



Knowledge Solutions LLC
721 Routes 202/206
1st Floor
Bridgewater, NJ 08807
(908) 231-7911

Knowledge Solutions LLC

Helping you make informed business decisions!



Improving Credit and Accounts Receivable Performance through Information Management



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Introduction

Information Management should enable effective risk policy and efficient operations. Applications of Information Management Tools in Credit and Accounts Receivables can help an organization successfully link information from all of its systems to optimize business performance.

During this presentation, we'll examine:

- *Why information management is an integral part of our business*
- *What information management-based tool sets exist for credit risk management*
- *How information management-based tool sets can be applied across the credit lifecycle*

Today's Environment





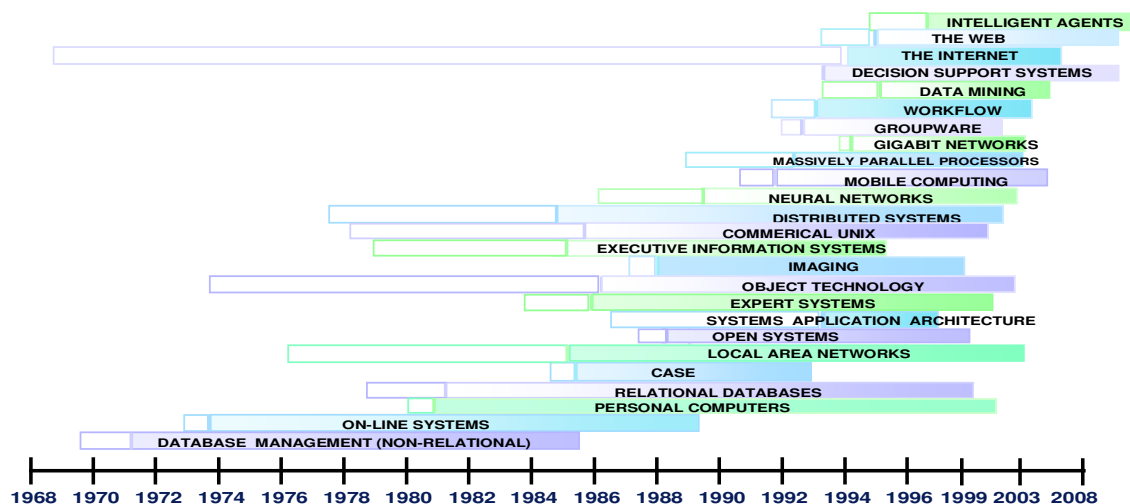
Information Management is Now a Strategic Core to Business

- Information Management is no longer an afterthought in business strategies
- IM is increasingly being used to achieve business objectives
 - **Improve responsiveness**
 - **Improve quality of service**
 - **Improve productivity**
 - **Increase ROI**
 - **Achieve competitive advantage**

Information Management Can Be Used To:

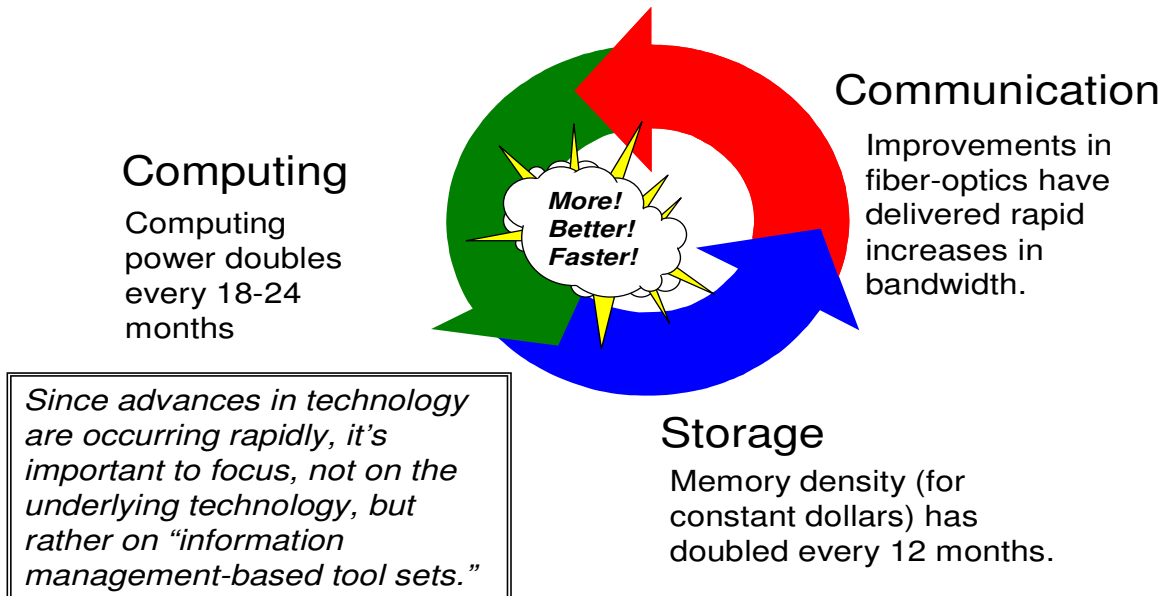
- Create more capacity for people to do what they do best
- Achieve consistency in actions
- Crunch huge volumes of numbers, quickly without error
- Consolidate data and transform it into information
- Make data/information available to multiple functions
- Enforce policy
- Monitor and track performance
- Store history

As the Technology Base Expands and Changes, Information Management Becomes More Complex





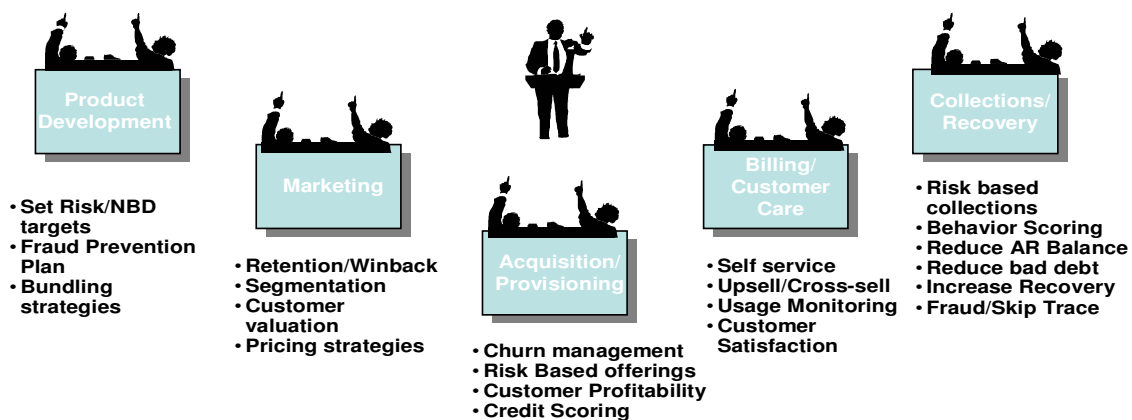
Core Technologies are Evolving Rapidly and Synergistically



Knowledge Solutions can Help Create Information Management-based Tool Sets for Credit Risk Management

1. Extract Information from Workflow Automation and CTI Applications
2. Data Warehousing
3. Data Mining
4. Intranets/Extranets
5. Decision Engine
6. Connectivity to 3rd Party Databases
7. Test & Control
8. Performance Management

How Do We Apply Information Management-based Tool Sets Across the Credit LifeCycle?



1. Extract Data from Workflow Automation and CTI Applications

By extracting data from Workflow Automation and CTI (Computer Telephony Integration) applications, improvements in Credit and Accounts Receivable Management can be achieved.

Information Management Benefits:

- *Apply credit rules consistently*
- *Support complete capture of customer information*
- *Tailor treatment paths to fit customer profiles*
- *Understand collection actions*
- *Enforce collection policies*



2. Data Warehousing

A centralized, integrated repository of information optimized for data retrieval, analysis, and reporting. Includes processes for updating and maintaining data.

