

DEBT IN THE UTILITY INDUSTRY - A THREAT UNSEEN



Abstract

British households owe almost £19 billion in utility bills, missed council tax payments, and overpaid benefits. Consumers who are behind on their bills owe water companies £2.2 billion, and electricity and gas providers, £1.1 billion. US utilities have billions in unpaid customer balances¹. The most logical question here would be to ask - just who is responsible for the unpaid balances?

Tech Mahindra in collaboration with Qualco can enhance the performance of utilities receivables management processes by establishing intelligent customer journeys to prevent and limit debt exposure.

Key takeaways

- UK Average Cost of Utilities per Month
- US Average Cost of Utilities per Month
- Industry Trends
- Problem Statement
- The NXT Approach to the Situation
- Tech Mahindra and Qualco Partnership: Transforming Debt Collection Process
- Our Methodology to Address the Pressing Issues
- TechM NXT.NOW™ Advantages
- The Way Forward



UK Average Cost of Utilities per Month

According to Ofgem, by June 2021, the average variable tariff for a dual fuel customer was £1,131 per year, which is nearly 4% of the average UK household budget.

The upsurge of debt and affordability woes will get worse when the UK government withdraws COVID-19 government support schemes such as Furlough in autumn. This will lead to a surge in affordability problems, which will inevitably impact and increase debt levels and put pressure on collection teams. Having got to know this, are debt and collection companies ready and armed with the right capability and insights into customer categories and debts?



US Average Cost of Utilities per Month

The average monthly utility costs in the US are electricity \$114.44, water \$70.93, natural gas \$63.34, and trash recycling \$14.03.

Electric and gas utilities had arrearages of \$32 billion at the end of 2020, with as many as 20% of households behind on utility payments. Many low income households that are behind on payments have accumulated arrearages in the thousands of dollars. One state, New York, has seen the arrears for electricity and natural gas customers double between March 2020 and July 2021.



Industry Trends

Debt collections continue to be an expanding business as debt and delinquency continue to swell by each minute. Debt is like an invisible enemy of any business and economy, which always keeps intensifying if not controlled effectively.

Utility companies end up writing off millions of dollars in unpaid debt due to unforeseen circumstances. Losses either are apportioned to the existing users/customers or are absorbed by the public service companies.

While the companies have provided services (utilities) to their customers, they need to be paid for the services by their customers as well. In the event, when there is a conflict in what was provided vs what was utilized vs what was billed, there arises a situation of dispute and delay in receiving payments. There could be other innumerable and unforeseen reasons where customers do not make payments on time and hence affect recovery of dues and working capital.

With the advent of COVID, the situation has drastically changed for both the end users and the service providers. End users struggled to stay afloat due to loss of monthly income as businesses and offices were shut (survived with grants and schemes released by government) and service providers had to bear a delay in receiving their dues.

Due to the current economic atmosphere, businesses and institutions are finding it more challenging and expensive to collect debt than ever before, as credit is tight, all financial institutions are well connected, and keeping a track of credit line of customers is difficult. Therefore, thinking of taking personal loans or an extended line of credit is not an easy way to pay off these debts.

Per a survey conducted, many participants across both energy and water utilities expressed worries that their current debt and repayment solutions are not well equipped to serve what they feel will be a growing proportion of "Just About Managing" (JAM) customers with good credit and payment records who are struggling with debt for the first time as a consequence of the pandemic.



Problem Statement

Businesses that have not yet transformed and adapted to the changes will be left behind in the utility industry as COVID presented additional challenges for the meter-to-cash (M2C) process. Utility businesses who re-invent or re-engineer their credit and collections processes could position themselves well in advance to avert a downturn and could identify and secure benefits - improving customer experiences (CX) and customer loyalty.

Some of the inefficiencies in running the business are:

- Higher procurement cost leads to higher billing rates
- Inefficient credit and collections operations
- Incorrect and inaccurate billing
- High unresolved customer disputes leading to higher customer churn



Some of the challenges faced by utilities are:

- No significant consequences for non-payment
- Cannot abruptly suspend services without giving reasonable opportunities to pay
- Increasing frauds and non-payment
- High customer churn rate
- Stiff competition
- Significant COVID 19 economic downturn
- Significant levels of customer vulnerability
- Poor affordability
- Void properties
- Mixed metering capabilities
- Data quality, estimated readings
- Lack of digitization and automation

Office of Gas and Electricity Markets (Ofgem) is the energy regulator for Great Britain. Suppliers of energy, cannot or will not disconnect gas or electricity connections if any customer misses or is overdue on payments.

Consumers could ask for an **'Emergency Credit'** if they use a prepay meter for a top up. As per regulatory rules defined by OFGEM, respective energy suppliers must and should offer payment plans, which customers could afford as well.

Energy suppliers have agreed to take emergency measures with the government during the pandemic.

Most have also signed up to fresh commitments with Ofgem and other industry trade body to support consumers during this winter if they are unable to pay their utility bills, including benefits advice if consumers are affected by corona virusⁱⁱ.



The NXT Approach to the Situation

As the utility industry continues its rally forward, it becomes even more imperative to optimize M2C. TechM addresses industry challenges with the most comprehensive smart M2C solution for the utility sector, with smart meter data capturing systems combined with empathetic customer service delivery.

The business approach of TechM lets go of traditional methods of debt collection adopting customer focused, contextual multi-channel engagement.

