

Optimizing the Collections Process

Executive Summary

Consumer debt has ballooned to record levels, topping \$2 trillion in the U.S.¹ A rising number of consumers face a precarious balancing act, forced to choose between covering basic living expenses and paying down their debt. For many, this growing debt bubble is subject to burst when unforeseen circumstances, both macroeconomic and personal, alter a family’s income and savings levels. Rising fuel prices and interest rates that combine with a personal crisis like unexpected medical bills or unemployment can create a past-due spiral that triggers entry into the collections business process.

Ironically, the most affluent developed countries are among those facing the highest consumer debt. The United States is number one when it comes to the percentage of the population that claims to “have no spare cash,” according to a recent ACNielsen survey of consumers in 38 markets. More than one-quarter (28%) of U.S. respondents said once they have covered their essential living expenses, they have no money left over.

Markets With Highest Percentage of Consumers Who Have No Spare Cash (Global Average = 13%)

Ten Highest	Market	% With “No Spare Cash”
1	United States	28%
2	Portugal	24%
3	Brazil	23%
4	Chile	21%
5	Korea	19%
6	Canada	19%
7	Netherlands	19%
8	Denmark	18%
9	Sweden	17%
10	Greece	17%

Markets With Lowest Percentage of Consumers Who Have No Spare Cash (Global Average = 13%)

Ten Lowest	Market	% With “No Spare Cash”
29	Philippines	8%
30	Taiwan	8%
31	China	7%
32	India	7%
33	Ireland	7%
34	Mexico	7%
35	Spain	7%
36	Indonesia	5%
37	Russia	5%
38	Thailand	5%

Source: ACNielsen Online Consumer Confidence Study



¹ Federal Reserve statistical release, Aug. 5, 2005.

Cash-strapped consumers have turned increasingly, either by choice or from necessity, to buying on credit. While not all consumer debt will reach a delinquent status, the rise in consumer debt is creating an increased demand on the collections process. To mitigate portfolio risk before consumer debt spins out of control, creditors initiate the collections process and contact customers to cure their accounts. For contact center managers entrusted with this key business process, maximizing the efficiency and effectiveness of a collections contact center is an ongoing challenge. Successful collection centers must continually analyze contact center performance and agent efficiency to maximize dollars collected and/or minimize roll rates and charge-offs.

Risk Assessment

The collections process continues to evolve and change. Companies can no longer afford to focus only on collecting dollars owed; they must also focus on individual debtors. Collections companies are looking closely at who owes money and their propensity for repayment, both now and in the future, in order to devise strategies and structure payment arrangements that fall within the proper collection guidelines and meet federal compliance regulations globally.

Consumer behavior is always hard to predict, and past-due consumer behavior can be even trickier to forecast in light of multiple past-due creditors and competing consumer priorities. Companies optimizing their collections process today utilize credit bureau scores, risk scoring models, and any attributes garnered and captured from past customer interactions to help ascertain the risk level of a given account. It all comes down to a single question – what is the likelihood of repayment?

True risk assessment takes into account the environmental variables that may cause a person to stop paying. While the ultimate goal remains the same – to collect the past-due dollars – there now exists a more complex need to understand the debtor. When can payment be expected? Is this a chronic debtor? What is the debt write-off risk?

Why is this information so important? Knowing that a person lives in an area recently hit by a natural disaster or knowing that a person is consistently 90 days delinquent can be key business intelligence to provide insight into what is likely to happen next and help creditors better assess and manage the overall risk presented by the past-due account debt. ductivity.

Achieving Effectiveness As Well As Efficiency

The efficiency of the collections process will always be an important goal. Metrics such as talk times, after-call work or wrap times, penetration rates, and dollars collected per hour are necessary and standard measurements to gauge business process efficiency.

Gauging the effectiveness of the collections process, on the other hand, is more difficult. Business process managers must truly understand their contact center metrics in the context of overall business and financial goals. As the collections process evolves, more and better effectiveness measures are being brought to bear, e.g., promise-to-pay kept percentages, roll rates, cure rates, etc. Other measures of effectiveness are even harder to quantify: How is effectiveness enhanced when collectors are connected directly to customers? Can the collectors overcome objections? Can they sell debtors on paying this debt before paying other creditors? The metrics of talk times, after-call work or wrap times, or right-party contact rates may not capture these performance indicators.

Strategic management ensures that the collections process is both efficient and effective and provides the greatest chance for engaging past-due customers and improving right-party contact rates. Customer profile data can be leveraged with the right tools and technologies to enable best-time-to-call strategies, while enhancing right-party contact success and agent productivity.

Managing Lists Strategically to Maximize Collections

One of the biggest challenges facing collections firms today is effectively managing customer lists for optimized contact rates. List management strategies ensure that the accounts representing the highest risk to the collections process are targeted with the right collections treatment in order to maximize collections.

The collections process must encompass methods that automatically change workload assignments based on given contact list quality, risk, and probability of contact. The strategies used in managing dialing operations should not be carved in stone; they are an exercise in probability, seeking the best contact times available with a given staff resource allocation. Dynamic changes to strategies should be based on triggers, such as time of day, calling list penetration rate, hit rates, risk assignments, and agent resource availability.

