



Collections Strategies in a Tight Economy:

BEST PRACTICES FROM INDUSTRY LEADERS





In these tough economic times, companies need to re-think their collections strategies as they compete with other creditors for the consumer's limited resources.

Overview: The New Collections Environment

Companies across industries are currently facing an unusual and complex financial environment worldwide. In today's economy, with the massive de-leveraging of consumer debt underway, many organizations are challenged with ballooning collection efforts. Businesses already facing profit pressures have to undertake collections thoughtfully and efficiently in order to reduce costs and optimize business incomes. Old models of collections that worked well in past times of easy credit may not be appropriate in today's situation.

Many factors are changing the collections environment, including:

- **Tight credit.** Consumers do not have the easy credit options previously available to them, by which they could consolidate and roll over debt into vehicles like home equity loans. Therefore, collections activities now require more care and thought on the part of both agent and consumer.
- **High collections volume.** Record numbers of consumers are having difficulty paying their debts. As job losses continue, accounts in collection will increase.
- **Complexity,** particularly in the mortgage industry. Companies are working with a wide range of complex debt instruments. Renegotiating or restructuring these debts is a complex process, requiring skilled agents and integration with back office processes.
- **Consumer stress.** Many consumers have to choose which debts they resolve. You want to be sure that your account falls into the priority category. In some cases, such as underwater mortgages, consumers may be tempted to walk away from the debt.

Heavy-handed collection techniques that alienate the consumer are a bad idea for many reasons. First, you may be competing with other creditors for the consumer's limited resources. Second, when times improve and customers are back on their feet financially, you may still want them as customers. It is always more cost-effective to retain a customer than acquire a new one.

So, what do you need to do differently? Here are some general principles:

- Be creative in the collections process to identify and contact the right customers at the right time.
- Maintain a constructive relationship with the customer during the collection process.
- Support and empower your agents to work effectively and efficiently to optimize business outcomes.

This paper suggests strategies that work — even in the current tough market — based on the success experienced by several Genesys customers who have combined smart business practices with flexible technology and skilled agents to optimize performance while maintaining customer relationships. While this list is not exhaustive, it offers a rich source of ideas for collections strategies in today's environment.

Design Campaigns Creatively to Optimize Outcomes

The first step is to design the outbound campaign(s) that you will use to reach customers. Creative and innovative strategies can optimize collection success and/or enhance customer relationships, while keeping costs to a minimum.

Your campaigns should always be based on the most recent customer data available in your databases. Once you identify the customers you want to reach, remember that segmentation will help drive decisions on how best to handle the campaign. You may need IT support to create the job that 'pulls' those customers and connects them to your contact center environment for the outbound campaign.

Some campaigns will require your most experienced agents, while others may be candidates for proactive SMS notification and IVR interaction. Be sure to match agent skill sets, create scripts, and design the overall call routing and strategy for the best results.

Here are a few examples of ways that our clients are devising specific campaign strategies through customer segmentation.

REACH THE CUSTOMER EARLY

One sound strategy is to reach customers as early as possible after their account becomes delinquent, as you will likely have a wider range of available options for handling the problem before late fees and interest charges escalate.

For example, a company specializing in mortgage collections reaches out to customers when they are as little as three days late with a payment. This gives them time to assess the customer's financial situation and intentions and explore options, such as rolling late payments into the debt or forgiving specific fees. By acting early, this company builds and maintains a constructive relationship with its customers and avoids future problems and losses.

REACH OUT TO CUSTOMERS EVEN BEFORE THEY ARE IN TROUBLE

In this era of mergers and acquisitions, many businesses find themselves with at-risk customers based on questionable lending practices or offerings. By actively seeking out these customers, you can reduce capital at risk and increase customer retention.

After an acquisition, one major lender found itself with many customers holding potentially 'toxic' loan instruments. Even those customers that were in good standing before faced a good chance of becoming delinquent when scheduled interest rate adjustments took place.

