QUALCO

ADOPTING COLLECTIONS TECHNOLOGY:

A practical guide on developing operational agility through modern collections technology and analytics

DEBT BUYERS, DCAs EDITION

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INTRODUCTION

Sophisticated use of today's collections technology relieves pressure throughout the organisation – benefiting all levels, from senior management to customer-facing staff and consumers in debt.

The ability to specialise and invest in cutting-edge collections technology is one of the defining characteristics of debt purchase businesses and debt collection agencies (DCAs). These businesses enjoy a single-minded collections focus, and can invest in technology that some creditors may find hard to justify. Technology is one of the foundations of a collections operation. By understanding and improving its adoption, all levels of the organisation - from the collections floor to the C-suite - benefit.

Proper use of people and data enables accurate performance management internally and externally, cutting costs and improving customer outcomes. Reducing the cost of collections and ensuring portfolios are seamlessly onboarded is crucial for both purchasers and DCAs to be efficient and profitable.

Collections firms must cope with a wide array of client systems and processes, with different requirements for treatment and auditing across multiple portfolios of debt. They may be taking on accounts where collections have been piecemeal or passed to multiple agencies before reaching their system. Instead of a strategic consideration, collections activity to date may simply have been a series of day-to-day tasks, with disengaged and frustrated consumers.

Purchasers and DCAs must make sure their operations use the right data to reach proper solutions – both in accurately pricing portfolios and determining the treatment for each customer: reducing costs, restructuring accounts and rehabilitating customers for their clients to potentially lend to in future. Strategic defaulters can be ring-fenced from co-operative customers and those with high potential returns prioritised, while ‘gone away’ customers are traced and analysed.

All of this must be done with strict adherence to ever-changing compliance and regulation. Lenders rely on the specialist collections sector to be on top of regulatory changes. Adverse publicity will damage the originating creditor’s brand and could result in that lender severing the business relationship. Collections systems can’t afford to be static – they need flexibility and adaptability to be in-built.

Technology is also changing rapidly. In future, collections systems may need to cope with biometrics, voice recognition software and gamification. Debt purchasers and DCAs are already looking at creative ways to engage with consumers – they will need platforms with open APIs and the ability to connect seamlessly with these other technologies.

There are four key pillars of understanding collections technology adoption: framework, regulation, people and data. In this white paper we outline these pillars and the different benefits that can be derived from proper implementation at all levels of a specialist collections business: C-suite, management, the collections floor and beyond.

THE RIGHT FRAMEWORK

Having the right framework and methodology is the first pillar of implementing collections technology effectively.

This allows a debt purchaser or DCA to understand and analyse a debt portfolio so they can segment customers and create different strategies to suit individuals or types of account. This is crucial both from a servicing perspective, when time and resources affect the margins achieved, and in a pre-sale environment when bidding on portfolios and determining pricing.

For example, a portfolio can be segmented into guaranteed collectability (such as government-backed loans), secured, unsecured and limited collectability debts (such as insolvencies). Models can then be used to determine the probability a consumer will respond to a particular communication channel, the best time to contact them and the likelihood of an individual accepting and honouring a payment agreement.

For the C-suite, a framework gives confidence that collections are being considered strategically and realistically, ensuring the price paid is justifiable and maximum value is derived from a portfolio.

The best outcomes will only be delivered when a portfolio is understood fully. That understanding allows a business to decide which tranches of debt to purchase, which to keep and work in-house, and which to outsource to third parties with niche specialisms (such as probate debts, insolvencies, field tracing and litigation).

At a customer-level, the use of data and modelling allows today's collections technology to identify the correct approach on an individual basis.

The result is that customers feel they are being treated according to their particular needs, while time is not wasted on inappropriate attempts to contact people (such as sending letters to known 'gone aways'), or on strategies unsuited to their circumstances, for example offering settlements to people who cannot afford to take advantage of them. Those leading and managing collections teams can design effective strategies that maximise profitability, reduce waste and keep the consumer onside.

> *"Having the right framework and methodology allows the organisation to segment portfolios effectively and deploy the best strategy for each debt. The benefits arising from this are multiple."*

Ensuring knowledge of the portfolio, its valuation and the make-up of customers within it is important for portfolios of performing accounts as well as those in early or late-stage arrears. Increasingly, creditors recognise that deploying specialist DCAs at the early stages or selling earlier puts borrowers on a treatment path sooner, increasing the chance of successful restructuring.

