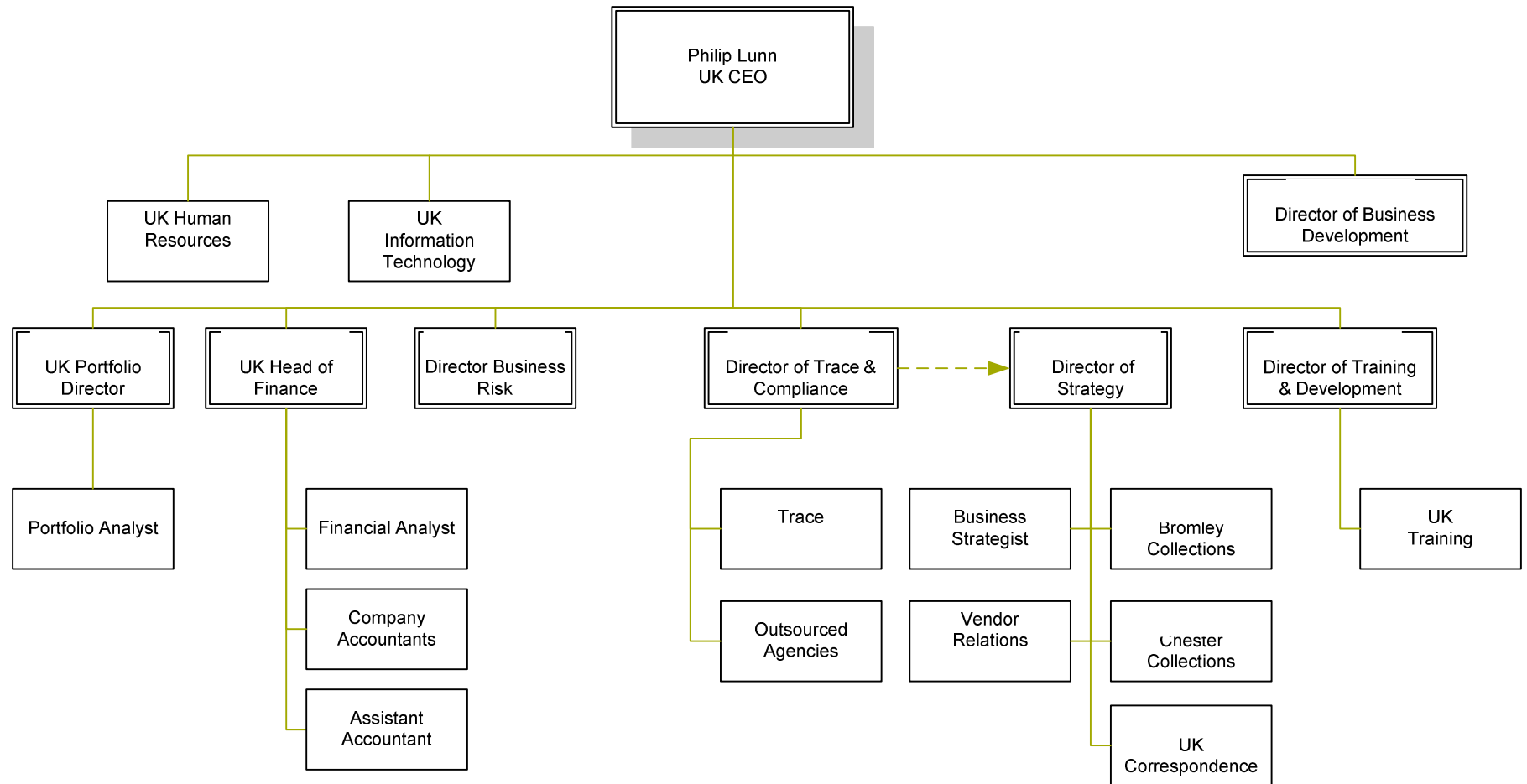
UK Strategy Team

- Consider any initial data cleansing / appending (e.g. Bankruptcy, Deceased, Fraud file) This can result in immediate “put backs” to the Vendors.
- Segment if appropriate e.g. into product groups. A simple example could be Personal Loans, Credit Cards, Overdrafts. Further segmenting could be by balance size or age of debt.
- Define flowpaths / procedures dependent upon product types
- Consider impact of flowpaths, e.g.
 - HR vs. asset ratios (should be considered pre-acquisition!)
 - Letter campaigns vs. response handling
 - Outbound dialler activity vs. inbound / call blending
 - How is this going to impact tracing activities?
- “Business as usual”
 - Impact of new book-on vs. mature portfolios – collections management. This means that you must always be aware of the number of people needed to service portfolios.
 - Site management, customer penetration e.g. time of day calling / frequency of calls / diallers or manual calling
 - Working within Industry guidelines / compliance monitoring
 - Matching skill sets to asset types
 - Cash expectations, as aligned to acquisition forecast

