



# KPMG Debt Collection Solution: Bringing concept to reality

## Webinar

Tuesday 15 December 2020 | 2:00pm to 3:00pm (BKK)



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# KPMG Debt Collection Solution: Bringing concept to reality

## Collection Management Strategy

# Today's agenda

1

Overview of  
Thailand's  
consumer credit  
growth

Credit life  
cycle and debt  
collection  
strategy

2

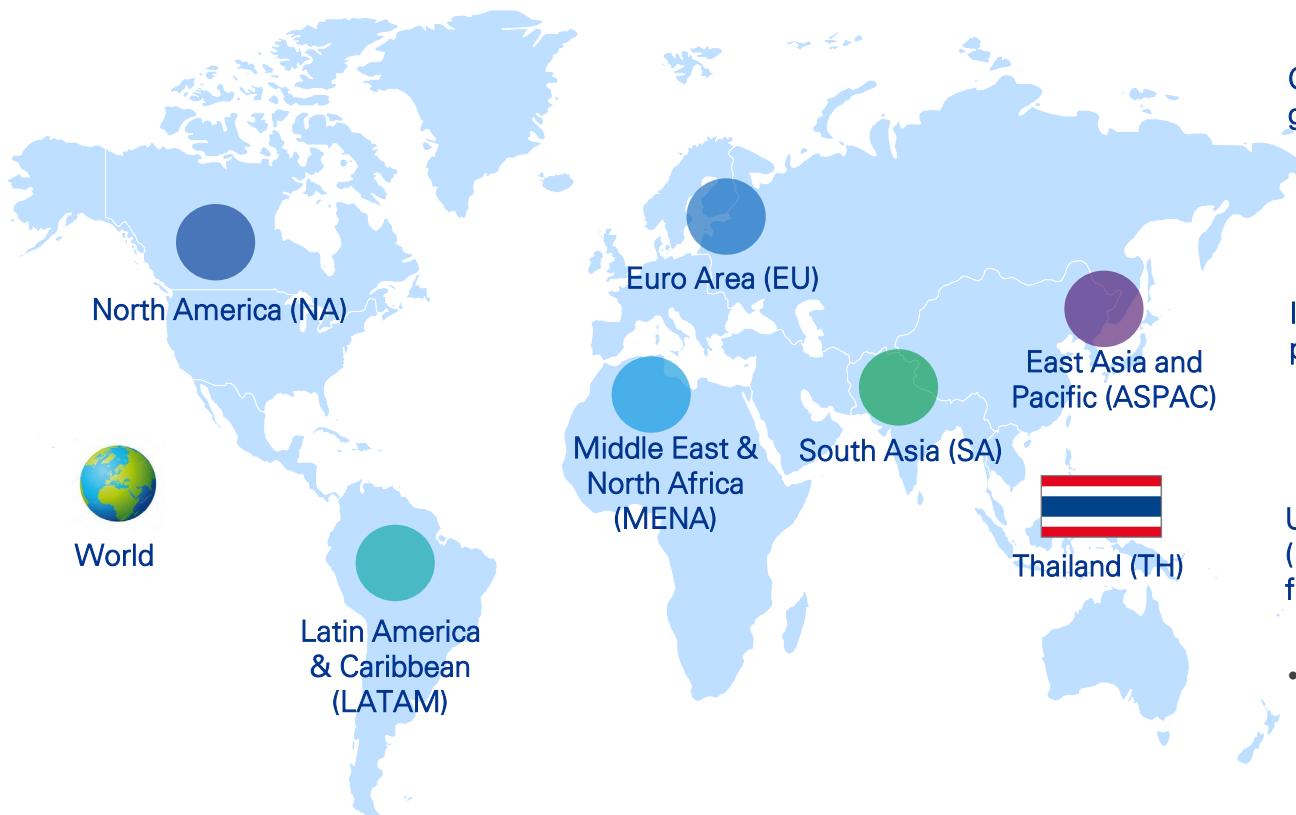
3

Our proposed  
solution

Industry  
trend and  
way forward

4

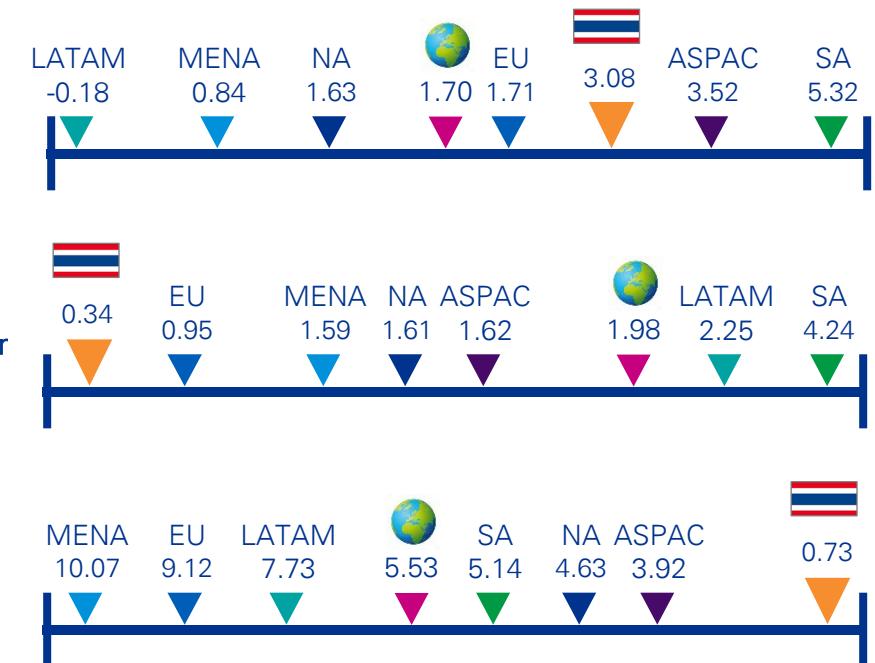
# Global state of play: Thailand's economy



Source: The World Bank, *World Development Indicators*,  