A knock-on effect of this framework is that agents speaking to consumers have confidence they are taking the right approach and are more likely to enjoy their jobs. Happy staff make for better customer outcomes, while reduced turnover lowers the cost of training. Both of these are essential elements of success for purchasers and DCAs, who face increasing pressure on their margins.

These strategies also mean customers can be rehabilitated and retained for the future, improving the end result for the original lender.

Having flexibility is crucial if agencies and buyers are to cater to multiple debt types and creditors at the same time and in the same environment – from banking and finance to utilities, telco, motor finance, public sector and commercial debts. They may have limited timeframes to work the debt and demanding targets.

Businesses should be using collections systems that offer operational agility and allow their agents to move effortlessly between accounts and portfolios, responding to incoming contacts and outbound attempts. Only then will they reduce the cost of collections while maximising returns and ensuring high levels of compliance.

THE RIGHT TREATMENT:

Regulatory Compliance

While system flexibility doesn't have to be a constraint, regulation and compliance concerns must be front and central when it comes to implementing collections technology.

Debt collection specialists have long been aware of their duty to treat customers fairly, the business benefits of acting this way and the consequences of failing in this regard. Today's collections environment comes with a steady stream of audit visits and bespoke requirements from originating creditors.

Keeping on top of the changing regulatory environment and ensuring the business has the skills to respond quickly to market conditions is, therefore, a key pillar in collections technology.

For example, GDPR legislation has reinvigorated discussion on the use of customer data as well as laying down rules on how these data are stored and used. Evidencing permissions to use and share data, including securing permission to record vulnerabilities that affect repayment, is crucial. Likewise, data portability means firms need to be able to access and isolate customer information when appropriate. Collections teams must navigate these difficult and sometimes emotional stages of the process. They need systems capable of assisting them with these requirements.

The right technology offers transparency through advanced analytics and reporting environments. It enables streamlined and controlled forbearance campaigns that lead to amicable solutions, reducing the risk of falling foul of regulation and doing the right thing for the customers.

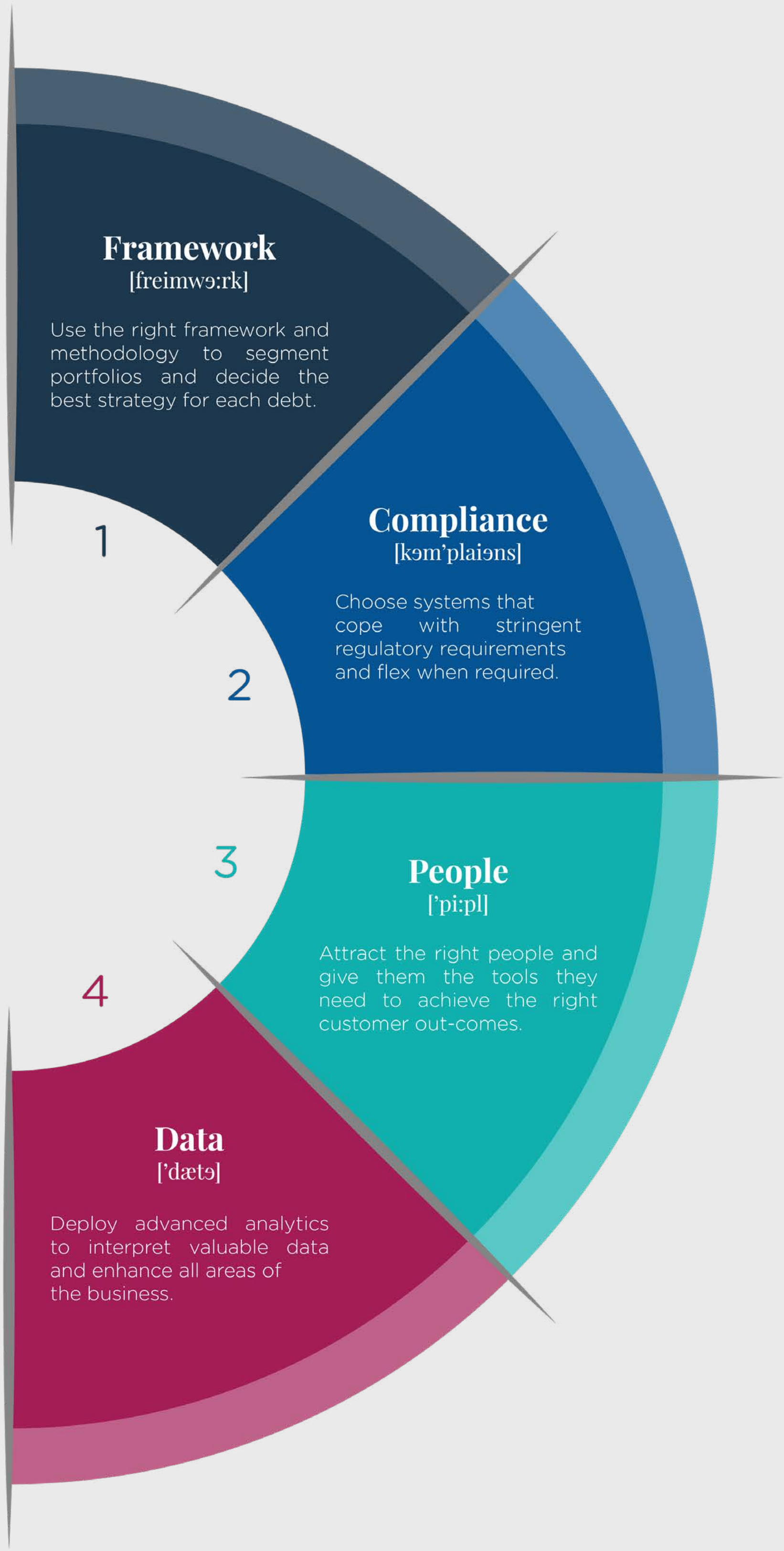
Real-time visibility of activities on each account is a reassurance in today's stringent regulatory environment – and something that can be made available to clients so they can see progress and feel confident in their outsourcing decisions.

