

# Home Credit B.V. fortifies its collection practice with Loxon's Collection System

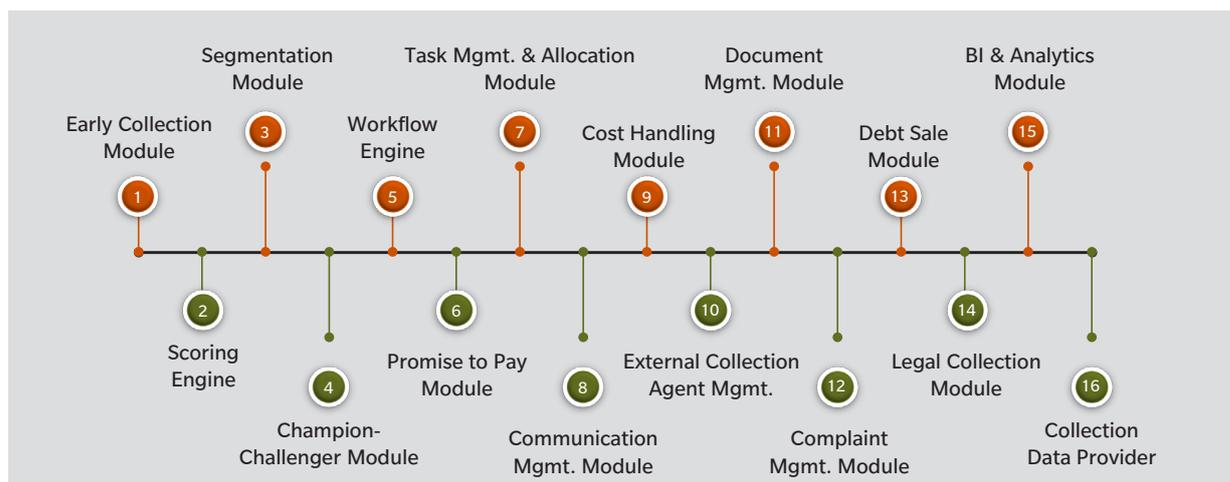


**H**ome Credit B.V. (HCBV) is a global platform for providing consumer finance and was established in 1997 in the Czech Republic. It currently operates in nine countries and aims to ensure financial inclusion and responsible lending for the unbanked, i.e. for people with little or no credit history. Responsible lending involves a strong relationship between the lender and the customer throughout the customer journey. With over 40 million approved loans in 2018, HCBV has shown responsibility towards handholding customers during onboarding and in the repayment phase, until their loans mature.

In early 2011, when HCBV strived to optimize its collection system through redefined collection strategies and processes, it introduced segmentation models in response to changing business needs. It also started looking for ways to transform its collection management. In this respect, the lender was looking for a strong, long-standing partner to assist its rapid expansion from CEE and China to South and Southeast Asia. After issuing an international RFP and applying a stringent selection procedure with a multi-step evaluation process, Loxon Solutions' Collection System emerged as a clear winner.

Loxon was founded in 2000 by young banking experts as a business solutions provider for the financial services industry with a strong focus on lending, collection and risk management and seeing business and technology innovation as part of its core values. Loxon Solutions has grown significantly since then, and is a leading provider of lending, collection and risk management software and services. Currently, Loxon geographic coverage includes Europe, CIS, MEA, and Asia with offices in six countries globally.

By the end of 2011, Loxon Solutions was onboard, starting the group level roll-out with a detailed requirement gathering, resulting in a blueprint document later approved by the client. From its inception, Loxon and its team were well in line with the strategic vision, requirements, and expectations of the lender. The first implementation was in Vietnam in 2012, and within seven years, the Loxon Solution was rolled out in seven countries: Vietnam, Kazakhstan, India, Indonesia, Philippines, the Czech Republic, and China. The solution at HCBV includes an end-to-end product suite of Loxon Collection System, and some of the key features include the modules as illustrated in the above chart.



The group level roll-out involved solution implementation in seven countries, and integration with eight complex backend systems (including Core System, Cards Management System, Datawarehouse, Customer Management, etc.), and 50 peripheral systems. Implementation on this scale requires a strong approach, meticulous planning, preparation and co-ordination across working groups, and multiple third-party solution providers and execution. It is only when all such components fit together well that the outcome is successful.

