

Understanding and Implementing Oracle Advanced Collections R12

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Agenda

- Legacy Collections
- A high level view of Release 12 Advanced Collections
- Work Prioritization
- Collector's Workbench
- Implementation Options
 - Backbone of Advanced Collections: The Scoring Engine
 - Dunning Plans
 - Collections Strategies
- Additional Features
- Implementation Considerations
- Q & A

Legacy Collections

- Intended for AR clerks who also perform “Collection Activities”
- The clerks performed account management, transaction processing, cash application and other accounting activities
- “Pull” based mechanism
- Collectors made all the decisions on what account to work on, who to call etc.
- Driven mostly by AR Aging report

Legacy Collections

- Collector's Workbench was the primary user interface
 - Schedule customer calls
 - Record customer calls
 - View aging
 - View communications
 - View transactions

Legacy Collections

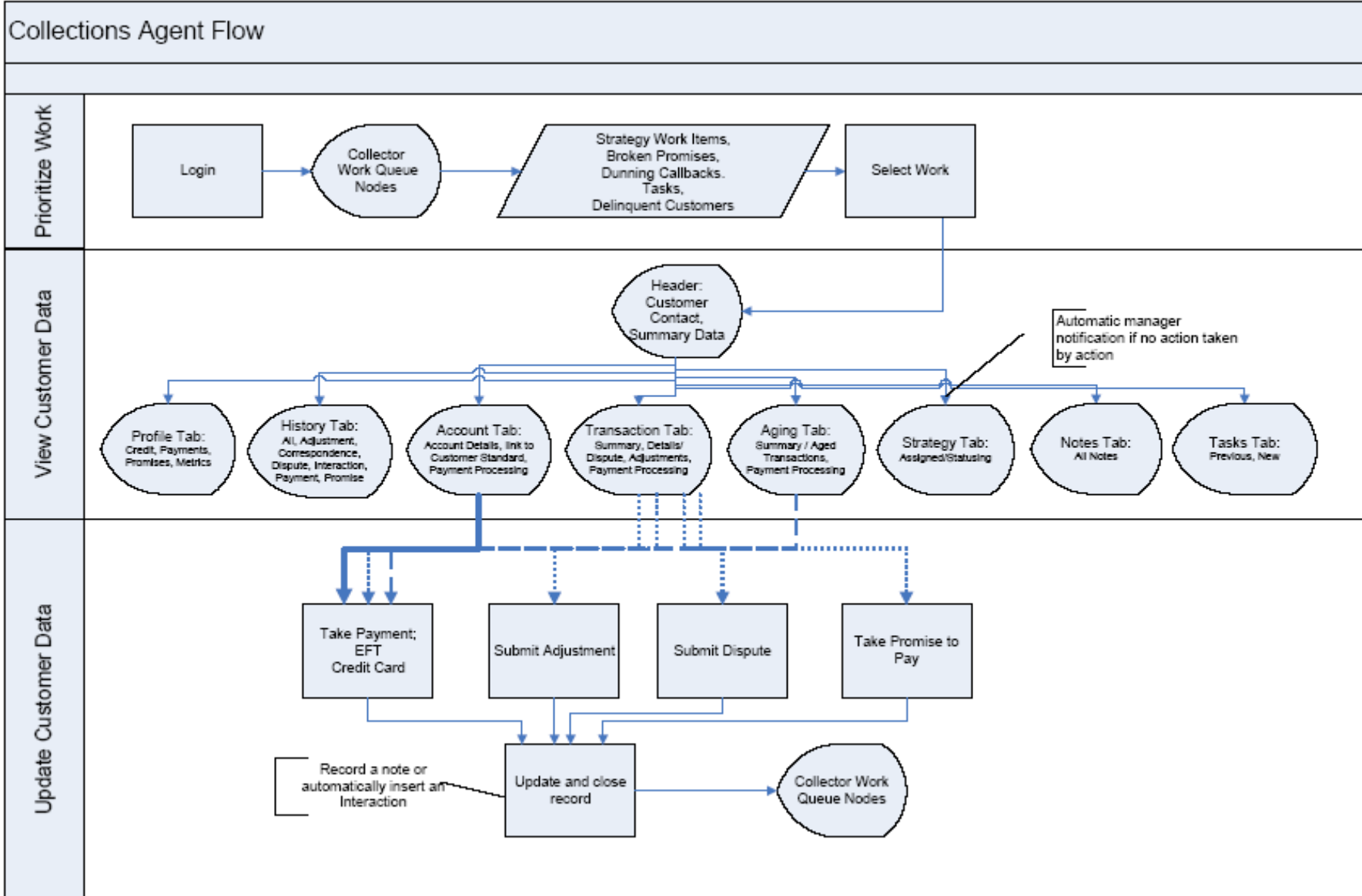
Deficiencies

- Did not include decision making
- Did not aid in corporate-wide standardization
- Did not support metrics (DSO etc.)
- “Pull” based mechanism where the users have to request data from the system
- Required multiple screen navigation

