

# Best practices for telco collections strategy design

Leveraging data, tools, and analytic methodology to ensure effective collection strategies



# Strategic decisions drive collections success

Managing these decisions has become crucial for telecommunications companies facing evolving customer payment behaviors. Decisioning technology can help telcos make smart, timely decisions around treatment strategies — whether to offer payment extensions, apply service restrictions, or escalate to external agencies. However, technology alone isn't enough — telco collections teams must think strategically about balancing aggressive collection tactics with customer experience goals.

Once a solid collections strategy is in place, continuous evaluation of the performance against evolving market conditions is key. Regular reviews should analyze key telco metrics like promise-to-pay fulfillment rates and the correlation between collection actions and customer churn. Use advanced analytics to understand where benefits truly come from — improved contact strategies, better payment terms, or precise segmentation — then redevelop strategies as your customer base evolves. This ensures collections remain aligned with both recovery goals and retention objectives.

## Why revisit and redevelop your strategies?

- **Debtor evolution.** Allocation of debts to the right strategy depends on recognizing current spending and repayment trends for each client and product portfolio.
- **Collector evolution.** Understanding which collection team or segment to allocate a debt to depends on reviewing key metrics across different collection teams and the debt segments they work.
- **Regulatory or economic changes.** Changes in regulation must be addressed with adjustments to contact approaches; economic changes influence the dynamics of debt and can influence ability to repay.
- **A time-constrained strategy** has come to the end of the stated time period and should be reviewed to determine whether the strategy performed as projected and whether any assumptions have changed.
- **The focus of the organization has changed**, such as from reducing losses to growing revenue.

# Implementing challenger strategies

It can be challenging to get a decision strategy developed, let alone approved and deployed into production. Once it's in place, it's not uncommon for a telecom operator to keep a strategy running for months or even years without reviewing or updating. There are obvious triggers for a telco to redevelop a collection strategy, such as new regulations, changes in the economy, or shifts in customer behavior patterns across different service tiers. It's ideal to establish a regular cadence for an ongoing test and learn cycle, where strategies are continually challenged to identify the most effective actions to yield better customer retention and revenue recovery results.

Challenger strategies, assigned to small segments of your subscriber portfolio, are a perfect way to test new ideas, new approaches, and new data sources. A major wireless carrier had a standard policy to suspend services on early delinquent accounts. FICO helped develop a challenger strategy that segmented delinquent accounts using telecom-specific behaviors like usage patterns, payment history, and service tenure. The revised strategy allowed continued service access

for high-scoring delinquent subscribers who were low-risk occasional late payers, using targeted SMS, email, or voice outreach for payment reminders. This preserved millions in monthly recurring revenue within the first quarter — revenue that would have been lost through service suspensions and churn under the previous policy.



# Begin with the decision in mind

When creating or redeveloping an existing strategy, you must start with clear decision outcomes in mind — whether reducing subscriber churn, preserving monthly recurring revenue, minimizing service disconnections, or improving customer satisfaction. It's crucial to understand objective priorities, as collection agents may focus on moving delinquent accounts out of their queue to prevent service suspensions, while the telecom operator's primary goal may be maximizing customer lifetime value and preserving subscriber relationships. All stakeholders across the organization should agree on objectives and priorities up front, building shared goals into performance metrics to avoid competing departmental goals.

## Strategy development approaches

One of three approaches is typically used:

- **A judgmental or expert approach** relies on your experience and domain knowledge to set policies. Preliminary decision trees often look to initially replicate these considerations and experiences.
- **A data-driven approach** leverages data and technology to determine the most predictive variables and cutoffs. Often starting from judgmental templates, data profiling may be applied to determine additional splits where treatments may be customized to best manage these differences.
- **An optimization approach** leverages data, mathematical techniques, and sophisticated analytics to determine both the decision and the treatments with adjustments made based on operational constraints.

The most common approach is data-driven strategy development. As long as there are decisions to be made, data to use in these decisions, and one or more desired outcomes, it's a potential case for data-driven strategy design.



# Defining the dataset

Making decisions that can impact the success of your business comes down to good use of information. More information allows you to make more informed and, therefore, better decisions. Accurate, relevant, current, and detailed data is an essential part of designing effective collection strategies. There are several elements to consider when reviewing your data requirements:

- **Time frames** — Identify the period of time you will be using as a gauge to make the decision.
- **Strategy objectives** — Understand the objectives and the collection areas that will be involved in the evaluation to ensure you're pulling in the data metrics necessary to do a robust evaluation.
- **Predictive data** — Identify what data is available in the system where the strategy is implemented, and determine if other potentially predictive data from wider sources can be added.
- **Accounts** — Know which accounts reach the decision engine where your strategy is running and which are potentially filtered out earlier. Removing accounts that have been filtered out will help ensure the best results.
- **Policy rules** — Ensure you have a true understanding of the facts on which the policy rules are based.
- **Performance variables** — Include multiple performance variables on your development dataset to cover all the business objectives you care about, such as risk outcomes, right-party contact, contractability, repayment made, promise made, proportion of debt repaid, cost of collection, revenue, profit, etc.
- **Evaluation** — Ensure you have benchmarking variables in the form of existing treatments on the dataset in order to judge the effectiveness of the new strategy.

