# TELECOM BILLING - COLLECTION PROCESS

After an invoice is generated and dispatched to the customer, ideally, all customers will receive their bills and pay promptly. However, there may be some customers, who do not pay their bills and there may be an unacceptable delay in paying the bill and hence the service providers must take some action needed to remedy the situation and collect the outstanding balance due $called account receivable, abbreviated as A/R$.

Collection is the process of chasing past due receivables on customer account. This usually involves sending notifications to the customer and taking appropriate actions in absence of due payments after the due date.

Billing Systems support dunning $receivables chasing$ both at the invoice level where receivables are chased on an invoice by invoice basis and at the account level whereby all overdue amounts for an account, across several invoices, can be handled by a single dunning action.

The dunning model to be used for an account will be assigned on the basis of its credit class. A core collection process includes the following two items:

- **Collections Aging Tracking:** This is the process of tracking the customer invoices that have not been paid within the specified payment period due date. It deals with the "age of account receivables"; for example, invoices that are 0-30 days overdue, 30-60 days overdue, etc.

- **Collections Actions:** Collection action is the action that is performed when the account receivable reaches a particular age. For example, reminder messages to the customer to be mailed or recorded audio message should be played.

## Collection Action Schedules:

Examples of collections actions may include:

- Send reminder mail and/or call: The customer service department contacts the customer reminding the payment. Still if there is no payment received, then proceed for the next action.

- Send Red letter: For example, a "Pay in seven days" letter is issued. Still if the payment is not received, then proceed for the next action.

- Disconnect the service of service: The network management department suspends the service.

Collections schedules define collections actions, which should be carried out and the times at which they should be carried out when a customer does not pay.

The collections schedule specifies the series of stages that make up the collections process. For each stage, it covers:

- The effective age that the receivables have to be for an action to take place. The effective age of receivable is calculated by taking the actual age of receivable.

- The action to be taken. This might be an action that Billing System is to perform, for example sending out a dunning notice on a particular date.

- Whether or not the action is mandatory. If an action is mandatory, subsequent actions cannot take place until this one has been performed.

- The minimum receivables amount below which the action will not take place.

## Soft Collection Actions - Dunning Notices:

In the early stages of the collections process, the soft collection action will typically be to send a number of dunning notices, which are simple reminder letters and requests for payment.

After a number of dunning notices have been sent at various stages, other actions are typically scheduled. For example, you can specify that a customer services representative *CSR* should telephone the customer to ask why they have not paid.

## Hard Collection Actions - Blacklisting

If the initial attempts fail, then more aggressive actions can be taken like barring the services, or disconnecting the services or hot-lining $hot-lining is the process of re-directing all calls of delinquent customers to collections operator$.

If all the attempts to collect the dues fail, then the service provider may write-off the account and marks the due amount as bad debt or may hand over *selloff* the account to a collection agency. Collection agencies work on a percentage of collected revenue. However, once the uncollected account invoices are sold off to a collection agency, the service provider is not allowed to work with the customer regarding the payments.

Here, write-off means service provider *operator* clears the dues on behalf of the customer and closes the account forever. This is done for accounting purpose, otherwise it is a loss for the operator.

The service provider maintains the history of the write-off accounts, also called blacklist customers so that they are not re-activated again and informs the credit checking/reporting agencies about such accounts.

## What is Next?

Most of the customers make their payment before due date. There can be different channels, which are used to make payments.

Next chapter will explain different types of payments and their end-to-end processing to settle down the invoices.