<https://databank.worldbank.org/source/world-development-indicators/preview/on>

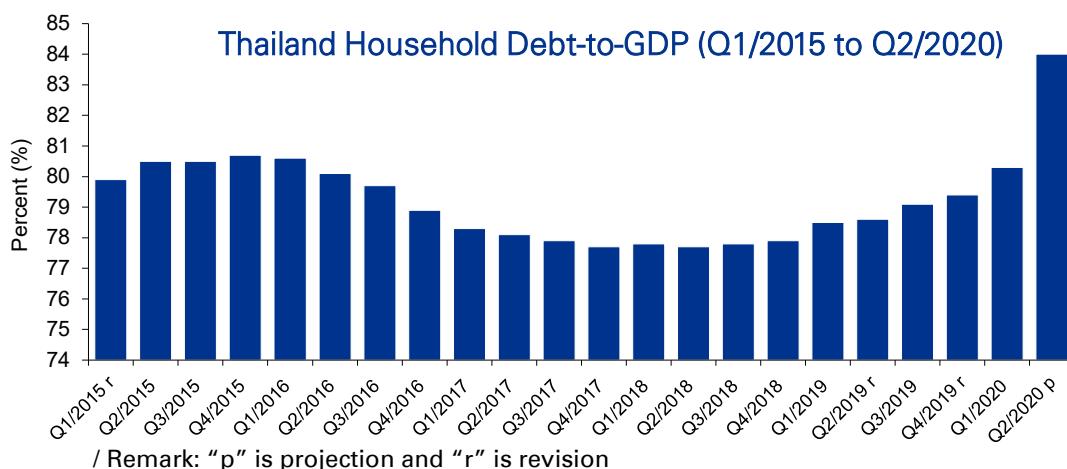
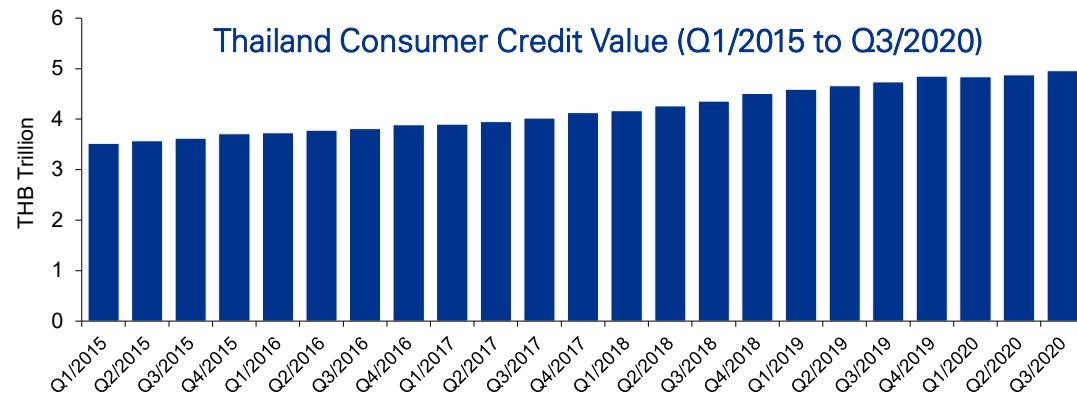
## Global and Thailand's economic indicators

(Five-year average from 2015 to 2019)



- Thailand's economy, along with Asia Pacific, has shown strong growths in GDP and maintained the very low unemployment rates compared to the rest of the world.
- After being subdued, as a result of low commodity prices and THB appreciation in 2015, Thailand's inflation rebounded and continued to recover going into 2019.
- These recent trends indicate expansion in Thai economy, which should support growths in domestic spending and consumption in various sectors.

