



The Strategic Thinker

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Strategy change

One of the critical outcomes of DebiCheck is most definitely the change in strategic thinking for all industry participants. The end game is undoubtedly the safeguarding of both creditor and debtor by combating fraudulent debit orders, rogue users and adverse consumer behaviour resulting in increasing disputes to manage cashflow.

The operational impact to businesses is significant which demands, a whole new mind set and approach to your collection strategy. Businesses would agree that the vast majority of EDO participants built a solid collection strategy that was effective in collecting time sensitive transactions utilising NAEDO and AEDO. DebiCheck, the curveball we have encountered is a brand-new way of collecting funds.

To position and plan accordingly, one must strategically evolve not to only manage cash flow, but also incorporate a long-term strategic approach with this new collection system.

The following questions are vital to shape a successful strategy.

Will the consumer be reached?

Even though a relatively clear understanding of the various mandate types and initiating channels are in place, the practical benefits and challenges might still be unknown. Now is the time to really understand your underlying customer base. Implementing KYC and pre-collection solutions such as Authentifi is critical.

Time is money, especially in this economic climate in the midst of a pandemic. Nine out of ten instances one would like to conclude a contract with the consumer there and then, but is it really the most efficient way to achieve successful mandate initiation? Demographic factors, technical savvy, and client facing/non-client facing business models within one's collection portfolio plays a major role.

Based on industry related stats, there is less than a 30% successful uptake and authentication of mandates at this time, which highlights low participation and suggests inadequate planning of a collections strategy.

Know your customer well and ensure that provision is made for seamless options when presenting a DebiCheck mandate for authorisation, which enables the consumer to access their "preferred" channel of authentication.



Will the consumer know what DebiCheck is?

Whilst it is almost a certainty that the SARB will unlikely amend the sunset dates of NAEDO and AEDO, we are unsure if the public has a good grasp of DebiCheck. Although industry committed to consumer education on various media platforms, it is evident that it is not as far reaching as it should be.

Aligning one's sales strategy and equipping teams with a thorough understanding of DebiCheck is vital. This will aid in managing customer queries, conclude a sale that much quicker and save costs.

Consumer drop off is a reality during the mandate authentication process. Educating consumers on DebiCheck will be a new workstream to the business origination phase, and the responsibility will lie with you as creditor.

What authorization channels will be preferable towards a specific target market

Will a specific target market/segment have an impact on the preferred method of mandate initiations? Or will a "one size fits all" approach be the more viable option?

Perhaps it is time to really scrutinise and analyse one's own data. A better understanding of consumer behavior, requirements, and technical capabilities will most definitely enable more cost-efficient decision making. The market segment together with industry variables is something which requires a clear and detailed understanding.

The impact of premium fluctuations, increases, arrears and amendments

The nature of one's product is of vital importance. The general fluctuations on premiums, which can be driven by various factors, is something to fully understand in order to ensure the full benefit of DebiCheck

However, DebiCheck is not a guarantee for a successful collection.

It is vital to understand that even authenticated mandates have a disputability window which some consumers may take advantage of. Therefore, the reason to perhaps speak to the market leading experts in this regard and ensure that the correct mandate type is used to align with the debtor book.

After all, from a creditor perspective, full advantage should be taken of the benefits which DebiCheck aims to introduce, considering that DebiCheck does come at a premium!

Calculating cost impact

What impact will DebiCheck have on cashflow, and can it be quantified in any way?

Let's use a simple but practical example:

- Collections book made up as follows:
- 5,000 debit orders per month
- Average value of R350 per collection
- Unpaid ratio of estimate 20%
- Dispute ratio of estimate 5%



Transaction Capital Transactional Services

Switching over the unpaids and disputes to DebiCheck, does come with additional costs, but also with additional advantages.

Factors to consider and calculate:

- Reduction of unpaids, due to early window and tracking benefits through DebiCheck
- Reduction of disputes, due to DebiCheck being much more robust in this regard (If the correct mandate has been utilised)
- Additional tracking costs
- Additional Mandate fees

DebiCheck is a costly service but the net positive impact on cashflow cannot be disputed as the reduction in unpaids and disputes far exceeds the additional tracking and mandate fees.

This is not to say that the EFT debit has lost its place -, great success with positive cashflow can still be achieved through traditional EFT collections.

IF:

- *You analyse and understand your data, supplemented by solutions that will help you make smart collection decisions (AUTHENTIFI™)*
- *You align with a service provider who is already battle hardened in the collections arena*