

CUSTOMER SUCCESS STORY: A TELECOM COMPANY USES REAL-TIME ANALYTICS TO REDUCE BAD DEBT AND IMPROVE THE CUSTOMER EXPERIENCE

Every telecom company wants to create a great experience for its customers. But in practice, companies need to recognize who the high value customers are, in order to invest in improving their experience. Likewise, it's important to identify risky customers who may not be able to pay their bills.

Recent advances in technology have made it possible to manage customer analytics closer and closer to real time, helping telecom companies to make better decisions about the services they offer.

One telecom company is even using this analytic capability at the moment customers are making calls, dramatically reducing bad call debt and improving profitability.

Struggling with Unusually High-Risk Customers

The telecom company, headquartered in Dallas, Texas, is a primary provider of calling solutions to correctional facilities nationwide. The prisoners place calls to an outside line, and the calls are billed collect to those recipients.

Not surprisingly, the telecom provider found the calls were resulting in an unusually bad debt rate.

In an attempt to minimize the bad debt, the company tried imposing a credit limit on each call. However, since the credit limits had very little intelligence behind them, a number of customers received a credit limit that was too high, while others received a limit too low, resulting in revenue suppression.

Further, the lack of intelligence behind the credit limit caused unneeded routing of consumers to customer service, which was costly to the company and resulted in an unhappy experience for many.

The company asked CSG's Quaero Customer Intelligence group to develop a solution that would optimize the credit limit based on true credit worthiness. This would allow them not only to reduce bad debt from risky customers, but to optimize revenue from good customers while enhancing the customer experience.

Company

A telecom firm providing call services to correctional facilities nationwide.

Challenge

The company was experiencing high levels of bad debt, losing potential revenue, and creating poor customer experiences due to an inaccurate credit scoring approach.

Solution

Quaero worked closely with the company to enhance data and develop more sophisticated risk segmentation models. Quaero then helped the company deploy the models in a real-time scoring and credit-limit application module that works dynamically during calls.

Results

The company has reduced bad debt by more than \$3 million, achieved an ROI of more than 1,000 percent, and improved the customer experience—while reducing operating costs.



Identifying the Challenges

After assessing the company's system and data, the Quaero team uncovered several challenges:

- Names and addresses were not available for many of the people the inmates were phoning, which made it difficult to profile those responsible for paying the bill.
- Most calls were billed by the local exchange carriers, which meant there was little visibility into whether an actual payment had been made, with such details as an individual call payment date and payment amount.
- Each interaction included two customers, the prisoner and the phone recipient, who both needed to be satisfied. The prisoners needed the phone system to keep in touch with family, so they had a voice into its usefulness. The call recipient was responsible for paying the bill. The telecom firm was committed to keeping both sets of customers happy. Their combined voice is heard by the ultimate customer, the correctional facilities.

The availability of historical data varied greatly. While a number of customers had several previous calls and payment transactions, which could be used to generate future payment predictors, other customers were first-time callers.

Based on the data that was available, the Quaero team found that, not surprisingly, one of the most powerful indicators of future payment was previous call and payment behavior.

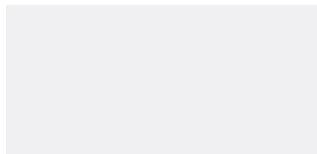
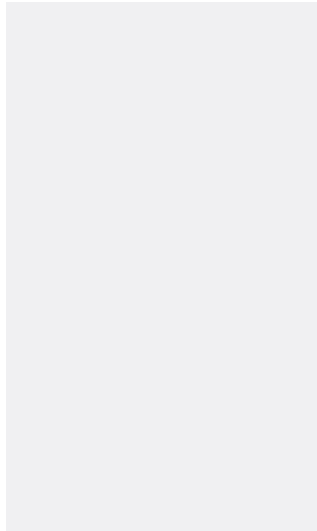
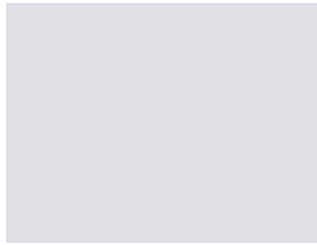
Quaero experts worked with the company to build a multi-tier analytic system with several models depending on the number of previous calls (historical behavior) a customer may have had. At the same time, they identified outside data sources for identifying call recipients, to enhance the ability to score new customers.

Once the credit models were complete, the Quaero team developed a historical sample of customers, scored their payment performance, and used that data to help establish the proper credit limits to optimize revenue.

Quaero's analytic and technical consultants then worked with the telecom's internal IT team to deploy the models in a real-time scoring and credit-limit application module that is able to adjust credit limits dynamically during calls.



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Dramatic Results

With the new analytic system in place, the telecom company has reduced bad debt by more than \$3 million, realizing a return on investment of more than 1,000 percent.

Furthermore, the system has significantly improved the customer experience. With proper credit limits in place, those people who are credit worthy are no longer prematurely cut off from their active calls and routed to customer service. This improves their experience and reduces the company's operating costs.

Conclusion

The application of real-time analytics is typically a journey, so Quaero consultants have identified many additional areas where the telecom company can improve results over time. As the firm continues to enhance the solution, customer service levels can be expected to increase and bad debt will continue to decrease, resulting in ongoing incremental revenue and satisfied customers.

While this company's situation is somewhat unusual, the solution is not: it can be applied by many telecom firms to manage risk and reduce bad debt.

About Quaero

Quaero, a CSG solution, uses customer intelligence to help clients shift from traditional campaign-driven marketing to real-time, multichannel customer interaction. Quaero experts blend strategy and analytics with performance management and technology to establish dialogues that improve the customer experience while increasing overall customer value.

Headquartered in Charlotte, NC, the Quaero solutions group provides marketing services to category-leading clients within the Financial Services, Pharmaceutical/Healthcare, Travel and Leisure, Media, Consumer and High Tech industries. For more information, call 1-877-570-2199 or visit www.quaero.csgsystems.com.