# Global state of play: Thailand's consumer credit growth and non-performing loan



Source: Bank of Thailand, *Key Economic Indicators*,  
<[https://www.bot.or.th/App/BTWS\\_STAT/statistics/ReportPage.aspx?reportID=775&language=eng](https://www.bot.or.th/App/BTWS_STAT/statistics/ReportPage.aspx?reportID=775&language=eng)>

Bank's Non-Performing Loans to Total Gross Loans (%)  
(Five-year average from 2015 to 2019)

Country	%NPL	Country	%NPL
Thailand	2.99	Singapore	1.23
Indonesia	2.52	Australia	0.92
Philippines	1.77	Hong Kong SAR	0.67
China (*)	1.75	South Korea (**)	0.43
Malaysia	1.56	Macao SAR	0.20

(\*) Four-year average from 2015-18

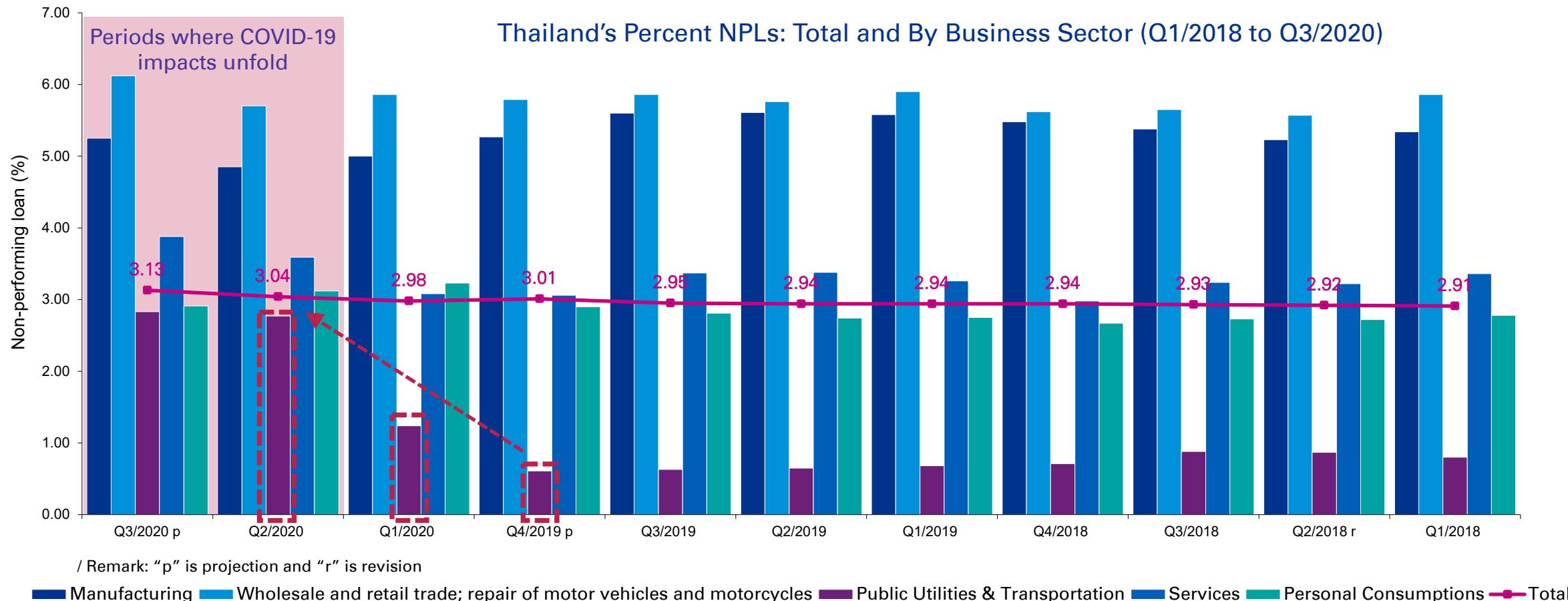
(\*\*) Three-year average from 2015-17

Source: The World Bank, *IMF's Global Financial Stability Report*,  
<<https://databank.worldbank.org/source/world-development-indicators/preview/on>>

