

## MSD and Vertex Tackle a Bad Debt Problem with Predictive Analytics



Combining analytics that predict customer behavior with proactive, targeted and customized messaging drives significant benefits for utilities seeking to reduce debt.

### The Opportunity:

Metropolitan St. Louis Sewer District (MSD) was challenged with making significant reductions to bad debt provisions and days sales outstanding. Although MSD was collecting 97% of its billings each year, bad debt was growing by \$3.5M annually. Unlike many utilities, operating as an “unapplied service” meant that MSD did not have the option to shut off service to delinquent customers. MSD partnered with Vertex to meet their challenge.



### The Vertex Approach:

Vertex quickly completed a “Credit & Collections Assessment” leveraging data and best practices from the numerous credit and collections programs Vertex operates for their North America clients. The assessment evaluated all facets of MSD’s credit and collections process including: Payment Arrangements, Payment Options and Processes, Collection Agency Management and Customer Engagement. Based on the results, a prioritized road map of initiatives to address MSD’s bad debt issues were identified and implemented over the course of the last 4 years:

- Predictive Analytics - predicting the likelihood of individual customers to pay back debt
- Proactive Communications - timely and appropriate multichannel communications based upon customer segment
- IVR Self-Service - increase self-service options including payments
- Paperless Billing - increase customer enrollment in web self-service and paperless billing
- Long-Term Recovery Program - an outbound collections campaign for customers more than 5 years in arrears
- Performance Management - a comprehensive reporting and performance management system



## Results Delivered

Since the initial assessment was completed in June, 2011, the results across the credit and collection program have been compelling, and continue to yield increasing returns. Since September of 2011, MSD has experienced these business improvements and more:

- 30% increase in collections on delinquent accounts
- 79% reduction in accounts assigned to collection agencies
- 57% decrease in collection agency commissions
- 69% decrease in bad debt provision
- An average of 19,827 fewer accounts entering arrears each month
- 21-second reduction in call center average handle time



“ We are delighted with the results we have gotten from Vertex's innovative approach to debt collection. Since partnering with Vertex to implement our collections solution, we have seen significant reductions in accounts assigned to third-party agencies, an increase in speed of payment, as well as improvements in our customer relationships.”

— Jan Zimmerman  
MSD Director of Finance