Information Management Benefits:

- *Effectively deliver large quantities of up-to-date, consistent information to internal users*
- *Eases evaluation of a business activity*
- *Improves decision-making*
- *Supports forecasting and planning*

3. Data Mining

Process that employs a variety of data analysis tools to discover patterns and relationships in data.

Information Management Benefits:

- *Reduces time spent on knowledge discovery*
- *Improves forecasting via utilization of large samples*
- *Provides scientific support for decision-making*
- *Identifies areas where improvements most beneficial*
- *Lower costs through increased promotion, marketing, cross/up-selling effectiveness*
- *Enables discovery of previously unknown information (Business intelligence)*

4. Intranets/Extranets

Protected internal and external communication platforms based on Internet technology (TCP/IP, HTTP protocols, HTML, etc.).

Information Management Benefits:

- *Relatively inexpensive easy-to-use infrastructure*
- *Enables wide deployment of results reporting*
- *Enables extension of business processes to partners and occasional users*
- *Supports collaboration and communication*



5. Decision Engine

While data warehouses provide an easy-to-use, central repository of useful information, decision engines turn the data into knowledge that can be used in making key business decisions.

Information Management Benefits:

- *Targeting collection strategies based on risk and behavior*
- *Improving customer support by routing calls appropriately in the support queue*
- *Streamlining business processes by enabling instant decisions based on a customer's credit history and an organization's business rules*

6. Connectivity to 3rd Party Databases

Process that provides access to third party databases outside of your firewall that allows you to combine efforts with outside companies in order to meet business objectives and give customers a seamless experience. The most common application in Credit Management is connectivity to credit bureaus.

Information Management Benefits:

- *Ability to make real time credit decisions*
- *Enables the reporting of customer information to the credit bureaus.*

7. Test & Control

Process and tools for comparing and evaluating the performance of different decision/treatment strategies in order to make improvements

Information Management Benefits:

- *Discover and implement optimal strategy*
- *Continuously monitor and challenge existing strategies to ensure evolution over time*
- *Improved understanding of customer behavior*
- *Experimental/scientific corporate culture*



8. Performance Management

Process of monitoring and measuring performance and providing ongoing feedback to management and employees on their progress toward reaching their goals.

Information Management Benefits:

- *Allows for better understanding of organizational results through customization of key process indicators and A/R reporting.*
- *Provides insight into customer segment performance through portfolio analysis and reporting.*
- *Allows for monitoring and tracking of key initiatives critical to meeting goals.*

How Knowledge Solutions Can Help You

- Knowledge Solutions can help you determine your most critical information needs and align them with the goals of the business. We can conduct an Opportunity Analysis that will focus on the business value. We will accomplish the following:
 - *Clearly define your most critical business problems.*
 - *Align information needs with the business needs.*
 - *Determine the value of an information management solution.*
 - *Provide fast payback to the business.*

Our Approach

We recommend a phased approach with specific value- added deliverables at each stage of the project

- **Phase 1:** Baseline assessment of current capabilities with “quick wins”
- **Phase 2:** Expand reporting capabilities and create Management Scorecard
- **Future Phases:** Design long term analytic solution



Phase 1: Baseline Assessment of Current Capabilities / Quick Wins

Phase 1 Activities

- Establish an inventory of existing process controls, metrics, and reports
- Partner with leadership team to identify and address key information gaps
- Conduct readiness assessment and data availability for development of analytic tool
- Establish recommendation for reporting hierarchy, information strategy and process management
- Develop methodology to conduct baseline assessment of policy, process and analytics maturity for future acquisitions
- Deliver “quick wins” by utilizing existing capabilities to create critical reports

Phase 1 Deliverables

- Document defining current metric inventory, gaps and overlaps
- Dictionary of key data elements, including sources, definitions and uses
- Proposal for metric standardization and integration
- Document defining an end-state suite of reports including data elements, sources, and frequency
- Document defining methodology to conduct baseline assessments
- Create new reports utilizing current capabilities