- Consumer credit in Thailand has increased steadily from THB 3.52 Trillion in Q1 of 2015 to THB 4.96 Trillion in Q3 of 2020.
- But Thailand also has a high credit loss level compared to other countries. The five-year average of Bank's %NPL from 2015 to 2019 is the highest in Asia Pacific.
- Household Debt-to-GDP is projected to reach 84% in Q2 of 2020, highest in the last 18 years, reflecting impacts from the COVID-19.
- Managing the bad loan problem has been a long-standing priority for most lending institutions!

# Impacts from the COVID-19 to default risk

As a result of the COVID-19, the percent NPL within Thailand's economy has increased in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2020. The increase is more significant in sectors that are more directly impacted by the pandemic – like public utilities and transportation.



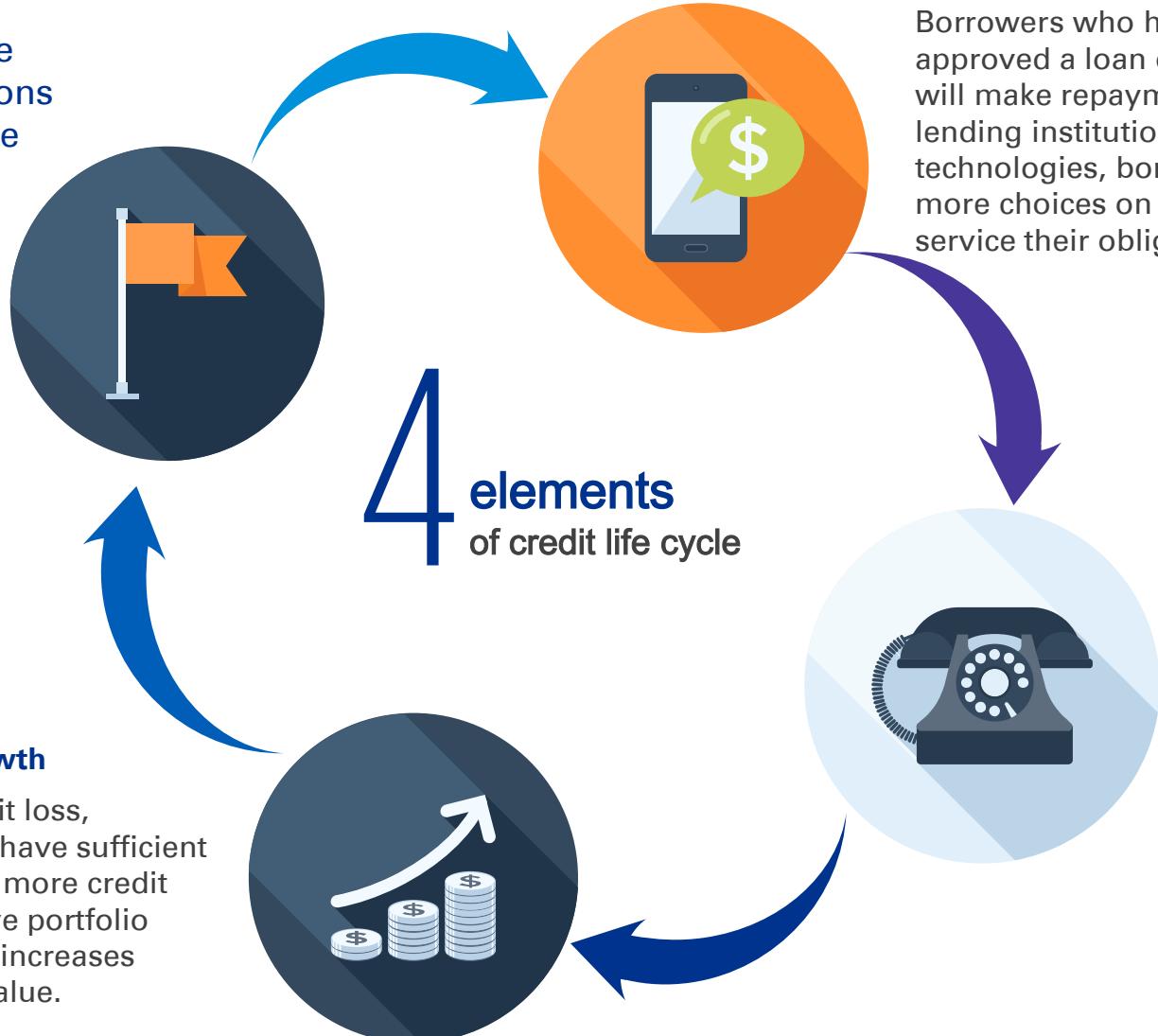
Source: Bank of Thailand, *Key Economic Indicators*,  
<https://www.bot.or.th/English/Statistics/FinancialInstitutions/Pages/StatNPLsOutstanding.aspx>

# Credit life cycle

Collection is part of the credit life cycle that helps lending institutions grow and continue to provide the credit services.