The company worked proactively to find customers with loans that met certain criteria — loans in good standing, pending interest rate adjustments, and so on — and to then help them into new loans that conformed with Fannie, Freddie, or FHA guidelines. The "win-win" was that the company was able to remove questionable loans from their books, while their customers avoided the pain of financial crisis and benefited from a steady, fixed mortgage payment.

SEGMENT CUSTOMERS BASED ON COLLECTION EFFORT

Another strategy is to segment customers by the collection effort involved, and design specific campaigns and strategies for each group.

Companies that implement a strategy that combines smart business practices with flexible technology and skilled agents to optimize performance while maintaining customer relationships will be those that succeed in today's environment.



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For example, overdue balances are common in the medical industry. One major medical group divides its collections accounts by size and uses different strategies for each. Some accounts are only a few dollars in debt, while others may be thousands of dollars in arrears. The smaller balances are generally easier to collect than the larger ones. But while it may be tempting to focus collection efforts on the larger balances, the aggregate impact of clearing the smaller balances can quickly become very valuable for the business.

This same medical provider creates distinct campaigns for the two different customer segments, which allows them to optimize the campaign and process flow according to the collection effort.

- For accounts with smaller balances (say, less than \$500), the collection campaign uses predictive dialing, so the agent sees the customer record only when the call connects. Because settling these smaller accounts is generally quick, the company is able to work through considerable volumes, with up to 50 minutes of talk time per hour.
- The business uses separate campaigns for accounts with higher balances. These campaigns leverage more skilled agents and progressive dialing, which gives agents the chance to review the customer information before speaking with the customer.

Once you have identified campaign strategies, you need to be able to execute them efficiently and cost-effectively, as described in the best practices outlined below.

Support And Retain Skilled Agents

Collections is a difficult job, and agent turnover is not uncommon. Turnover increases collection costs because more time and effort is required to train new agents. By supporting and retaining expert and skilled agents (such as those with knowledge of complex debt restructuring), however, you will reduce costs and improve business results.

GIVE THEM THE INFORMATION THEY NEED

Agents need up-to-date information at the moment they are engaged with the customer. This data should include any interactions that have happened via other channels. Agent scripts, supervisor monitoring and training, and a standard response library are all means of supporting your agents and helping them develop their skills.

Also, be sure to route calls using skills-based routing, so that the most appropriate agent with the proper mix of skills and information can handle the call.

USE BLENDED INBOUND/OUTBOUND AGENTS

Using blended agents that handle both inbound and outbound calls benefits both your business and the agent. From an efficiency perspective, blending inbound and outbound lets you deploy resources most effectively based on call volumes — shifting agents to inbound when volumes are high and to outbound when volumes are lighter. This reduces idle time and helps your business handle larger-than-normal collections volumes. You get the best results when you automatically shift agents based on business policies.

Outbound collections calling can be very difficult and stressful. Therefore, agent blending often benefits the agents themselves as well, because mixing in inbound calls gives agents a chance to work with customers who are willingly calling into the company, which adds welcome variety to their work.

One financial services organization doing mortgage collections finds that blending helps with agent retention and creates stronger agent skills, as having a greater variety of calls makes agents more interested in their work. The result has been that this organization has seen a much higher agent retention rate than average, with a turnover rate of less than 20%.

LET THEM WORK FROM HOME

Another way to keep agents happy is to give them the ability to work from home, either some or all of the time. If you support home-based agents, however, you cannot sacrifice centralized management and visibility into their efforts.

Using flexible contact center technologies, you can add remote and home-based agents to the virtual contact center, providing the same call routing, tracking, and customer contact information to the agent no matter where they are working.

Nurture The Customer Relationship

In today's environment, you may be one of several creditors competing for a customer's limited financial resources. It is more important than ever to create and nurture a productive relationship between the customer and your company, as represented by your agent.

Traditional collection practices often segment customers according to delinquency and send them to different agents for each category (<30 days, 30-90 days, etc.). Less skilled agents typically manage less delinquent debts, while higher skilled agents manage riskier debts. But because customers are taking longer to settle their debts, using this practice requires a customer to interact with several different agents, which means that any trust or understanding established with an agent must be re-established each time with the new agent.

