

Late fee credits reduced and revenues increased by 95 percent in one month

Problem

A financial services company responsible for credit processing faced the following problems:

- Over two years, late fee credits increased at an annualized rate of 25%
- The management team perceived that 35% of late fee credits issued did not follow internal policy and about 40% of the total amount was incorrect credits

The business case was:

- Customers did not want to pay late fees
- Collection process was more expensive when customer left
- Discretion used by various functional areas to waive or not waive late fees was ad-hoc
- No standard about how various contact points issued partial/total/multiple credits to late fees
- Both internal and external policies to issue late credits were revised four times over two years causing possible confusion

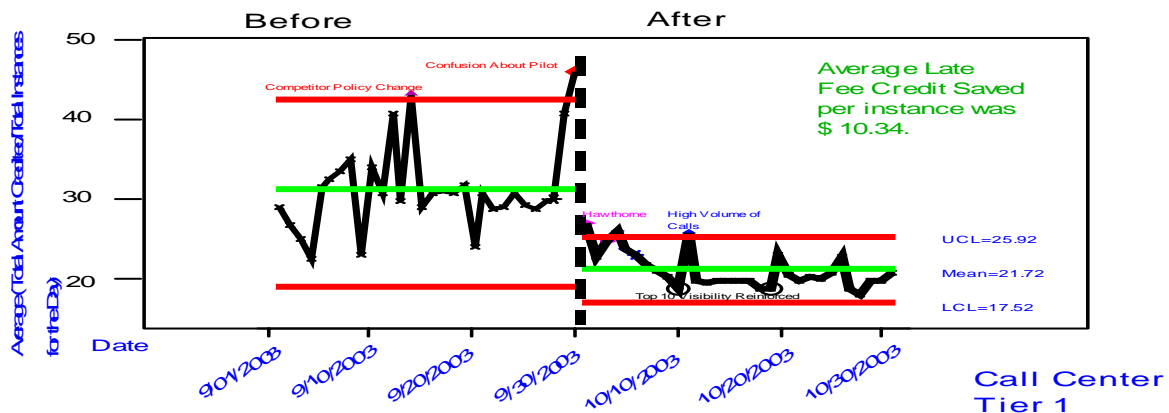
Approach

The team used a **DMAIC** approach with significant utilization of lean solutions.

Results

Process Sigma rose from 2.7 to 4.1. The 'before' and 'after' picture is below.

Before and After (New Algorithm To Determine When to Provide Credit)



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

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