

Reduce late fee credits and increase revenues

Problem:

A financial services company with credit processing as a **core capability** faced the following problems:

1. Over a two year period, they saw an increase in annualized rate of 25% in late fee credits.
2. The management team perceived that 35% of instances of late fee credits issued did not adhere to internal policy and about 40% of the total amount was incorrect credits.

The **business case** was that

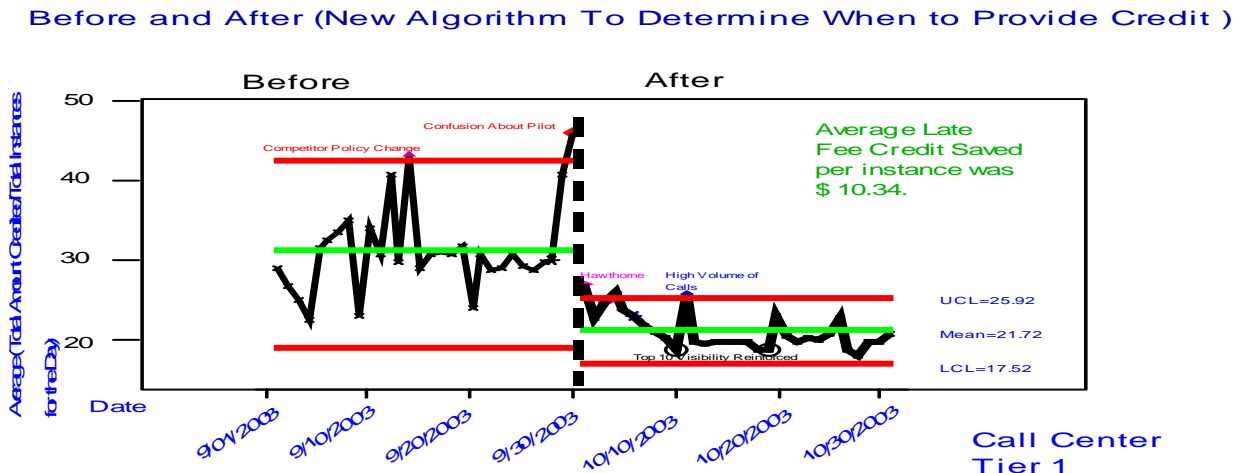
1. The customer does not want to pay late fees.
2. Collection process is more expensive when customer leaves.
3. Discretion used by various functional areas to waive or not waive late fees is ad-hoc.
4. There is no standard how various contact points issue partial/total/multiple credits to late fees.
5. Both internal and external policies to issue late credits were revised four times in the course of two years. These were possible sources of confusion.

Approach:

A **DMAIC** with significant utilization of Lean solutions was made by the team.

Results:

Process Sigma rose from 2.7 to 4.1. The "Before" and "After" picture is given below.



The savings in one month after **Control Phase** was completed

1. Instance rate reduction due to better adherence to late fee credit adjustment policy provided 75% reduction of instances where late fee was credited.
2. The Partial Late Fee Credit offerings reduced late fee credit adjustment by 55% of average monthly total credited amount that were given before.
3. 95% capture in revenue.