



**ARTIFICIAL  
INTELLIGENCE IN  
RECEIVABLES  
MANAGEMENT**

**SCI-FI OR A GENUINE OPPORTUNITY?**





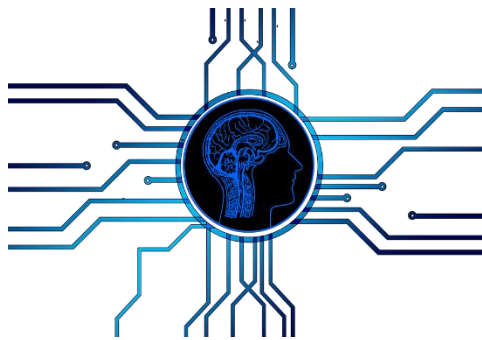
## Artificial intelligence in receivables management

Sci-fi or a genuine opportunity?

Artificial intelligence has become seamlessly integrated into many areas of our lives as an assistant taken for granted: Alexa flips the lights on and off at home, orders more cat food when stocks are low, and even tells us jokes, while Siri reminds us of appointments and sets the alarm. But all these little daily conveniences do not even make use of a fraction of the potential that artificial intelligence can actually offer us.

### What is artificial intelligence?

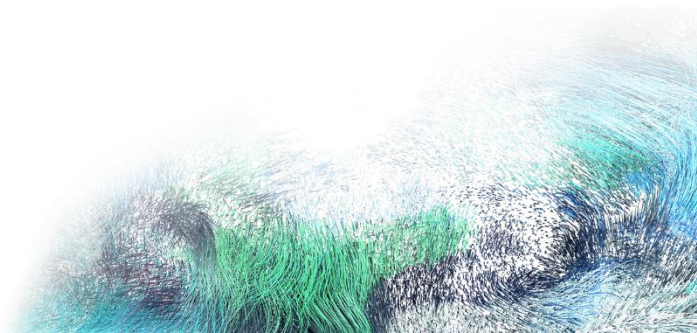
Artificial intelligence is a branch of information technology. The basic principle of artificial intelligence is the attempt to impart intelligence to a computer by programming it with the most humane of things – human thought and action. Because of this, many people are sceptical of artificial intelligence when it goes beyond minor everyday conveniences. The programming of artificial intelligence covers a wide field of research. Human decision-making and perception need to be analysed and subdivided into schemata so that algorithms can be programmed. Hence, to a great extent, AI research involves neurology and psychology.



AI can generally be categorized as "weak" or "strong". Weak AI are algorithms that allow the computer to answer questions to which they have learned the path to the solution on their own. AI learns from data containing both past and present experience and utilizes the findings from data analysis and performance measurement for future decisions. This means that as a rule, the AI is continuously learning, and predictions improve over time. Because the AI learns from its

mistakes just like humans, it is necessary to repeatedly create variants of the processes and to compare AI-based recommendations with human decisions. The successes obtained from this can in turn be used to train the AI.

Strong AI, on the other hand, is the reason why humans are sceptical of AI – the negative image from science fiction. Robots or machines able to solve any problem by working independently. However, this type of AI is still a mere vision of the future. Despite this, artificial intelligence can already provide us with a great deal of support in many small parts of life, as well as help to design processes that are significantly more efficient.





## Artificial intelligence in credit and receivables management

The use of artificial intelligence in credit and receivables management is an opportunity to transform this business sector over the long term and to increase competitiveness. Machines are able to analyse huge amounts of data within a very short time, as well as recognize patterns in them. They not only avoid errors which humans would inevitably make due to subjective perception, but also recognize details that would for the most part have remained hidden from human view.

Artificial intelligence offers potential for optimising a wide range of fields of application along the entire credit life cycle. Banks, for example, need to identify the risk of every loan. This usually takes place with the aid of analysis models based on historical failure rates. In addition to the creation of models and statistical analysis methods, specific characteristics of borrowers are also taken into account in score cards in order to achieve a realistic assessment. Enriched with artificial intelligence, this data can make it possible for credit institutions to make better credit decisions.

Or that's what the ideal case would be. But what happens when payment disruptions occur after a loan is taken out or a purchase is made? Banks are affected by this in transactions with private consumers in around 10 percent of cases, according to self-reported data. For companies, these figures depend on the industry, but are significantly higher. The challenge now is to achieve collection that is as effective and efficient as possible without losing the customer. It is often forgotten that the process after payment and the signing of the contract is also part of the customer journey, and the satisfactory handling of the dunning process can play a decisive role when it comes to customer loyalty.



The Corona pandemic is having a negative impact on payment behaviour. As reported by the Bundesverband Deutscher Inkassounternehmen e. V. (Federal Association of German Collection Agencies) in May 2020, 69% of collection agencies are already noticing a deterioration in the payment fidelity of private debtors.

## Future-proof receivables management thanks to AI

Due to the current situation, the likelihood is rising that companies and customers will increasingly experience financial difficulties and, as a result, disruptions to payments and defaults will occur. Hence, it is now all the more important to implement an effective and efficient receivables management system that will serve your organization well into the future. It should not only focus on ensuring your own liquidity, but also maintaining the customer relationship. Hence, good receivables management should continue to be centred around the customer even when the payment is overdue.





The attitude and tone of communication must always be positive and respectful. Furthermore, experience also shows that ties with customers with whom one's relationship is no longer ideal due to a payment disruption can still be further strengthened by finding a good solution – an intelligent and AI-assisted dunning system helps you in this respect:

### **1. Proactive action for greater efficiency**

Via the continuous evaluation and analysis of data, AI-based systems can indicate why and when a payment default is expected to occur. By recognizing correlations in the data, it can also be predicted when a payment is likely or when a debtor should best be contacted with regard to an outstanding claim. This allows you to act in a timely and appropriate fashion and rectify payment disruptions more quickly.

### **2. Automated and individualized dunning**

Particularly in more traditional companies and banks, tardy customers are frequently only confronted with a letter or telephone call with standardized payment reminders. AI-based technologies allow for automated and more targeted communication customized to the customer profile: A more individualized adaptation of the tone, the right timing, and the flexible use of a wide range of communication channels lead to a swifter and more convenient joint solution. Artificial intelligence also assists advisors in creating the best payment plan for customers who are in default, e.g. by automatically determining the ideal instalment plan. The digital AI approach not only reduces the costs for receivables management, but also increases the success rate while also improving customer satisfaction.

### **3. More effective receivables management thanks to chat bots**

Chat bots have become a popular way of remaining in contact with one's customers round the clock. They too are based on artificial intelligence and can e.g. immediately answer simple inquiries, which not only frees up advisors, but also leads to improved customer satisfaction. Furthermore, companies benefit from the fact that debtors feel less ashamed of asking all the questions they wish to ask when they are obviously communicating with a bot. This reduces the inhibition for working on a payment disruption, and customers cooperate more actively and rapidly when there are no more unanswered questions. Depending on how advanced the AI is, bots may even take over the negotiations for restructuring a loan.





## **Success with the right receivables management software**

An AI-assisted receivables management software helps you to design your collection process to be significantly leaner, yet more effective and efficient, thereby also equipping your company for the future. Our debt management software Open Credit – DM supports you throughout the entire receivables management process, from the initial payment request through instalment plans to the judicial dunning process and enforcement:

- Improve your recovery rates thanks to extended payment plan functionality and integrated reporting.
- Increase your recovery success through automated, AI-assisted dunning processes tailored to each individual customer and convenient follow-up management.
- Save time and costs thanks to administrable workflows and decision-based processing.

**[Learn more about our solutions now](#)**