Phase 2: Expand Reporting Capabilities, including Management Scorecards

Phase 2 Activities

- Expand reporting capabilities to leverage all available information
 - Establish links to critical data across the enterprise
 - Develop detailed design for reports to support revised measurement hierarchy
 - Code and produce new reports
 - Generate reports to support deployment
 - Develop and Implement Management Scorecards

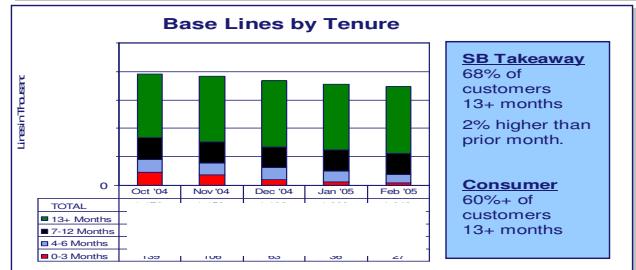
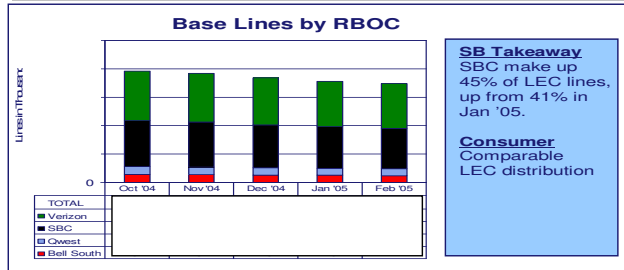
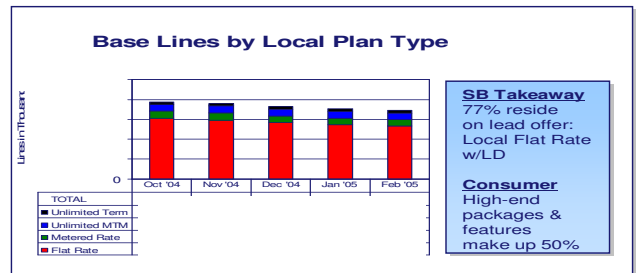
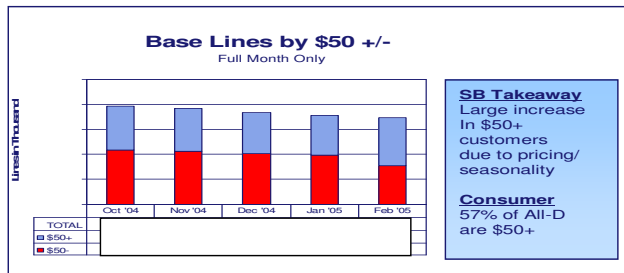
Phase 2 Deliverables

- Full development and deployment of reporting capability and scorecard
- Detailed documentation of new reports and scorecards