## Acquisition

Credit Risk Assessment (CRA) is a critical process in acquiring new businesses. By choosing the right borrowers, institutions can reduce the credit loss and achieve the target profit.



## Loan Repayment

Borrowers who have been approved a loan or credit line will make repayments to the lending institutions. With technologies, borrowers have more choices on how to service their obligations.

## Collection

Because creditworthiness of borrowers could change over the course of payment, Collection is the key business unit that helps limit delinquency or default.

# Credit life cycle

Deficiency in the collection process can cause disruption to the credit life cycle.

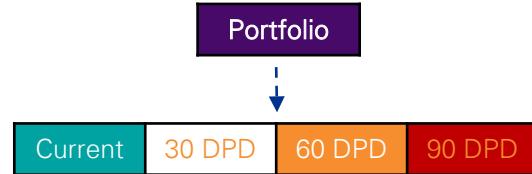
Limiting firms' capacity to innovate, invest, and offer products that are competitive in the fast-changing environment; and

Limiting firms' ability to sustain profit and growth – which can heighten the risk of insolvency;



# How the collection strategy works

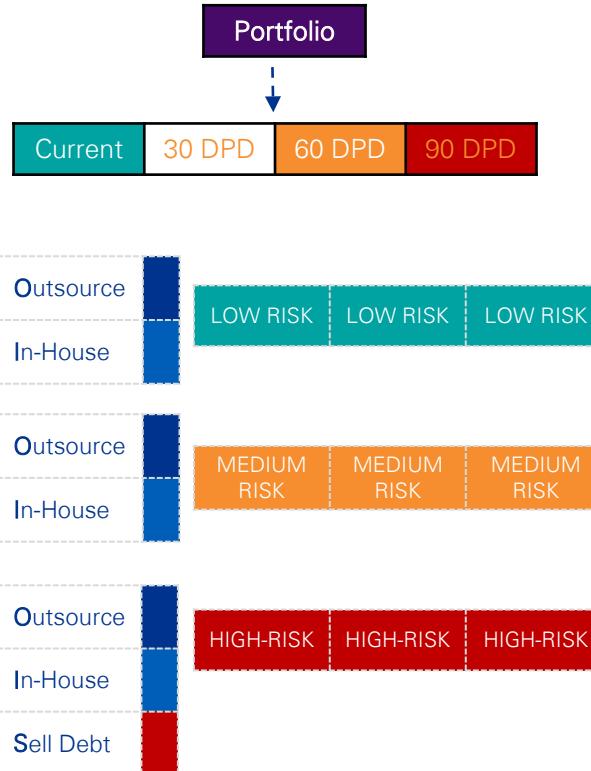
## General Debt Collection Strategies



## Potential Area of Enhancement

- Analysis and prioritization of debt collection
- Resource allocation strategies for debt collection

## Effective Debt Collection Strategies



## Functional Values

- Enable firms to effectively manage borrowers tracking strategies
- Improve propensity to pay rate by reducing the rate of moving into worse debt levels.
- Prioritize borrowers based on the probability of debt collection first
- Identify accounts where the probability of collection is low and allocate them timely to the post-default processes; such as litigation or sales of obligation.
- Manage loss from credit risk

# Borrower assessment: Payment willingness and ability

High

## High willingness / Low ability

- Borrowers sincerely wish to repay but are limited by the lack of mean
- Borrowers are quite likely to co-operate with the revised terms and conditions

## High willingness / High ability

- Borrowers do not mean to pay late nor encounter financial difficulty
- Newly-acquired borrowers are more likely to fall into this group

Payment willingness

Low

## Low willingness / Low ability

- Borrowers lack the mean and intention to repay
- This segment usually signals the most significant challenge for collectors to contact and encourage payments

## Low willingness / High ability

- Borrowers possess sufficient mean but may lack motivation to repay
- Borrowers are dissatisfied with the current contract and willing to re-negotiate

Payment ability

Assessment of accounts generally follows the industry practice which classify borrowers according to their (1) willingness and (2) ability to pay.