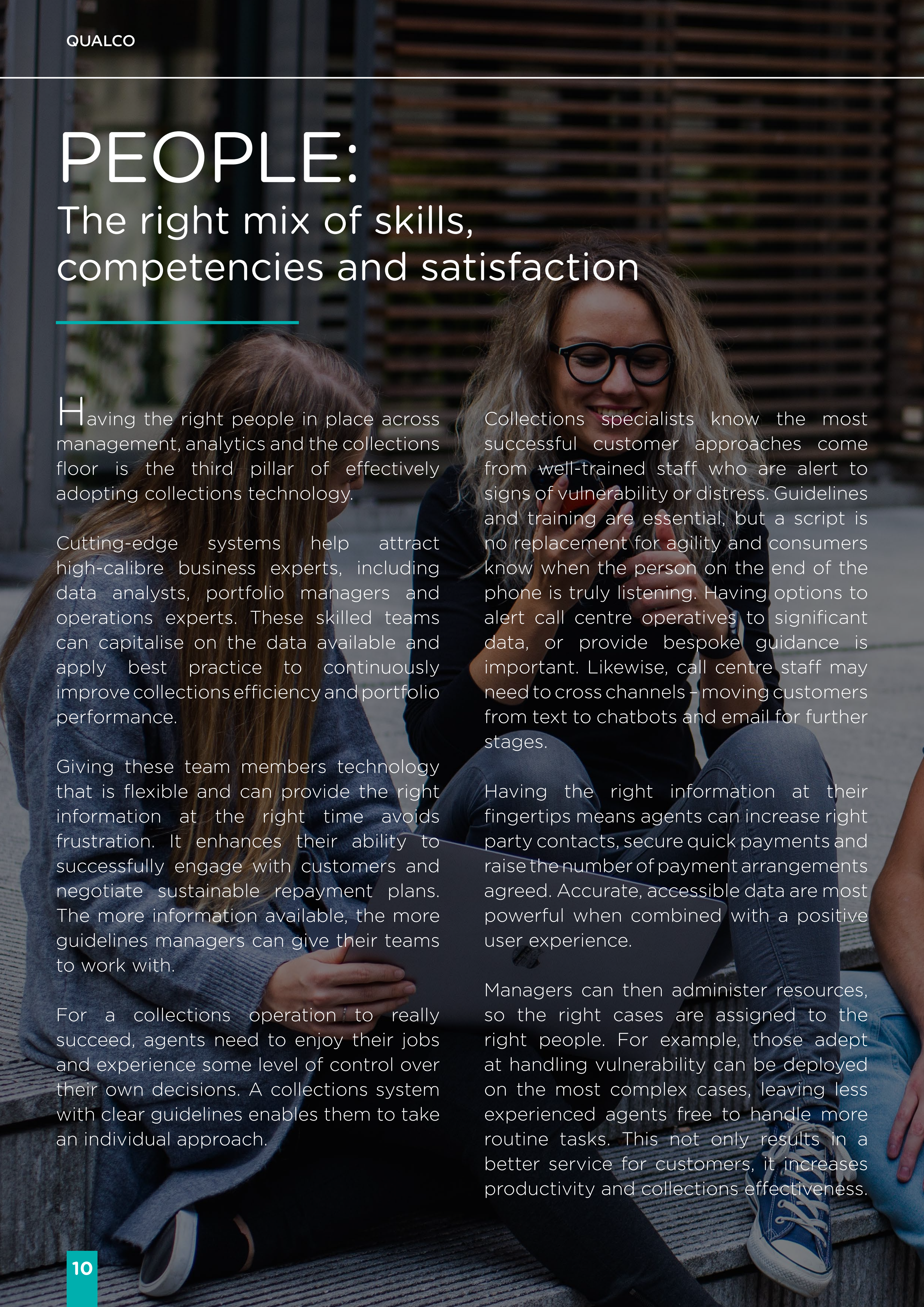
Senior management and heads of collections should also be able to see what is happening on all customer accounts, both inside the organisation and with third parties: every contact, every engagement, every result, at the click of a button – at their desk or on a mobile device.

