

01 Content

01	Table of contents	2
02	Management Summary	3
03	Good reasons for better dunning: Strategic success factors	5
	3.1 Customer dialogue: This is how it works!	7
	3.2 Digitisation and data	8
	3.3 Payment? Easily & instantly!	9
04	Good reasons for better dunning: Operational optimisation	11
	4.1 The technology behind it: Artificial Intelligence	13
05	Trust the experts	14



Because receivables management
has many **facets.**



03 Sound reasons for improved dunning: Strategic success factors

Most process optimisations take place within the scope of schemes to reduce costs and increase efficiency. Process improvements in the dunning process call for a holistic approach, since it represents an important point of contact with consumers in which differing interests need to be satisfied.

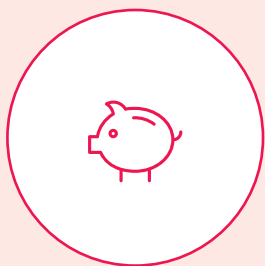
We as a debt service provider know the influencing factors and support companies individually and comprehensively. Our objective is to adapt the dunning process to our clients' corporate strategy and optimise their goals. As a result, an improved dunning process can have a positive effect on other areas of the financial value chain, such as risk management.

Always have the factors for success in mind during the dunning process

When it comes to looking at dunning processes in terms of optimising potential, it is important to first define the objectives. An initial foothold in this respect is the economic principle featuring three categories regarding the input/output ratio (see figure). In particular, the optimum principle is a good way to simultaneously consider targets such as maintaining a reputation, customer loyalty or digitisation in the face of increasing cost pressure. Conducting the dunning process correctly means keeping three important strategic success factors in mind: Focus on the customer at all times, make intelligent use of the technical capabilities of digitisation and Big Data and offer quick and varied payment options to the end customer. Ideally, customer satisfaction will be increased through a streamlined payment process, while at the same time bad debts losses are efficiently kept to a minimum. The following section, the success factors and specific operational approaches for optimising the dunning process are illustrated in detail.



Three strategies for optimising the dunning process



Minimising costs

Minimal input

Reducing personnel costs, postage, external costs



Fixed output

Specific target return rate



Maximising return

Fixed input

Specific personnel costs, postage, external costs



Maximum output

Increasing the rate of return



Optimising processes

Adapted input

Identify potential for reducing personnel costs, postage and external costs



Best possible output

Identify growth potential from the reflows

4.1 The technology behind it:

Artificial intelligence

Notes from the think tank

What reasons are there for pursuing new options in the dunning process?

Johannes Grenzemann: We want to meet the needs and expectations of consumers as best as possible. The era of static processes based on the principle "three reminder letters or emails and then transfer it to debt collection" is over. Companies must remain agile when reacting to consumers' preferred means of communication and their current business and life situations.

How can you achieve this goal?

Johannes Grenzemann: By using artificial intelligence (AI), which in this case means machine learning and other modern data science technologies. We are therefore able to intelligently segment customer flows and address them with different payment strategies. Our flexibly configurable solution for the commercial dunning process is called "Agile Dunning - powered by AI".

How does it work?

Johannes Grenzemann: Agile Dunning is a standalone application that communicates via interfaces with upstream debtors and CRM systems as well as downstream collection systems. Based on our debt collection expertise and data know-how, we are able to apply concepts to commercial dunning processes that are similar in content. This concerns, in particular, machine-learning components that allow us to understand and dynamically respond to the end customer's situation. Examples of this are the preferred means of communication, various models of customer segmentation or predictive components. All this in combination with configurable dunning modules enables companies to have better communication with customers since each dialogue is specific to the individual end customer, which results in higher response rates and therefore improved customer loyalty.

An interview with
Johannes Grenzemann,
Head of InnoLab
at Arvato Financial Solutions



» Segmenting
customer flows
and addressing
them with different
payment strategies «

A case study from the energy industry:

How our client benefits from a segmented dunning process

There are many different reasons for late payments, yet all too often standardised procedures are still applied. Modern technologies thus pave the way for companies to offer an individual dunning process. This was the case for our client in the energy industry: In this case, the analysis of its complete payment history with 120,000 contract accounts showed that there are two prominent customer segments: Those who pay quickly are mostly end customers who simply forgot about the payment. Quick payment can be expected after a customer-friendly, digital reminder with the relevant payment data. As for the group of non-payers, it makes sense to directly initiate legal proceedings. The result: The new approach avoids high operating costs that can be in the millions and which might otherwise be incurred in time-consuming procedures, i.e., for blocking the consumer's power supply. These savings, in turn, help to keep prices stable for paying end consumers or allow for capital to be invested in new and important product developments.

Any further questions?
Contact us.

André Breimann
Telephone: +49(5241)80-83959
andre.breimann@arvato.com
finance.arvato.com



Any further questions? Just Contact us!

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For reasons.
Dunning processes by
Arvato Financial Solutions