Some financial services firms are experiencing greater success by switching to a model in which a customer stays with a single agent throughout the collection process. This strategy supports a closer, "consultative" collections process that delivers higher success rates in this economy.

USE CURRENT INFORMATION

A customer's status can change within a day. When running outbound campaigns, be sure you are always using the most current information from your business databases, and refresh the campaign on a daily basis.

In addition, ensure that the agent has access to full and timely customer information when they speak with a customer — including any interactions that may have already taken place on the same day.

Give Customers Options For Contacting You

In today's environment, success is all about working with the customer productively. This means that you need to give the customer some degree of control in how they interact with you throughout the process.

OFFER MULTIPLE CHANNELS

You want to be able to interact with the customer when and how they want. Consider adding other channels, such as e-mail or Web chat options, for customers who are more comfortable with these types of interactions. For example, you might initiate contact by voice, but use e-mail or SMS messaging for follow-up contacts and status updates. By using their preferred channels, you can speed processes and maintain the relationship through the collection process.

If you add channels besides voice to your collection efforts, you must be consistent across channels, sharing customer records between agents if there are different agent pools or using blended agents with appropriate training.

OFFER SELF-SERVICE OPTIONS

Always provide automated ways for customers to make payments. Some customers who are in debt may be embarrassed to speak with an agent. Offering payment options through the Web or an IVR lets these customers clear

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debt without talking to anyone. And make sure that the customer records feeding the collection process are updated promptly with that payment information.

Keep Processes On Track With Proactive Notification

Many debt renegotiations are long and require multiple interactions with the customer. In the mortgage industry, for example, the loan restructuring process may entail submitting proof of monthly obligations and income and preparing new loan contracts.

Keep processes on track and minimize delay with proactive notifications, using the channel that works best for the customer (such as e-mail, SMS, or outbound voice). By notifying customers of their next steps and upcoming deadlines, you can support, prompt, and ensure successful outcomes.

Don't Waste Your Agents' Time

Being successful requires working at optimum efficiency. Keep your agents talking with those customers that want to work with you and that need help. Use other means, such as IVRs, on outbound and inbound calls, or Web self-service that allows customers to authenticate and handle those tasks that are appropriate, such as checking account status. If using IVRs, always provide an option for transferring to a live agent; you want to be available to talk to customers when they are ready to talk with you.

Using intelligent self-service can help your bottom line results as well: Gartner estimates that the cost of the average Web self-service session is \$1.10 per query, compared to \$6-\$10 for a call.

Keep Control Of Outsourcers

Facing increasing collection volumes, many financial institutions outsource collection efforts.

While outsourcing has many benefits, you still own the customer relationship. As a result, you should maintain centralized control over — and visibility into — the outsourced calls and campaigns, whether they are running independently or as a supplement to your internal efforts. Work with a program that lets you control the campaigns, monitor calls and outcomes, and track performance against business objectives on a daily or even real-time basis.

Conclusion

Business-as-usual when it comes to collections efforts no longer works well today — at a time when everyone's collection volumes are up and your business is competing with other creditors for your customers' goodwill and limited resources. Success in today's environment requires creativity, a commitment to the customer relationship, and optimal efficiency in the contact center.

The strategies suggested in this paper are good places to start and, in most cases, can be achieved by leveraging your existing contact center infrastructure, including call routing and outbound dialing technologies and skilled agents. You can add new channels and capabilities incrementally to your existing customer environment, which will help your business handle growing collection volumes with optimal efficiency. All of this is supported by the core capabilities within the Genesys platform to orchestrate the customer experience — and help your bottom line.



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Genesys is the world's leading provider of customer service and contact software — with more than 4,000 customers in 80 countries. Drawing on its more than 20 years of customer service innovation and experience, Genesys is uniquely positioned to help companies bring their people, insights and customer channels together to effectively drive today's customer conversation. Genesys software directs more than 100 million interactions every day, maximizing the value of customer engagement and differentiating the experience by driving personalization and multi-channel customer service — and extending customer service across the enterprise to optimize processes and the performance of customer-facing employees.

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