

# **Skip Trace Using Non Obvious Relationship Matching and Intelligent Balance Transfers: Reduce This Year's Bad Debt by 10-20%**

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## **Executive Summary**

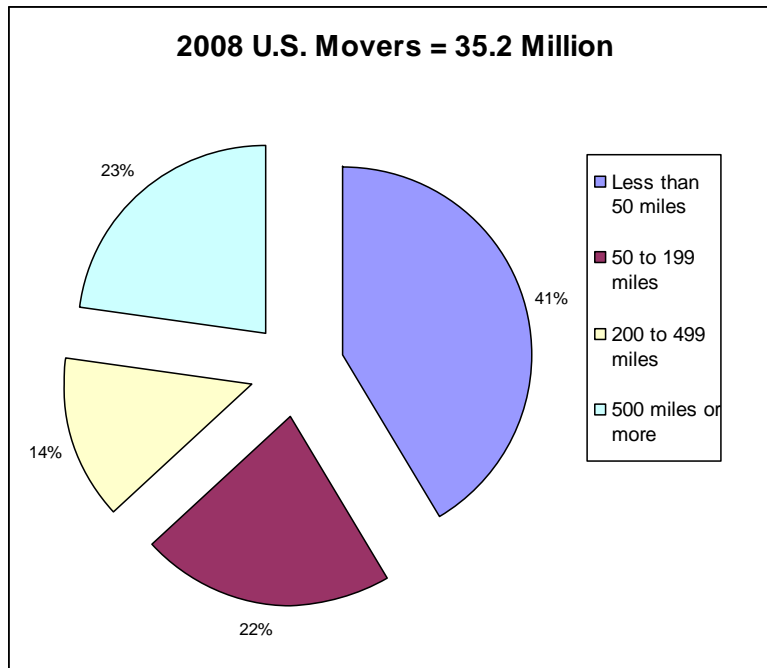
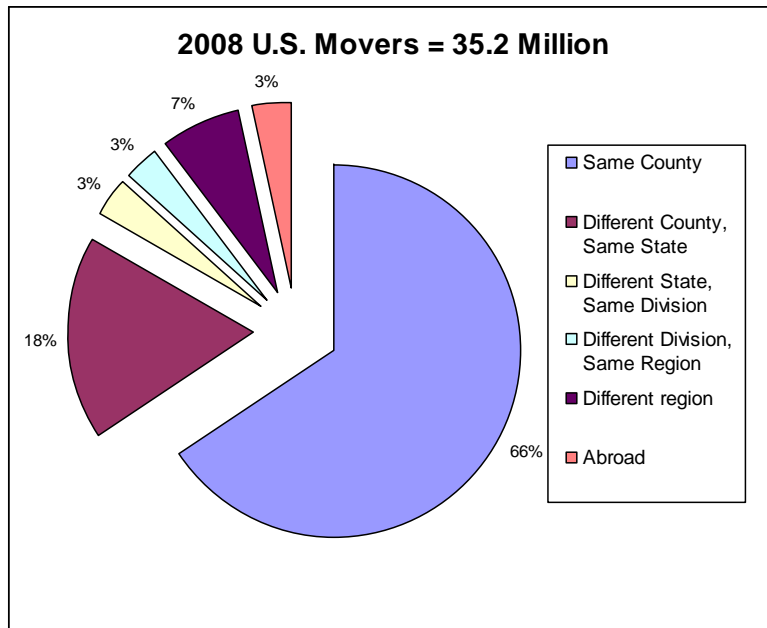
Every industry is feeling the pinch from this economy. Besides being heavily regulated, the Utility Industry has the added burden of being mandated to encourage their customers to use less of their product. This rare confluence of circumstances creates many unique challenges for utilities. In an environment where it is exceedingly difficult to increase revenue and painful, perhaps even dangerous, to slash budgets further, reducing bad debt becomes paramount.

Results from over 100 utilities have shown that a typical utility can expect to reduce this year's write off by 10-20% if they incorporate the methodologies outlined herein. This equates to a significant amount of revenue that does not have to be produced to achieve the same bottom line impact.

The key to achieving these results is to recognize that most of your bad debt is probably coming from people who are still in your territory. If you can find these inactive customers, you have a great ability to make them pay. Every utility is currently doing this in some form. The acknowledgment that there are improvements in your processes that can be made and significant amounts of revenue that can be recovered, will open the way to capturing this lost revenue and improving your cash flow and profit.

**Geographic Mobility**

According to the *U.S. Census Bureau, Current Population Survey, 2008 Annual Social and Economic Supplement* published in April 2009, 35.2 million U.S. residents (12% of population) moved in 2008. 66% of the Americans moved to a location in the same county and 84% moved within the same state. In terms of distance, 41% moved less than 50 miles and 63% moved less than 200 miles. It is interesting to note that more than 1 in 4 renters changed residences in 2008.