Book-on



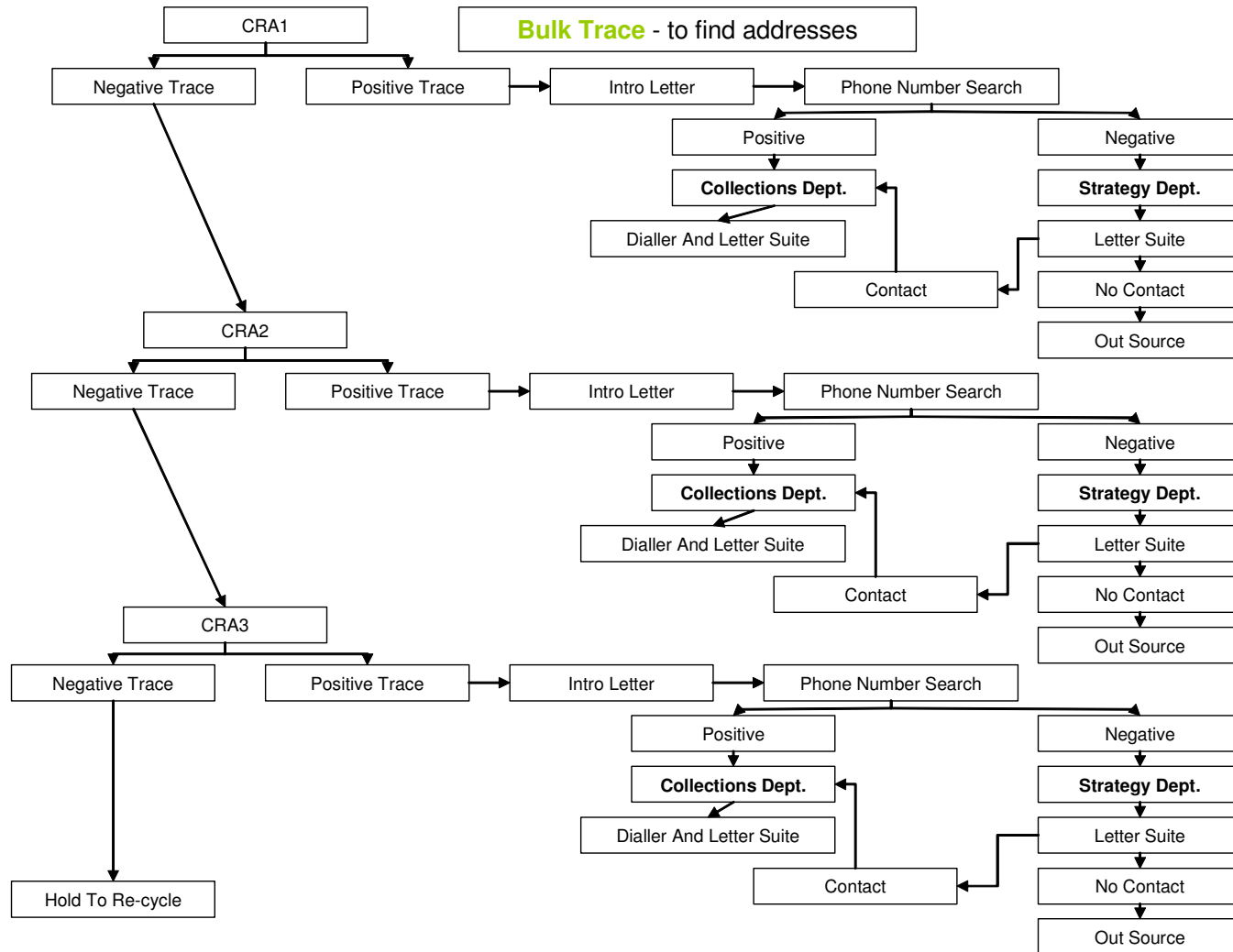
Organisational Chart



Implementing Efficient Management Systems Strategies

- Extraordinary activities e.g. intensive tracing, outsourcing, litigating
- Cost implications
- Returns versus investment
- Impact on acquisition model & IRR's
- Short-term deviations – OPEX versus cash flow
- Recycling activities – repeating processes over time to extend longevity of portfolios – cost implications / economies of scale e.g. Bureau charges

Bulk Trace



Strategies

- What happens if a portfolio does not respond to regular activities?
 - Analyze results based on known trigger points, e.g. % response to Intro letter suite / dialler contact rates / inbound calls
 - Is this a blip or is it a trend?
 - Formulate alternative strategies – implement
 - Consider short and long term impact on cash flows vs forecast

Operational Differences From Debt Collection

- Wham, Bam...
 - ...vs. sustained effort...perhaps
- DCA's generally allocated 90 – 180 days
 - Must do now
 - Must do it cheap
 - Persistence not an option
 - One dimensional strategies
 - End
- DP's own the assets
 - Logical assessment / scoring
 - Effort vs. results
 - Recycling activities
 - Multiple strategies dependent upon asset type

Customer Management & Follow Up

- Customer profiles
 - Banks have different profiles, so do customers
 - Define profiles / match strategies / customers
 - “Tone of voice” in letters
 - Collection vehicle to be used
- Payment schedules
 - Profiled payment plans