The new world of collections should reflect the following:

- Aggressive collection agents are no longer needed
- We do not have to hammer the customer with non-stop dialer based collection calls
- We must move away from team members who are not willing to take ownership to resolve customer disputes – right first time
- Empathy is the keyword to build customer relations
- Digitizing collection efforts is foremost and paramount
- Collect with care is the new motto





TechM and Qualco Partnership: Transforming Debt Collection Process

Aiming to meet the pressing need, TechM BPS and Qualco have designed and rolled out 'Debt Collection as a Service (DCaaS)' offering contextualized to the utility industry. Leveraging Qualco's QCR platform, with TechM's proactively optimized collections process across the utility customer journey, we deliver the desired outcomes. Our joint data-driven intelligent approach enhances the overall CX, considering the financial well-being of customers while assisting them with the most suitable subscription models.

TechM together with Qualco, proactively optimizes the collection process across the financial services (FS) customer journey. We utilize the most suitable contact channels and then offer contextual solutions that ensure customer and business sustainability, while enhancing the value of collections. Here is how we address the collections situation:

- Our joint solution enables the identification of current and potential debtors while also the early risk detection via customer trend analysis
- Our smart contact approach based on early detection and swift response brings in the best synergies between front and back office
- We achieve personalized customer level treatments for all consumer and commercial customers, through any channel that can drive higher engagement
- We help financial institutes identify and treat credit risk early, while we give access to a wide range of customer communication channels
- We facilitate identification of vulnerable customers and refine hardship programs to mitigate losses
- We utilize the most suitable contact channels and offer contextual solutions that ensure customer and business sustainability while enhancing the value of collections by reducing costs to collect
- Furthermore, our artificial intelligence/machine learning based predictive analytical models are built to generate insights basis past customer communication and actions and will help in reducing the effort proactively.

With TechM's advanced digital debt solutions, customer satisfaction is paramount. Having said that, our digital tools are equipped to provide real-time predictive insights to our collection agents, quality teams, and floor supervisors on what is going right on the call and what is not getting delivered - right first time, right every time.



TechM Methodology to Address the Pressing Issues:



With Qualco 360° solutions, utilities can explore a wide range of possibilities while enjoying operational efficiency and process automation. Tools like data-driven decisions engine (D3E) and Qualco collections and recoveries have significantly contributed towards workflow-driven collections and operational effectiveness.

- Take advantage of advanced modeling capabilities
- Launch new campaigns with no effort
- Fast assignment / recall process
- Monitor and measure performance at all times
- Seamlessly integrate with DCAs and legal offices

TechM NXT.NOW™ Advantages



The Way Forward

Journey with TechM will be a journey of digital value center combined with automation, AI and analytics.

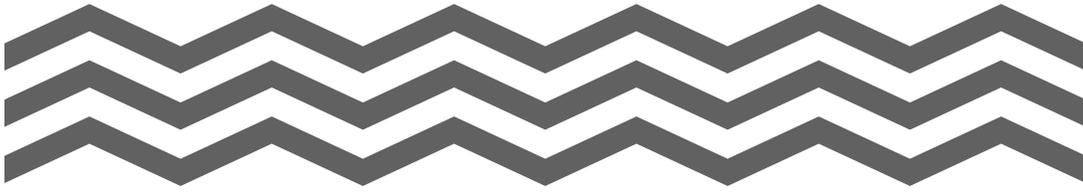
Our approach is built around six key drivers: people, process, digital, automation, analytics, and compliance. Our executives undergo rigorous pre-process, process and on the job training to understand customer sensitive circumstances during debt collections related interactions.

Moreover, our soft debt insightful collections approach that duly considers the customer hardships aspect is fully compliant to major region-specific utility regulators all over the world, while keeping a close eye on the collections effectiveness index (CEI). There are several aspects to determine when we should outsource to any first party collections agency, which would suit the needs of any utility company. Things that we should consider are:

- **Prior industry experience** - Utilities as an industry is highly controlled, and as an outsourced service provider, we need to be fully aware on privacy, security and compliance regulations involved while performing collections activities
- **Collections and customer service with empathy** – Utilities collections being highly sensitive in nature, it is imperative to maintain healthy consumer relationships. Moreover, with highly competitive market, outsourced collections agency must treat these relationships with utmost sensitivity, fair-mindedness
- **Agile reporting** – Utility businesses should be able to work with a service provider, who offers transparency while delivering services in reporting of receivables and deliver KPIs as agreed

Meticulously considering all the above and critical aspects, TechM in collaboration with Qualco, can assist in maximizing the performance of any utilities receivables management processes. Our joint solution approach will enable and instill an intelligent customer journey to proactively prevent and limit debt exposure. Our end-to-end technology backed collections management system can monitor utility debt portfolios throughout the debt collection lifecycle while enhancing the overall CX efficiently with –

- Automated dialer based services
- Customizable and scalable modules
- Personalized communications



About the Author:

Gaurav Wadhera is a postgraduate in communication and marketing from National Institute of Sales, New Delhi; with work experience spanning 18+ years in the ITES industry. Having successfully managed and handled RPA driven transformation and automation of projects, business operations in credit and collections management (accounts receivable), customer service/delivery, and business transition. As a Lead Business Consultant, his key role is traversing in building collections practice, solution design architect across verticals/industries, with strong communication and interpersonal skills while successfully managing client/stakeholder expectations.

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