

TO DETERMINE THE IMPACT OF CONSUMER DEMOGRAPHIC INFORMATION ON RECOVERY RATES, A DATA SET OF APPROXIMATELY ONE MILLION PROFESSIONAL CREDIT ACCOUNTS WERE EXAMINED IN THIS STUDY. THESE ACCOUNTS WERE REFERRED FROM 2018-2020. THE ACCOUNTS WERE REFERRED BY CLIENTS FROM MANY DIFFERENT DEBT TYPE SECTORS.



LINK BETWEEN CONSUMER DATA AND RECOVERY

MARGINAL EFFECT ANALYSIS

Marginal effect analysis tells us how a dependent variable (recovery rate) changes when a specific independent variable (unit of consumer demographical data) changes. The rate of change alone, however, doesn't truly reflect the impact of the additional data; the average recovery rate and account balance must be calculated to determine the weight of each data element on revenue. Consider the following example...

100,000 accounts with an average balance of \$500 have missing emails. If the Average Collection Rate (ACR) on these accounts is 20% then the expected recovery is \$10,000,000. Now, the Average Marginal Effect (AME) of an email address is 4.43%, which means we can calculate the monetary impact with the following formula:

$$(ACR + AME) \times (\text{NUMBER OF ACCOUNTS MISSING EMAILS}) \times (\text{AVERAGE BALANCE}) - (\text{THE EXPECTED RECOVERY})$$

$$(.2 + .0443) \times 100,000 \times \$500 = \$12,215,000 - \$10,000,000 = \mathbf{\$2,215,000}$$



Using the same variables as the example above, you can see how the Average Marginal Effect for each of the following data elements dramatically improves recovery rates...

CONSUMER ADDRESS



10.08% AME =
50%
IMPROVEMENT

CONSUMER DOB



12.37% AME =
62%
IMPROVEMENT

CONSUMER PHONE



9.32% AME =
47%
IMPROVEMENT

When your collection partner can calculate the missed revenue or opportunity cost of an organization not gathering additional data or not permitting additional steps to collect, you have the advantage of clearer cost-benefit analysis in decision-making. Furthermore, quantifying the impact of changing policies and practices, then improving revenue recovery as a result, not only delivers greater monetary value but also maximizes the value of the partnership.

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"THE LINK BETWEEN COLLECTING COMPLETE CONSUMER
DATA AND SIGNIFICANT INCREASES IN RECOVERY"
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