## Going deeper: Performance variables

The performance variable is the future behavior you are trying to predict or understand, evaluating many types of outcomes beyond just subscriber risk. For example, payment recovery percentage may have an inverse relationship with outstanding balance amounts, so assigning expensive collection actions like service suspension to the highest balance accounts may not yield the best recovery rates or subscriber retention.

The time window must also be determined — telco collection strategies might evaluate short-term outcomes like one billing cycle, while other strategies assess longer-term risks such as revenue losses or churn over the next year. Different variables like usage patterns, service tenure, or payment history are important for different outcomes and time windows, so it's crucial to customize design features around your subscriber portfolio and include all relevant variables in the dataset for optimal results.





## Tips for strategy design

Once a well-designed dataset has been established, it's time to focus on the actual strategy design. After helping companies across many industries and regions, FICO has developed a structured approach for strategy design that includes valuable data, effective and scalable technology tools, and the knowledge of your domain experts.

### **Analyze your champion strategy**

Begin by looking at your champion strategy. Start with simple steps, such as looking at the number of accounts falling into each node. Small nodes could be a symptom of overfitting and lead to an unnecessarily complex strategy. Larger nodes indicate the same treatment is being used for a large group of customers and could provide a bigger opportunity for improvement using differentiated actions that take advantage of profile differences.

### **Identify opportunities for improvement**

Take the existing strategy and determine if there are variables that could add predictive value at the end nodes. Evaluating this across multiple outcomes is especially interesting. For instance, you may have score cutoffs based on the probability of making a payment. Taking a segment just below the existing cutoff and assessing not just repayment performance, but also responsiveness or expected collection amount, could be beneficial.

# A proven process for strategy design:

1. Develop dataset
2. Load into decision tree tool
3. Code/import champion strategy
4. Look for opportunities for improvement
5. Know where you have flexibility to change
6. Identify the actions (treatments) you will take
7. Develop/analyze/evaluate/compare with benchmark

## Going deeper: Policy rules

Many strategies include policy rules to provide boundaries around the decision-making. There are two basic types of policy rules:

- **Hard policy rules** are those that cannot be changed due to regulatory or organizational reasons. An example of a hard policy rule is the exclusion of anyone who has filed for bankruptcy.
- **Soft policy rules** are those that could be questioned. Examples of soft policy rules include delinquent accounts, limited credit history, and credit line exclusions.

**It's important to review policy rules when redeveloping a strategy to ensure a true understanding of the facts on which the policy rules are based. This is a key area that is often overlooked. Policy rules, by design, exclude data from the strategy, and anything that limits the decision-making criteria should be solidly evaluated and confirmed.**

# Evaluating multiple outcomes

By using the right software, telcos can visualize the relationship between customer attributes and collection performance as clear patterns. For example, variables like account age or number of previous payment defaults may show negatively correlated patterns to repayment probability, while factors such as customer tenure, service usage levels, or historical payment consistency could demonstrate positive correlations with debt recovery success.

Identifying these patterns enables telecom collection teams to prioritize outreach strategies and resource allocation by focusing on customer segments and variables that are positively correlated with both payment probability and collection amounts, ultimately improving recovery rates across their subscriber portfolio.



# Modernizing telco collections with AI decisioning: From reactive to predictive

According to a recent [Forrester report](#), “AI decisioning platforms transform how organizations operationalize both human intelligence and AI at scale, enabling faster, more accurate decisions across complex business processes.” For telecommunications companies facing mounting collection challenges — from rising delinquency rates to regulatory compliance pressures — AI decisioning represents a critical modernization opportunity. The report emphasizes that “Modular architecture allows organizations to build AI decisioning agents that autonomously adapt to real-time data and maximize decision intelligence for specific use cases,” which is particularly relevant for telcos managing diverse customer segments with varying payment behaviors and risk profiles.



# FICO® Platform revolutionizes how telcos make decisions and apply intelligence

Forward-thinking telco providers are gaining a competitive advantage by creating an enterprise intelligence network that revolutionizes their infrastructure and services. This enables a transformative new approach to data-driven network optimization and AI-powered customer solutions, built on responsible AI principles with the flexibility to respond to the dynamic telecommunications landscape.

FICO® Platform supports smarter decision-making — from early intervention strategies for at-risk accounts to sophisticated payment arrangement optimization — while breaking down silos between billing, collections, and customer service teams. This integration makes it easier for telco teams to coordinate retention efforts with collections activities and innovate quickly in response to changing market conditions.



**Learn more about how FICO® Platform is designed  
to revolutionize AI-first transformation for  
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