Release 12 Advanced Collections

- Legacy collections workbench is obsolete
- The new Collector's Workbench provides accurate and complete data
- Supports work prioritization by targeting high dollar, highly delinquent transactions
- Promotes "Push" based work paradigm
- Collections as a CRM activity

Release 12 Advanced Collections



Release 12 Advanced Collections

- Integrated Collections flow
- Work prioritization through Universal Work Queue
- Simpler and unified transaction entry (Promise to Pay, electronic cash receipts etc.)
- Better monitoring of delinquencies, broken promises
- Two broad implementation options
 - Strategies
 - Dunning Plans

Universal Work Queue

- Collector's work items "Pushed"
 - Tasks, Delinquencies, Strategy work items, transactions
- Reduces data entry
- Configurable with "IEU" profile options

Work Nodes

Work Items

| Delinquent Customers | 1504 | Customer | Score | Amount Overdue | Delinquencies | Address | City | State |
|-------------------------------|------|---------------------|-------|----------------|---------------|---------------------|-------------|-------|
| Marketing Lists - Manual A... | | • 5T Roadways Inc. | 95 | 330.46 | 1 | 6411 Hillman Gle... | Houston | TX |
| Delinquent Accounts | 0 | A & L Supply | | 350.00 | 1 | 5601 PASCHALL... | PHILADEL... | PA |
| Delinquent Bill To | 0 | A ACTIVE FREE SHIP | 95 | 577.80 | 1 | 2305 NW 107TH ... | DORAL | FL |
| Delinquent Transactions | 1904 | A J C INTERNATIONAL | | 2,485.57 | 4 | 5188 ROSEWEL... | ATLANTA | GA |
| | | A STUCK CO | | | 1 | 2600 NEVILLE R... | PITTSBUR... | PA |
| | | AAE COMPANY | 95 | 785.00 | 1 | 10300 ORMSBY ... | LOUISVILLE | KY |
| | | ACCELAEXPRESS INC | | 687.60 | 3 | 6030 Commerce ... | SAVANNAH | GA |

Collector's Workbench

Collections - 5T Roadways Inc., Houston

First MI Collections Status **Delinquent** Operating Unit
 Last Identification Number View **Customer**
 Title Customer Since
 Organization **5T Roadways Inc.** Collections Score **95** Amount Overdue **330.46** USD
 Address **7000 Glen Circle...Hc** Collectible Transactions **5** Net Balance **2,313.22** USD
 Email **mike@5tcorp.com** Delinquencies in Past Year **6** DSO **70**
 Phone Type **Telephone** Delinquent Invoices **1** Last Payment Paid On **30-AUG-2010**
 Phone **1 610 555 5555** Last Payment Due On **22-AUG-2010**
 Last Payment Amount **330.46** USD

Profile | History | Accounts | Transactions | Lifecycle | Strategy | Case Management | Aging | Contract | Notes | Tasks

Credit Limit USD
 Credit Hold **No**
 Credit Rating
 Collector Name
 Include in Dunning **No**

Past Year Installments:
 Due **9**
 On Time **0**
 Unpaid **4**
 Late **5**

Past Year Promises:
 Total **0**
 Broken **0**
 Open **0**

Last Interaction:
 Type **No Answer**
 Date **14-FEB-2011**
 Contacted By **Akesh,**
 Result

Metrics as of **14-FEB-2011** Filter by Selected View

| Metric Name | Metric Value | R: |
|--|----------------|----|
| Average Days Late | 99 | |
| Customer Collections Effectiveness Index | -433 | |
| Customer Conventional DSO | 39655 | |
| Customer Credit Limit | Not Applicable | |
| Customer Deduction | 0.00 | |

| Metric Name | Metric Value | R: |
|-------------------------------------|--------------|----|
| Customer NSF History Amount | 0.00 | |
| Customer NSF History Count | 0 | |
| Customer True DSO | 81 | |
| Customer Weighted Average Days Paid | 72 | |

Metrics

- Metrics help quantify the customer receivables status
- Calculated at customer, account and bill to level
- Can be computed in real time or batch mode using “IEX: Refresh Metric Summary Table” program
- Several seeded metrics are shipped with the product
 - DSO, Weighted Average terms, NSF history amount, NSF history count etc.
- New Metrics can be created and requires SQL/PL SQL skills