HCBV and Loxon followed a phased approach to making the new collection system live, starting with a medium sized entity, i.e., the solution in Vietnam and Air Bank (a challenger in the Czech banking system) with contained volumes and exposure to risks. During a multi-country multi-entity implementation, in most cases, a phased approach is considered as industry best practice. The aim in such a case is to start with the low hanging fruits and apply the learning from one implementation to subsequent projects. Thus,



**Home Credit B.V. selected Loxon Solutions for its Collection System because we were looking for a flexible, scalable and robust solution. and a long-term relationship with the solution provider. The final shortlist of three potential partners was evaluated on stringent parameters: their credibility, financial positions, and strength of the solutions based on proof of concepts. Loxon Solution’s Collection System was thus awarded the mandate**

Jan Cenkr, head of software development, EmbedIT (IT center Home Credit B.V. Headquarters)

starting with Vietnam and the Czech Republic, the complexity of implementation increased at every step, with the final entity live on Loxon’s new Collection System being China. For HCBV, China was the most complex, with approximately 25 million contracts and collection cases migrated to the new system. Overall, for all seven entities, the transformation to the new Loxon Collection Systems involved migration of about 40-45 million contracts and collection cases. These volumes indicate that at every implementation stage, the number of Loxon experts had to be increased. Initially, when the implementation was carried out in Vietnam and the Czech Republic in parallel, the Loxon team had approximately 11 members, and as they moved into China, the team, made up of HCBV and Loxon comprised 200 members. Only Loxon had more than 30 staff members involved in the implementation, in various areas of expertise

Often during a large-scale implementation, there is a focus on architecture, applications and technology. However, there are also peripheral aspects, which are critical success factors - and if they are not considered, could negatively influence the outcome. When Loxon implemented the Collection System, all the critical success factors were given equal importance. Here is a summary of what worked well, besides the good architecture, technology and functionality.

**Coordination:** At times, the Loxon and HCBV teams, involved in the implementations across entities, had to coordinate work across seven different time zones. This involves a significant challenge when critical milestones such as migration, testing, issue resolution, configuration control, etc., had to be completed. Such a challenge increases when the solution provider is working on an offshore- onsite model. However, to enhance coordination, the Loxon team was working in shifts to be online and available throughout. During the critical milestones, Loxon deployed its experts onsite. In addition, on-call support was always made available.

**Integration:** There were eight back-office solutions and 50 surround systems with which the Collection System had to be integrated and tested. To end-users or customers of HCBV, integration means seamless availability of services and a fast information flow. However, for HCBV and in turn Loxon, integration means achieving 100% accuracy in migration, extensive testing of services and ensuring regulatory compliance protocols used for communication between systems, stress and security testing and much more. For instance, the call centre interface alone had more than 10 unique flows for which ensuring seamless flow, and security involves a significant effort. Co-location of the development and testing team was adopted, to handle associated challenges with integration. This helped in achieving critical milestones on time.

**Handling high data volumes:** A scrupulous blueprint must support a digital transformation of such a scale, associated with the migration of thousands of users records and millions of collection cases. Absence of a detailed blueprint is a potential risk from an integration perspective. However, during the early stages of the creation of architectural blueprints, potential bottlenecks were identified. Loxon and HCBV then discussed them for resolution or workarounds, so that the associated risks were mitigated from the early stage.

**Unified documentation:** The implementation involved many common functionalities and workflow and a few localisations, which were specific to countries. The need to create unified documentation was critical for establishing standard operating procedures and training HCBV employees accordingly. A new documentation method called a function matrix was implemented, which generates documents based on selected functions. The matrix helped Loxon to handhold HCBV and HCBV business experts, in order to understand the new Collection System better and adapt to it faster.

Although the implementation journey has been completed and took seven years, it is still relevant today. Key lessons have been learned, and there are implications in terms of benefits and benchmarks. Best practices emerged for Loxon and HCBV, which both stakeholders which both stakeholders consider as transferable. Here are some of the benefits achieved from the implementation activity.

- Zero business impact during the implementation
- Advanced segmentation logic, based on scoring and profit optimisation
- Significant resource optimisation in each business area of the Collection
- Real-time reconciliation; no end-of-day process required
- Advanced omnichannel communication
- High level of flexibility because of parameterisation

### KEY FACTS

- Bank:** Home Credit B. V.
- Headquarters:** The Netherlands
- Total assets:** € EUR 24.947 billion (March 2019)
- Number of customers:** 119 million+
- Number of loans to date:** 200 million+
- Solution partner:** Loxon Solutions
- Solution:** Loxon Collection Systems
- Number of implementation countries:** 7