“I didn’t know that the due dates are the 3<sup>rd</sup> of each month”



“I want to keep the product but don’t have the mean to do so”



“Can we reschedule the payments?”

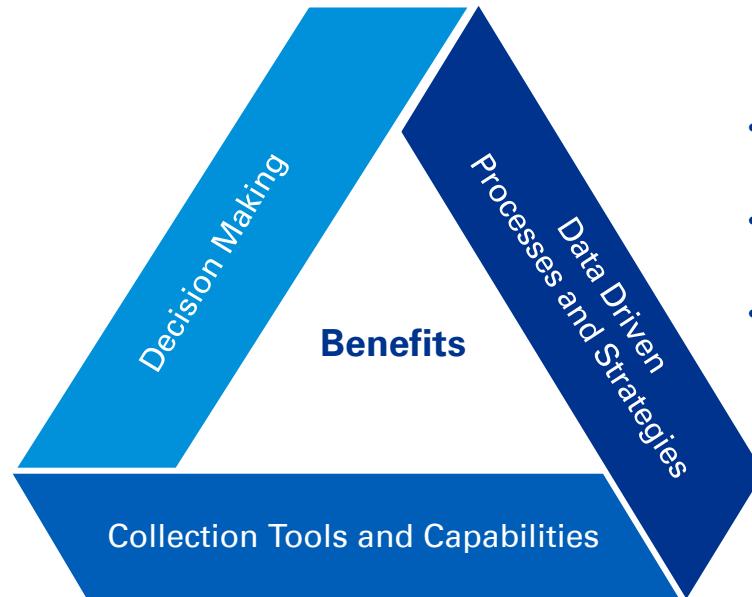


Segmentation of borrowers can be based on their attitudes towards important elements; such as collection approach, credit rating, and the offering of re-payment resolutions to etc.

# Our proposed solution

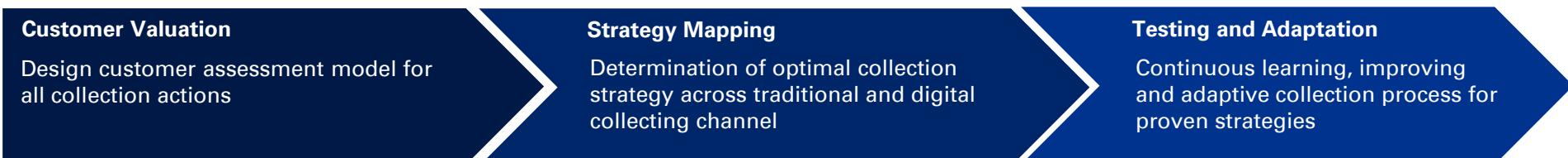
## Collection Strategies using Analytics

- Enabled cross-functional execution of collection processes and strategies
- Consistent and accurate decision making



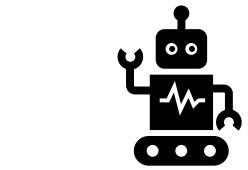
- Data driven process for all phases of collection life-cycle
- Performance-driven resource allocation
- Cross-channel treatment strategies

- Effective collection channel models and customer valuation model
- Customer-value driven service levels assignment

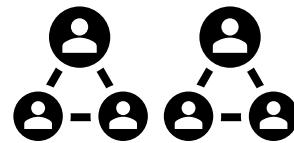


# Solution's capacities and processes

The solution will provide automation, measure borrowers' risk, perform segmentation, prioritize queues, and recommend appropriate strategies to collectors.



Automation



Queue Prioritization



Risk Measurement



Intelligence Support



Borrower Segmentation



 To identify the most effective collection strategy for each segment

Three important processes executed by the solution:

 To identify customer segment

 To identify the sequence of customer contact

 To allocate resource to each segment of customers according to their expertise

 To utilize collection teams based on level of difficulty case type and collector's skillset

# Our debt collection model

## Our collection model and solution

### Compatibility

Support most systems, programming languages, and analytic tools.

### Performance Tracking

Subject to periodic validation and performance testing based on statistical approach.