Some collections companies operate in multiple locations, often with competing debtor contact strategies and different methods and philosophies for managing portfolio risk. To be more effective, collection companies must adopt a holistic view of operations to sharpen competitive edge, promote best practices, drive efficiency gains, and achieve profitability goals throughout the enterprise. Greater agility and increased productivity are paramount, as are streamlining processes, reducing operational costs, ensuring business continuity, and maintaining compliance with legislative mandates, security policies, and customer-specific business rules.

Centralizing list management strategies enables collections businesses to develop, execute, and manage enterprise-wide contact strategies from a single source in real time. This helps eliminate inter-company collection silos and resolves many of the technical issues surrounding disparate contact centers with multiple technologies and collection approaches. This is the beginning of true strategic business process management.

Identifying which customers are more apt to make payments or set up payment arrangements determines how successful the risk management strategies will be. The ability to dynamically change account and list segmentation in real time, to adapt to trends and patterns within specific list sectors, and to react to environmental factors that may impact contact rates within specific lists (e.g., weather events, regional contact patterns) all are necessary to ensure that customer contact strategies are effective.

Strategic list management enables collections centers to segment debtors according to risk level. Some are low-risk or infrequent debtors who may simply need a payment reminder as a result of losing an account statement or because of an oversight. These may require no more than a reminder notice or an outbound call scripted with an interactive voice response (IVR) to capture payment information. This is a more strategic approach, freeing up collections agents to work on riskier accounts. This approach helps automate early-stage collection efforts, which is especially valuable for centers with large volumes of early-stage account records, enabling collections managers to target riskier debtors.

Monitoring and Tuning Performance

One way to achieve strategic collections management is through real-time analysis of available information. True data analysis involves more than building new contact center reports. It is essential to continually optimize operations by measuring key performance indicators (KPIs) such as right-party contact rates and promise-to-pay kept percentages by agents, lists, campaigns, and portfolios. These are true effectiveness measures that track collections success.

Creating and tracking KPIs that contain both efficiency measures, such as percentage of after-call work, as well as effectiveness measures, such as percentage of promises kept, assists contact center managers in creating trend analysis and baselines for productivity improvements. This helps to maximize the most valuable and costly resource - contact center staff - to enhance agent performance, improve collection, and optimize resources, which results in increased customer contact, productivity, and quality.

Performance scorecards containing efficiency and effectiveness metrics to evaluate agent, team, and overall contact center performance ensure a meaningful impact on collections process effectiveness. A performance data warehouse that can automatically populate performance scorecards is required to measure the KPIs that drive successful collections initiatives and facilitate the management of both efficiency and effectiveness measures to optimize collections efforts and best practices.

Analyzing and understanding performance trends over time improves the health of the business. This allows strategies to be adjusted in real time to tune operations as needed. Optimized operations automatically gather data from multiple sources and create an ongoing performance data warehouse with trend analysis capabilities.

Optimizing Agent Performance

Collections contact centers predominantly make outbound calls, but also generate inbound call traffic. Centers that handle both incoming and outgoing calls are faced with a critical decision – how to efficiently and effectively balance inbound and outbound volumes to achieve excellent service and to optimize agent productivity.

Call blending technology increases the efficiency of the collections contact center by monitoring calling traffic and dynamically deploying agents based on call volume needs. Call blending helps maximize collections agent resources and eliminate agent silos to improve cost savings. It is designed to automate tasks associated with managing inbound and outbound calling patterns, including assigning agents to inbound or outbound tasks automatically based on agent availability as well as skill sets.

This can be further facilitated by the use of skills-based routing. Business rules can take into account the types of calls, levels of delinquency, debtor risk score, debtor contact record, etc., to determine which calls should get priority and how they should be handled. A low-risk customer can be routed to a self-service IVR application, while a high-risk customer can be sent directly to an experienced high-risk collector. All contacts, whether inbound or outbound, should have business rules applied in order to ensure consistency in call treatments and maximize contact center staff.

Skills-based routing can also consider agent proficiency and skill level at a granular level when making routing decisions. It can be most effective when contact center administrators can specify what skills an agent should have for a particular type of call and assign a specific level of proficiency for that call type. For example, an outbound calling campaign may require Spanish-speaking agents with a high level of proficiency. Only agents with the matching skill - Spanish, High - should have calls routed to them for that campaign to maximize account collections and minimize potential call transfers.

Optimizing Collection Resources

Strategic list management, monitoring and tuning of operations and agent performance are critical to efficient and effective collections processes. To continue meeting the challenge of optimizing operations managers need to enhance agent performance, providing process improvements and resource optimization that will balance effectiveness with efficiency. The goal is to increase the productivity and quality of customer contact, while not adversely impacting agent retention levels or contact rates.

Optimizing all of the capabilities available to the contact center manager – technology, people and processes – ensures that the required resources are available at the right time to complete assigned workloads in a strategic and proactive manner.

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