COMPLIANCE IS A TOP PRIORITY IN TODAY'S FINANCIAL ENVIRONMENT. HAVING SYSTEMS THAT CAN COPE WITH COMPLEX REQUIREMENTS AND FLEX WHEN NECESSARY IS ESSENTIAL.

THE FOUR PILLARS

Of adopting collections technology





PEOPLE:
The right mix of skills, competencies and satisfaction

Having the right people in place across management, analytics and the collections floor is the third pillar of effectively adopting collections technology.

Cutting-edge systems help attract high-calibre business experts, including data analysts, portfolio managers and operations experts. These skilled teams can capitalise on the data available and apply best practice to continuously improve collections efficiency and portfolio performance.

Giving these team members technology that is flexible and can provide the right information at the right time avoids frustration. It enhances their ability to successfully engage with customers and negotiate sustainable repayment plans. The more information available, the more guidelines managers can give their teams to work with.

For a collections operation to really succeed, agents need to enjoy their jobs and experience some level of control over their own decisions. A collections system with clear guidelines enables them to take an individual approach.

Collections specialists know the most successful customer approaches come from well-trained staff who are alert to signs of vulnerability or distress. Guidelines and training are essential, but a script is no replacement for agility and consumers know when the person on the end of the phone is truly listening. Having options to alert call centre operatives to significant data, or provide bespoke guidance is important. Likewise, call centre staff may need to cross channels – moving customers from text to chatbots and email for further stages.

Having the right information at their fingertips means agents can increase right party contacts, secure quick payments and raise the number of payment arrangements agreed. Accurate, accessible data are most powerful when combined with a positive user experience.

Managers can then administer resources, so the right cases are assigned to the right people. For example, those adept at handling vulnerability can be deployed on the most complex cases, leaving less experienced agents free to handle more routine tasks. This not only results in a better service for customers, it increases productivity and collections effectiveness.

PEOPLE CAN BE THE SECRET TO SUCCESS OR THE DOWNFALL OF A COLLECTIONS BUSINESS. FINDING THE RIGHT PEOPLE, GIVING THEM THE RIGHT TOOLS AND ENSURING THEY HAVE JOB SATISFACTION LEADS TO BETTER BUSINESS AND COLLECTIONS OUTCOMES.

Research demonstrates that employee happiness is closely associated to organisational productivity and innovation – happy staff make for better customer outcomes and reduced turnover lowers the cost of training.

Technology can be used to monitor agent performance and customer satisfaction, enabling managers to step in quickly and take action if a call goes poorly. This real-time monitoring is transforming the effectiveness of collections teams and reducing poor experiences that previously lingered in the minds of consumers.

Meanwhile, automating routine tasks frees humans to do higher value work. This applies to both in-house agents and third parties who may be working particular accounts on the organisation's behalf.