### Self-Improvement

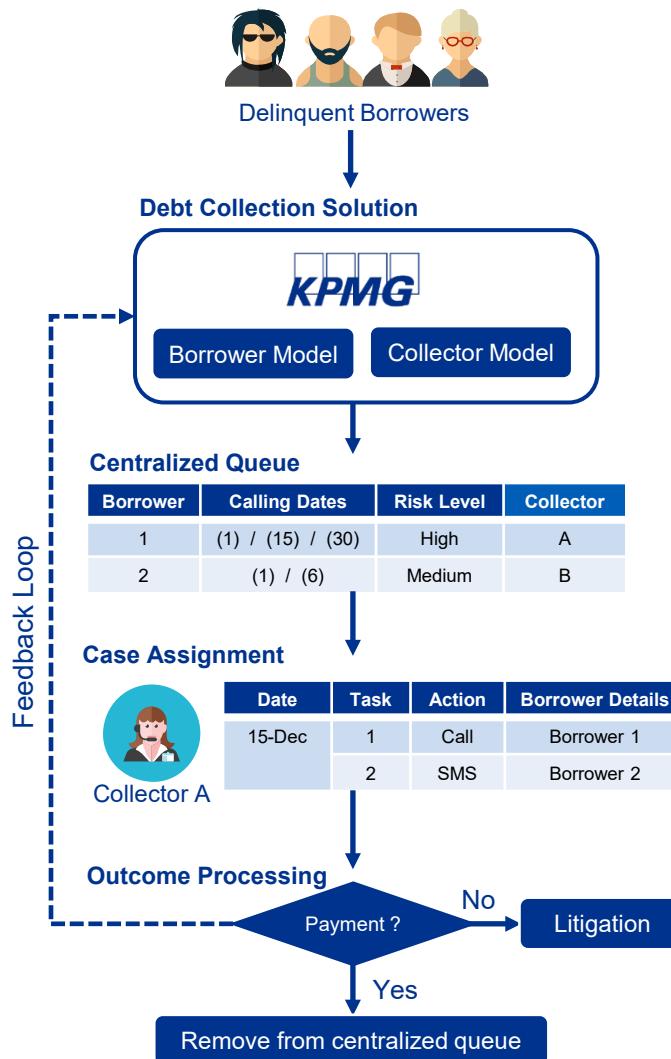
Constantly retrain and incorporate new behaviors to maintain effectiveness

### Functional Design

Allow configuration of business rules and decision flows to support the decision making in collection process.

### Timely Updates

Allow real-time updates in dynamic information; such as, borrower ratings, days-past-due, and account status etc.



### Stylized workflow

#### Debt Collection Solution

- Incoming delinquent accounts enter the decision engine, which uses relevant models (e.g., borrower and collector models etc.) to analyze borrowers.

#### Centralized Queue

- The solution produces a centralized queue that match borrowers with collectors and the identified strategies.

