

Using digital communications to competitive advantage in collections

A Decision Analytics briefing paper from Experian



September 2009

Introduction

A key challenge facing debt collection departments is contacting the right person at the right time and ensuring that the most appropriate collections strategy is being used for each individual. Many indebted customers can be difficult to reach, typically avoiding collections calls, and businesses are increasingly aware of the cost involved in getting through to wrong parties, no answers, busy lines and answering machines. Successful collections departments are finding that enabling customers to access and repay their debts without liaising with a human collector is a successful strategy and, as such, there is growing interest towards the use of digital communications in customer collections.

Introduction

Digital technologies, such as interactive voice response, SMS and email communications, and web self-care, can streamline the collections process and increase customer rehabilitation and retention. When coordinated by a modern collections system, such technological enhancement can produce a massive return on investment through automation of activities considered previously to be manual.

This paper looks at the range of digital communication technologies available and identifies how they can help enhance collections efficiency and maximise profit when integrated with the collections system.

Enhance existing strategies with modern technology

Modern technology can provide an opportunity for the collections department to move away from being considered a cost centre to being a significant value generator. The development of digital communications functionality, which can be easily integrated with the modern collections system, can result in significantly reduced costs to collect, as well as improved contact rates and customer retention.

Know your customer

Across a portfolio of overdue accounts only a small minority of customers will be totally avoiding payment but, typically, organisations not using sophisticated collections systems will treat all customers entering collections in the same way. Unfortunately, this threatens to limit the effectiveness of communication with customers unwilling or unable to pay and may alienate those good customers who have never missed a payment.

Modern digital methods can then help by maximising the channels of communications available. This allows the business to tailor the collections system to use the most appropriate form of communication for each customer, to maximise return whilst minimising cost.

Early stage action

Early stage collections often see a large number of customers who will self cure, customers that have simply 'forgotten' to pay, or customers where a clerical error, such as a failed direct debit has entered them into collections. Using low cost technology such as SMS (short message service) or IVR (interactive voice

response) allows collections departments to contact more customers sooner in the debt cycle, and improve cash flow with a low overall cost of delivery, whilst minimising any negative impact on customer relationships. Non-contacts can take up to 80% of a collector's time but a range of functionalities can ensure that they only deal with the right customer at the right time. By using modern technology to tackle the early stage arrears cases the cost of further collections activity may be reduced. Indeed, many customers find automated payment reminders helpful and businesses see increased response rates and payments.

IVR technology enables thousands of personalised calls to be made simultaneously and is a much more effective technology for ensuring right party contact. What's more, this advanced technology offers unlimited capacity, whilst controlling the quantity of calls made according to overall call centre capabilities.

Automate inbound and outbound calls

In the first instance, an automated system can identify that the right party has been reached, thereby reducing time wasted by call centre staff. Calls to each customer can be personalised by recording the caller's name directly over the phone and in some instances a pre-recorded message using professional voices will prove most effective. Once connected, a low-risk customer might be offered an over-the-phone automated service where they can check their balance and quickly and easily make a payment, or given the option to speak directly with a collections agent. A higher risk customer might receive a call with a more urgent pre-configured voice message, or even be connected straight through to a trained collector upon answering. This self-service facility offers a cost-saving alternative for both the customer and the call centre, whilst maintaining high levels of customer service. The automated functionality can be tailored to fit the collections strategies of every business and can be re-configured when required as the number of customers entering collections fluctuates.

Adding intelligence to your web portal

Web self care allows businesses to offer an internet based self-service option for debt management. The flexible facility has the capacity to manage customer repayment plans online, agree affordable instalments and empower debtors to take control of their own finances at a time convenient to them.

Web self care is effectively a dedicated intelligent microsite with online payment processing functionality and guidance to help customers manage their money and get help when they fall into financial difficulty. Online facilities mean that customers with a higher propensity to pay can easily "self-cure", allowing businesses to use human resources in the most efficient way. Additionally, customers who may be embarrassed or distressed about their debt issues have an alternative payment channel which doesn't require them to endure a direct conversation with a collector.

Like IVR facilities, web self care improves customer retention and reduces the potential negative impact of direct contact. Crucially, this tool ensures guaranteed right party contact, 24 hours per day and, in the same way that IVR tools contact defined customer groups, web self care means that collectors are only handling the cases that require a direct and human approach.

Payment proposals can be accepted or declined in real time, following rules defined by the business. Customer payments can be processed online and the most advanced systems can facilitate live web chat between customers and collectors, further reducing the operational cost of the collections department.

Text and email your customers

Beyond the aforementioned functionalities lie additional system features that, when used appropriately, will further streamline the collections process and

ensure that collectors are utilising their time effectively. One such feature is the use of text messaging. Evidence suggests that SMS and MMS messaging is an effective way of reaching customers without direct engagement with a collector. A modern collections system can integrate with an SMS server or facility and, typically, the system will provide the number and the message in files as and when they are needed, allowing the SMS facility to send to thousands of numbers at any given time.

In addition, pre-configured email templates can be sent to different customer groups, in line with any collections strategy. A sophisticated collections system can be set up to send emails over an SMTP server, with the ability to attach pdf documents to the email.

Revolutionising the collections process

In today's diverse communications environment, customers are bombarded with a vast number of messages and options. Collections departments need to maximise the impact of their communication to achieve enhanced collections rates and customer retention by utilising modern technology channels. The tools and systems available to collections departments in this arena enable the most appropriate contact strategy to be applied to each customer.

A sophisticated collections system enhanced with modern digital communications technology allows the 'forgetful' customer to be reminded by text or to make one off payments via IVR, and the 'busy executive' to agree terms over the internet, leaving collections staff free to deal with pre-screened high value accounts. With a cost per contact significantly lower than using human collectors, modern technology makes it possible to change how businesses approach collections by raising the level of communication with customers.

This kind of enhanced system will deliver an immediate lift to the bottom line by allowing companies to collect more debt, whilst reducing the cost of collections activity. System features such as IVR and web self care save time by allowing more accounts to be worked by fewer collectors and to save on operational costs by reducing the need for large numbers of staff. Crucially, these features can be tailored to treat lower value accounts, leaving collectors to concentrate on the higher value, higher risk cases. These technologies are hugely adaptable and can be configured to suit the requirements of any collections facility, regardless of industry or size of the business.

Investing in automated collections platforms will revolutionise the collections process and maximise profit, whilst ensuring that customer retention levels are maintained. The recession has led to a substantial increase in the number of customers entering collections, thus increasing the level of collections activity and the workload of individual collectors. Ensuring that a dedicated collections system is utilising digital communications technologies enriched with data sources will provide every collections department with a real competitive advantage.

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