 - Monthlies / instalments
 - Payment methods
 - Uplift programmes
 - Approvals & quality check processes
 - Default management



Customer Management & Follow Up

- Purposeful Reporting
 - What do you need to know?
 - Do you want information or “data”?
 - You will need eg
 - Predicted funding reports
 - Daily funding reports
 - Default reports
 - Etc. etc



Customer Management & Follow Up

- Other factors
 - Timing of deals
 - KPI's vs quality
 - Segmentation / profiling
 - Management: manufacturing environment vs low density
 - Pooling vs account ownership



Force Majeur

- The “Credit Crunch”
 - What impact is this having?
 - Has our performance been impacted?
 - What are we doing to manage implications / different trends?
 - What about the medium / longer term?
 - Are there any trends within Vendors?

Human Capital

How To Prepare Employees To Handle Customers Effectively

- Recruitment
 - Agencies / screening
 - Internal processes / evaluation
- Training
 - In-house, UK City & Guilds accreditation
 - Format / duration
 - Centre of Excellence
- Development
 - Personnel & backgrounds
 - Workshops
 - Side by side coaching



Same Approach In Other Markets?

- Economies of scale eg. dual site operations
 - Telephony
 - IT
 - Mailing
 - Admin
 - Strategy
- Best practice
 - Understand your population & its composition
 - Understand your database
 - Pools
 - Procedures
 - Asset segmentation
 - Training
 - Use of telephony – jurisdictional
 - Local legislation/compliance