It is clear that there is a high likelihood that many of your customers receiving a final bill are moving to a location that is still in your service territory. This implies that a significant number of your bad debt customers are also your active customers. For any number of reasons, including name changes, name misspellings, nicknames, user input error and fraud, utilities cannot identify a relationship between these two accounts. Linking the two customers allows a utility to transfer the written off balance to an active account. Because of the disconnection leverage a utility has with active customers, the collection percentage on an active account is very high.

### **Skip Tracing**

In the financial world, skip tracing refers to the process of identifying and locating persons for the purposes of collecting delinquent debt. A utility typically utilizes two types of skip tracing efforts: internal and external. Internal skip tracing refers to the in-house processes a utility employs to match a bad debt account to an active account, usually with the intent of performing a balance transfer. External skip tracing refers to processes a utility has in place with outside parties such as collection agencies. For purposes of this analysis, we will only concern ourselves with internal skip tracing processes. Balance transferring is the process of moving a balance from an inactive customer account to an active customer account, thus allowing all active collection processes to facilitate payment.

Almost without exception, every utility is currently performing some sort of internal skip tracing and balance transfer process. These range from a simple determination that a customer calling in for service has an outstanding balance based on an exact SSN match to running sophisticated programs that will automatically transfer a balance if any number of certain matching criteria are present.

### **Non Obvious Relationship Matching**

All balance transfers begin with the identification of a strong link between the inactive and the active accounts. Your utility is probably pretty good at finding the obvious relationships between two accounts (exact name, exact SSN, etc) but our experience has shown that most utilities are utilizing very few, if any, Non Obvious Relationship Matching (NORM) techniques in the internal skip tracing processes. NORM techniques involve, among other things, using nicknames, common misspellings, phonetics, gender, name commonality, and transposed digits/characters against all the customer identifying attributes stored in the CIS system.

By looking at all the relationships between two accounts, it is possible to determine that two seemingly different entities are, indeed, the same. It is not uncommon to find that a match can be made using several non obvious relationships without the presence of an obvious one. It is important to remember that you should be looking for relationships with ANY responsible parties on an account. Most tariffs allow transfer flexibility with multiple responsible parties.

Example:

	<b>Name</b>	<b>SSN</b>	<b>Phone #</b>	<b>Birth Date</b>
<b>Debtors:</b>	<b>Mari Carberry</b>	999- <del>86</del> -2976	626-794-7894	10/15/1965
	<b>Patrick Carberry</b>	N/A	714-926-9225	06/18/1966
<b>Active 1:</b>	<b>Mary Cadbury</b>	999- <del>68</del> -2976	626-454-3245	N/A
<b>Active 2:</b>	<b>Pat Carberry</b>	999-34-3274	714-926-9225	06/18/1966

In the above example, the Debtors Mari and Patrick Carberry can be linked to both active accounts; neither match would be considered obvious as there is no exact name or exact SSN.

Most of the matches that you will find using NORM techniques are not a result of fraud. The majority of these can be attributed to some sort of customer oversight or data entry error. Most of these customers will pay when you transfer the balance. Our analysis shows that most utilities collect between 75-95% of transferred balances.

### **Intelligent Balance Transferring**

Not every solid link found between two accounts will or should result in a balance transfer. Every utility has rules, regulations, and guidelines that dictate which balances can be transferred. For example:

1. Most states have some sort of statute that limits what can be done with debt over a certain number of years old.
2. A non-residential debt can not be transferred to a residential account.
3. Many utilities want to special handle their builder/landlord accounts.
4. It makes little sense to transfer a debt to an active account that is already 3 months in arrears.

It is important that a utility review its rules and guidelines to make sure that they are allowed to transfer the balance and that they have a high chance of collecting it. By transferring balances more intelligently, a utility can increase bad debt collection while minimizing impact on customer satisfaction and the call center.

### **Conclusion**

By using NORM techniques and intelligent balance transfer processes, a typical utility can quickly expect to reduce this year's write off by 10-20%. We have seen these results at gas and electric utilities of every size range, from 25,000 customers to over 4 million, in almost every state.

*It is the familiar that usually eludes us in life. What is before our nose is what we see last.*  
William Barrett 1913 - 1992

### **About the Author**

Patrick Carberry is Co-Founder and President of Bottom Line Impact. Mr. Carberry has spent the last 20 years consulting with over 125 utilities. He is the architect of the Automated Revenue Miner that has assisted utilities with the identification and recovery of over \$75,000,000 of lost revenue over the last 5 years. Mr. Carberry is an expert at using technology to recover revenue for the Utility Industry.