Sample Scorecard

Base Management Metrics February 2005		Status	Monthly			YTD		90-Day Trend	12 Month Trend	Key Points
			Monthly Results	vs. Otk fav(unfav)	vs. Plan	YTD Results	vs. Plan			
Customer Movement	Product 1 Base - EOP	●	998K	(15K)	(1K)	998K	(1K)	↓	Steady decrease with no proactive sales activity over last 3 years	
	Product 2 Base - EOP	●	450K	0K	8K	450K	8K	↓	Change in trend due to elimination of proactive sales in Oct04	
	Product 3 Base - EOP	●	17K	0K	1K	17K	1K	↔	Increase in customers started with introduction of low priced ADSL line splitting offers in Jul04	
	Product 1 Drop Rate (%)	●	3.8%	0.0%	0.6%	3.6%	0.8%	↓	Decrease seen in 4Q04 - Possible re-direction of ILEC competitive winback budgets to battle cable	
	Product 2 Drop Rate (%)	●	3.6%	0.0%	0.9%	3.5%	1.1%	↔	Jan'05 was all time low at 3.2%. Save Desk results 183% of Plan for Jan.	
	Product 3 Drop Rate (%)	●	4.0%	0.0%	0.0%	3.9%	0.2%	↔	Drop Rate slightly better than plan. Adds are driving customer base growth.	
Selling	Product 1 Sales	●	10.5K	(4.0K)	(4.0K)	24.1K	(6.7K)	↓	Decrease in sales activity with decrease in customer base - call volumes into centers are main drivers of SALD sales	
	Product 2 Sales	●	9.6K	(2.4K)	(5.0K)	22.5K	(8.6K)	↔	Sales Plan front end loaded - Revenue plan calls for 9K sales per month from ACS SBM Care Centers.	
	Product 3 Sales	●	0.6K	(0.2K)	(0.2K)	1.6K	(0.1K)	↔	Increase in DSL sales with introduction of ADSL Line Splitting Offer in Jul'04	
	Product 4 Sales	●	1.6K	(0.0K)	(0.0K)	3.4K	(0.0K)	↓	Decrease in sales activity with decrease in customer base - call volumes into centers are main drivers of Toll Free sales	
ARPU	Product 1 ARPMIN	●	\$0.276	\$0.002	(\$0.004)	\$0.277	(\$0.005)	↔	ARPM strength from CLC and Access Reform Revenue as well as pricing actions taken in 1Q. Slightly below plan due to stronger than anticipated volumes.	
	Product 2 ARPL	●	\$39.5	\$0.01	(\$2.9)	\$39.4	(\$2.8)	↔	Plan assumed \$3 increase in Jan'05. Actual price increases timed in March due to States' Notification Requirements	
	Product 3 ARPU	●	\$130	\$9	\$1	\$130	\$1	↓	Lower Trend due to Product Mix Shift towards ADSL Line Splitting Offers (\$50/\$100 vs. \$180 DSL)	






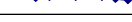









Sample Base Analysis






Starting Jan '05 data period changed from Calendar Month to Journals Month

Sample Process Scorecard

Operational Performance January 2005

	Process Status	Δ	Key Operational Indicator				
			Illustrative Metric	Actual	Target	Trend	Good
Sales	Green	↑	Net Sales				↑
Ordering	Red	—	% Cancellation Rate (Nov Orders)	11.3%	7.0%		↓
Provisioning	Red	—	Sales Order Flow Through - New	70.1%	74.0%		↑
Provisioning	Yellow	↑	Sales Order Flow Through - Add	81.0%	85.0%		↑
Provisioning	Green	—	Sales Order Flow Through - Change	91.8%	85.0%		↑
Provisioning	Yellow	—	% Customers Provisioned by DD - New	84.1%	88.0%		↑
Provisioning	Yellow	↑	% Customers Provisioned by DD Add	86.4%	90.0%		↑
Provisioning	Green	—	% Customers Provisioned by DD - Change	93.3%	90.0%		↑
Provisioning	Green	—	IW Truck Roll Productivity - Provisioning	66.3%	65.0%		↑
Bill Establish	Green	—	% Bill Establishment within Cycle Time	99.3%	98.0%		↑
Acct Accuracy	Green	—	% Billing Accuracy (December Bills)	99.9%	98.0%		↑
Cust Service	Green	—	% Calling Customer Service	21.3%	26.6%		↓
Cust Service	Green	—	% Done	79.5%	80.0%		↑
Maintenance	Red	—	% Sev. 1 Troubles Cleared within 24 Hours	42.0%	60.0%		↑
Collections	Green	—	% Customers Delinquent (January Actual)	25.6%	28.0%		↓

Notes:
 Green < 2% target deviation
 Yellow < 5% target deviation
 Red > 5% target deviation

Future Phases: Develop and Deploy Long Term Analytic Solution

Future Phases Activities

- Design long term analytic solution
 - Conduct assessment of data quality for analytic tool
 - Develop business
- Develop and deliver the long term analytic tool

Future Phases Deliverables

- Document detailing business requirements and design of long term solution
- Production support and maintenance documentation
- Professional services and analytical support to ensure all benefits of the tool are realized