All this should be achieved with low IT involvement so the debt purchaser or DCA can make adaptations without needing input from the technology vendor. Systems should also be able to cope with the input purchasers and DCAs will receive from a wide variety of originating creditors, integrating any accounts quickly and seamlessly, then providing real-time feedback and results as they begin collections. Smooth-running technology helps collections businesses build and retain skilled teams that can not only deal with the ever-changing credit (and regulatory) environment, but find innovative uses of data and analytics to stretch their capabilities further.

THE RIGHT DATA:

Using them wisely

The use of data is the fourth pillar of collections technology adoption.

Using models that cover the whole of the market allows debt buyers and DCAs to master Big Data, taking advantage of expertise secured beyond individual portfolios, supplementing it with credit reference agency information.

Debt purchasers will have to make decisions with limited information when bidding on portfolios in competition with others. They may, for example, be seeking new markets and bidding on unfamiliar debt types. Having sophisticated models and analytics that can interpret this information enables them to make better decisions and pitch their pricing at the right levels.

They can then segment and work different portfolios in the most appropriate way – ensuring they are contacting the right people at the best time and offering different channels of communication.

Data also allow firms to industrialise decision making. They can make easy changes in strategies, launch campaigns quickly, measure results and adjust their collections strategies appropriately.

This keeps risk at a reasonable level, allowing teams to identify the optimal channels for communication with customers, while also monitoring group exposures and payment behaviour.

Data offer enhanced business intelligence, giving the ability to identify customers / portfolio segments with high potential recoveries as well as strategic defaulters, so groups can be handled differently and with different priorities. The ability to monitor a highly-segmented and fast-moving market gives collections teams a critical edge in raising their collections levels without a deterioration in customer experience.

To take advantage of this, systems must be capable of describing, ingesting, transforming and serving large volumes of inhomogeneous data from any source: these could be past portfolios, credit reference information, white data or feeds from third-party providers. They then automatically generate segmented predictive models, matching them to business processes and objectives.

This should be seamlessly integrated into daily operations, feeding results to those platforms. Past performance on similar portfolios or customer types can inform the best approach – for example, detailing the best time to call to maximise the chance of contact.

Collections can be highly complex. For example: systems may need to cope with parallel restructuring streams within one account – encompassing distinct repayment and interest plans where different partitions of the same debt are treated differently. Technology can create tailored repayment plans using a diverse set of repayment options.

Models can and should be accessible to both analysts and less technical business stakeholders – forming a common language between the two.

Using collections technology should reduce the cost of in-house development and everyday operations efforts, cutting cost to collect figures in an environment in which margin pressure is escalating, and enabling firms to increase the portfolios under management. Purchasers and DCAs need the right data to make the right decisions is at their fingertips.

COLLECTIONS BUSINESSES CAN WORK WONDERS WITH THE RICH VARIETY OF DATA AVAILABLE TODAY. THEY NEED SYSTEMS THAT CAN TAKE IN AND TRANSFORM RAW DATA, GENERATING CONSUMER AND BUSINESS INSIGHTS THAT BOOST STRATEGY AND PROFITABILITY.

CONCLUSION:

Effective use of collections technology can transform the results generated by specialist debt purchase and collections businesses.

The benefits are multiple:

- > **Technology that can accept accounts from a range of creditor systems**
- > **Segmentation and determination of individual account strategy**
- > **Happy staff performing optimally**
- > **Monitoring results and providing an audit trail**
- > **Automating routine tasks**
- > **Reduced burden on IT**
- > **Enhanced recovery levels**

The right methodology; the highest levels of compliance; the right people with the right skills; and bold use of data are strong pillars of effective collections. Underpinned by technology, these pillars allow debt purchasers and DCAs to thrive in a pressured environment, where margins can be tight and optimising the approach is essential. Cash collected can be maximised, with excellent customer care and strong compliance.

THE RIGHT METHODOLOGY; THE HIGHEST LEVELS OF COMPLIANCE; THE RIGHT PEOPLE WITH THE RIGHT SKILLS; AND BOLD USE OF DATA ARE STRONG PILLARS OF EFFECTIVE COLLECTIONS.

QUALCO

QUALCO is an expert provider with more than 15 years' proven experience in enabling clients to take control of customer data across the entire credit lifecycle. Whether you are looking to modernise your internal collections platform, delve deep into the analytics of your entire debt portfolio to drive future strategy, or harness the power of external service providers, QUALCO has a solution to help you drive efficiencies and streamline your collections and recoveries operations.

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