Promise to Pay process

- Collectors can enter Promise-to-pay through Payment processing screen
- Mass promise to pay is supported
- Workflow process can be defined for Promise to Pay approval
- Supports definition of grace period
- Promise is considered broken if the promise date plus the grace period is past
- Can optionally send a Promise Confirmation letter
- The concurrent program IEX: Promise Reconciliation monitors promises and broken promises are displayed

Promise to Pay

- Promise to Pay configuration is controlled by several profile options

| Profile Option Name | Purpose |
|---------------------------------------|--|
| IEX: Activity enabled in Promises | Enables Interaction history recording when Promise to pay is entered. |
| IEX: Approval required for Promise | Defines if Promises can be recorded after approvals |
| IEX: Callback Days for Broken Promise | Defines the number of days after the promise date a call back task will be created |
| IEX: Item Type of Promise Workflow | Defines the Approval workflow for Promise to Pay |
| IEX: Maximum Promise To Pay Range | Defines the days from the current date that the promise to pay should fall within |
| IEX: Promise Grace Period | Grace period beyond the promise date given to customers before the promise is considered broken. |

Collector's Workbench

Other areas

- History tab
- Strategy tab
- Aging tab
- Notes tab
- Tasks tab
- Customizable tabs

Scoring

- Scoring is the backbone of Advanced Collections
- Aids in selection of the appropriate Dunning plan or Strategy
- Scoring Component: A business metric used to determine a customer or transaction's relative performance
- Scoring Engine: A set of scoring components with weights used to determine overall customer or transaction score.

Scoring Example

Business Metrics

- Customer Since: where the length of customer relationship is considered
- Number of delinquent transactions
- Delinquent Amount due



Scoring Example

Customer Since:

| Range Low | Range High | Value |
|------------|------------|-------|
| -999999999 | 1950 | 100 |
| 1950.1 | 1975 | 75 |
| 1975.1 | 1990 | 50 |
| 1990.1 | 99999999 | 1 |

Delinquent Transactions:

| Range Low | Range High | Value |
|-----------|------------|-------|
| 0 | 6 | 100 |
| 7 | 20 | 50 |
| 21 | 9999999999 | 1 |

Scoring Example

Delinquent Amount:

| Range Low | Range High | Value |
|------------|------------|-------|
| -999999999 | 0 | 100 |
| 1 | 1000 | 90 |
| 1001 | 5000 | 80 |
| 5001 | 25000 | 70 |
| 25001 | 50000 | 60 |
| 50001 | 75000 | 50 |
| 75001 | 100000 | 40 |
| 100001 | 500000 | 30 |
| 500001 | 1000000 | 20 |
| 1000001 | 999999999 | 1 |

Scoring Example

- Scoring Engine consists of the scoring components with associated weights

| Scoring Component | Weight |
|-----------------------------------|--------|
| Customer Since | 0.1 |
| Number of delinquent transactions | 0.4 |
| Amount due (delinquent amount) | 0.5 |

Scoring Example

| Customer | Component | Value | Value*Weight | Component Score | Total Customer Score |
|-----------|-------------------------------|-------|-----------------|-----------------------|----------------------|
| ABC Corp. | 5 Delinquencies | 100 | $100 * 0.4$ | 40 | |
| | Customer Since 1996 | 1 | $1 * 0.1$ | 0.1 (round down to 0) | |
| | \$55,000 in delinquent amount | 50 | $50 * 0.5 = 25$ | 25 | 65 |

Implementation Options

- Oracle Advanced Collections R12 provides two distinct implementation options:
- Dunning Plans: Combines the scoring engine and the aging to determine the type of dunning letter to be sent
- Strategies: A robust method of setting collections operations by combining the scoring engine, work items and tasks to tailor the actions that best suits the specific customer situation

Dunning Plans

- Dunning plans are “Simpler” way of setting up your collections process
- The output is a Dunning letter and call back task
- Dunning letters can be delivered through print, fax and email
- A call back tasks can be defined with a pre-defined delay to follow up on the dunning letter

Dunning Plans

Select Aging Bucket Line

Personalize "Select Aging Bucket Line"
Personalize "Select Aging Bucket Line"

Select Aging Line:

Select All | Select None

| Select | *Range ▲ | *Score Low | *Score High | *Method | *Template | | Callback | Callback Days |
|--------------------------|---------------|------------|-------------|---------|-----------------------|--|-------------------------------------|---------------|
| <input type="checkbox"/> | 61-90 Days ▼ | 80.01 | 100 | Print ▼ | Dunning Soft Letter 1 | | <input type="checkbox"/> | |
| <input type="checkbox"/> | 61-90 Days ▼ | 50.01 | 80 | Print ▼ | Dunning Hard Letter 1 | | <input checked="" type="checkbox"/> | 10 |
| <input type="checkbox"/> | 61-90 Days ▼ | 1 | 50 | Print ▼ | Dunning Hard Letter 2 | | <input checked="" type="checkbox"/> | 10 |
| <input type="checkbox"/> | 91-120 Days ▼ | 80.01 | 100 | Print ▼ | Dunning Hard Letter 1 | | <input checked="" type="checkbox"/> | 10 |
| <input type="checkbox"/> | 91-120 Days ▼ | 50.01 | 80 | Print ▼ | Dunning Hard Letter 2 | | <input checked="" type="checkbox"/> | 10 |
| <input type="checkbox"/> | 91-120 Days ▼ | 1 | 50 | Print ▼ | Dunning Hard Letter 3 | | <input checked="" type="checkbox"/> | 10 |

Collection Strategies

- An assemblage of automatic and manual tasks executed in sequence to influence the customer to pay
- Strategy consists of a sequence of work items
- Work items
 - Manual (Call customer)
 - Automatic (Send reminder, dunning letters)
 - Workflow (execute a workflow process)

Strategy Setup

| Strategy Name | Scoring Engine | Scoring Components | Lowest Applicable Score | Work Items |
|--------------------------------------|-----------------------|--|-------------------------|---|
| Customer Soft Collections Strategy | Global Scoring Engine | Customer Since Number of delinquent transactions Delinquent amount | 80 | Call Customer Send reminder Email |
| Customer Medium Collections Strategy | Global Scoring Engine | Customer Since Number of delinquent transactions Delinquent amount | 50 | Send Medium Dunning Letter Call Customer Send reminder email |
| Customer Hard Collections Strategy | Global Scoring Engine | Customer Since Number of delinquent transactions Delinquent amount | 0 | Send Hard Dunning letter Call Customer Send legal notice letter |

Additional Features

- Collector assignment through Territory Management (required when collectors are assigned at Party level)
- Oracle Telesales Integration: Collector's workbench provides seamless integration to the e-Business Center
- Oracle Payment integration: For credit card and EFT transactions
- Automatic Fulfillment: For delivery of correspondence through Fax, Email and Print
- Predictive calling: Requires Advanced Inbound setup
- Interaction history tracking: Oracle Advanced Collections allows automatic tracking of interaction history.

Implementation Consideration

Is Advanced Collections appropriate for my organization?

| Criteria | Advanced Collections | Legacy Collections |
|---|-------------------------------------|--------------------|
| Our Collector's are spending too much time looking for information | <input checked="" type="checkbox"/> | |
| Unable to track Metrics | <input checked="" type="checkbox"/> | |
| Aging Reports in Oracle Receivables does not give me all the information and hard to modify | <input checked="" type="checkbox"/> | |
| Our Receivables is growing and we have a large number of customers | <input checked="" type="checkbox"/> | |
| We spend too much time in processing Dunning letters | <input checked="" type="checkbox"/> | |

Implementation Consideration

| Criteria | Advanced Collections | Legacy Collections |
|---|-------------------------------------|-------------------------------------|
| Our Collections activities are falling through the cracks, we do not know who to call and when. | <input checked="" type="checkbox"/> | |
| We have a very small customer base | | <input checked="" type="checkbox"/> |
| Our customer relationship is strong and we are constantly in touch with our customer through other channels (Project Managers on site etc.) | | <input checked="" type="checkbox"/> |
| Scoring engine etc. may be overkill for us. | | <input checked="" type="checkbox"/> |

Dunning Plan vs. Collections Strategy

| Business Process | Dunning Plan | Collections Strategy |
|---|-------------------------------------|-------------------------------------|
| Our Collections process is rather simple, we send only Dunning letters now. | <input checked="" type="checkbox"/> | |
| We follow a uniform policy for collections determining by Aging alone. | <input checked="" type="checkbox"/> | |
| We would like to evolve into using strategies | <input checked="" type="checkbox"/> | |
| We would like treat our strategic and loyal customers differently | | <input checked="" type="checkbox"/> |
| We need the ability to tailor our collection processes by allowing our Collectors to add and remove tasks from a list as they deem fit. | | <input checked="" type="checkbox"/> |

Conclusion

- Oracle Advanced Collections R12 provides several user-definable options to refine and take your collections process to the next level
- Oracle product roadmap suggests that this will be de-facto standard in the next generation of Oracle applications
- Start small and grow:
 - Reduced automation
 - Give control to your collectors initially
 - Make activities optional if possible
 - Plan on Iterative test cycle

Q & A