#### Case Assignment

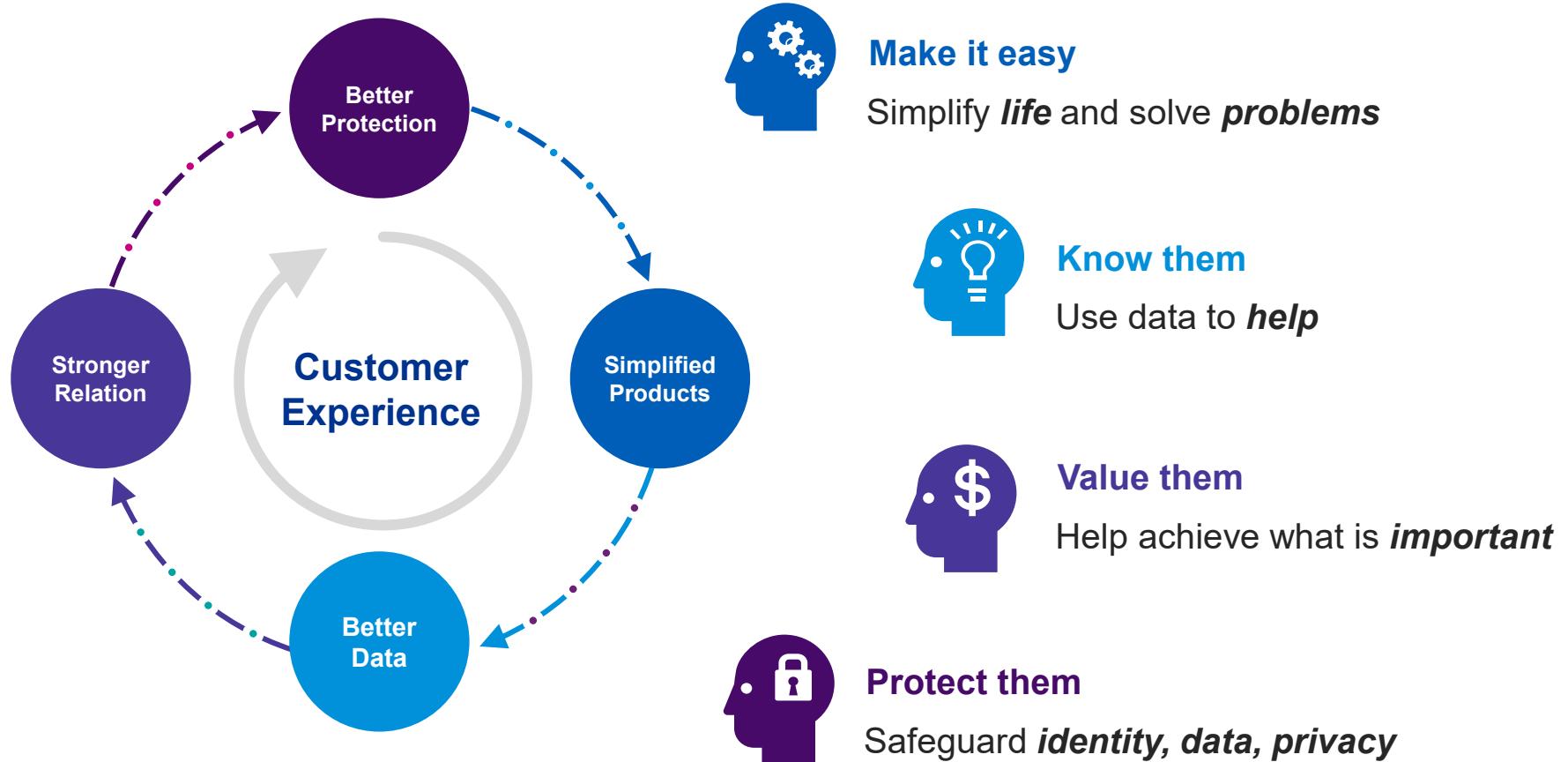
- Tasks are allocated to collectors based on results of the prioritization and models' recommended actions.

#### Outcome Processing

- The system tracks execution outcomes and provides feedback to the decision engine. Payments according to promise will remove accounts from queue, whereas failure to pay up to certain consecutive due dates would send accounts to the post-default process.

# Our emphasis on customer experience

The solution KPMG designs will pay close attention to Customer Experience. We aim to (1) offer simple products that can solve problems (2) use better customer data (3) help achieve what is important and (4) protect identity, data, and privacy.



# Industry trends in debt collection management

## Key Components



Data



Strategy



Process

## Current Approach

- Borrower data is primarily obtained during loan origination.
- Update or revision occur during the collection process.
- Borrower segmentation is performed broadly. Firms then specify strategies for different segments.
- Collectors' skills and experience are not fully integrated.
- Models are not constantly re-trained.
- Process design is broad and centralized.
- Assignment of accounts is done manually, in which collectors' workload is the main consideration.

## Today's 'Best'

- Borrower data can be collected from other business units.
- Best strategies are obtained from optimization using factors that are relevant (e.g. borrower segments, contact methods and times etc.)
- Collectors' skills and experience are parts of the optimization.
- Models are periodically re-trained.
- Process design includes more details and reflects feedback from the execution units.
- Assignment of accounts is systematic and based on the multi-dimensional factors.

## Way Forward

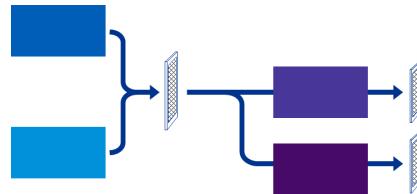
- Firms can use big data and real-time updates to obtain model input on the on-going basis.
- Tactical recommendations are statistically driven.
- Strategies can be detailed and adaptive to responses from borrowers.
- Collectors' performance is quintessential to the implementation of strategy.
- Technology plays a larger role in the collection process and human interference is limited.
- Deep learning and re-trainability are parts of the models that provide recommendations.

# Summary

## Benefits of debt collection solution



### 1. Process



- Establish consistent and best practice for repeatable process.
- Allow performance measurement and selection of best and most predictive model.

### 3. Accuracy



- Collection Scoring model improves success rates and improves decision making.

### 2. Time



- Provide automation and shorten procedures.
- By allowing model to retrain, the system reduces time to conduct periodic searches for best model candidates.

### 4. Satisfaction



- Achieve higher satisfaction of customers and employees.

# Q&A Session

Please type your questions in  
the Q&A box.

# Thank you



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