

How digitalizing  
debt collection  
can transform  
results for lenders



## Executive summary

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The digital age demands lenders to rethink their debt collection processes as they try to balance competing priorities in a constantly evolving landscape. Today's consumer expects customized interactions - using a channel of their choice. They also look for self-service options and demand greater value. On the other hand, companies must comply with constantly evolving laws and regulations. How can organizations walk the tight-rope while truly transforming collection results? The answer lies in placing the consumer at the center of the collections process via digital transformation.

A digitally-enabled collection environment can not only enable compliance and address changing customer demands but also contextualize and optimize customer interactions. Some of the major benefits of deploying a digital debt collection solution include the ability to drive superior customer experience, compliance, and business outcomes such as liquidations and reduced cost of collections.

This ebook discusses the factors driving the shift towards digitized, customer-centric and self-serve collections. It also explains the transformative impact of using technology to drive customer-centricity in the collections arena.



## Forces shaping the modern collections landscape

Debt collection is currently an \$11.5 billion dollar industry in the US.<sup>1</sup> Unlike in the past, debt collection is evolving and no longer limited to traditional telephone calls and letters. Changing customer expectations and regulatory mandates are forcing lenders to take a more holistic approach.



Some of the factors driving this change include:

### Demand for personalization and self-service

For today's digitally savvy customers, speed and convenience are top priorities. They demand high quality, seamless experiences - on a channel and at a time that is convenient to them. They also expect easy access to intuitive self-service options. It is estimated that by 2020, 80% of all customer interactions will be handled without a human agent.<sup>2</sup>

What makes digital channels even more relevant for debt collection is the fact that customers prefer to manage their financial obligations in a non-intrusive manner. Digital support not only effectively caters to these expectations but also allows customers to better manage their debt through proactive notifications and strategic payment options.

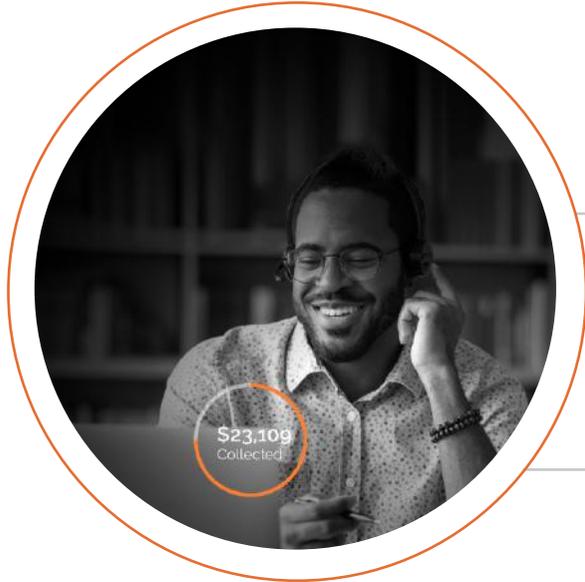
### Demand for superior value

Customer loyalty is no longer driven by price, product or service. Instead, customers look for value in every interaction and engagement. Drawing on data and analytics helps lenders devise.

Customer-centric strategies that drive contextual and intelligent interactions, making repayment more manageable and seamless.

### Changing regulatory landscape

Increasing scrutiny and compliance demands from regulatory bodies have heightened uncertainty and risk in debt collection. Since July of 2011, the CFPB has received 400,500 debt collection complaints.<sup>3</sup> Lenders need a proactive risk mitigation approach to manage potential liabilities posed by employees and third parties. A digital compliance solution can help financial organizations mitigate fines, monetary damages, and damage to their reputation.



1. IBISWorld, Debt Collection Agencies Industry in the US, Accessed February 2019,

<https://www.ibisworld.com/industry-trends/market-research-reports/administration-business-support-waste-management-services/administrative/debt-collection-agencies.html>

2. 10 Reasons Why AI-powered Automated Customer Service Is the Future, IBM, October 2017, Accessed December 2018,

<https://www.ibm.com/blogs/watson/2017/10/10-reasons-ai-powered-automated-customer-service-future/>

3. Complaint Snapshot: An Analysis of Debt Collection Complaints, CFPB, May 2018, Accessed December 2018,

<https://www.consumerfinance.gov/about-us/blog/complaint-snapshot-analysis-debt-collection-complaints>

# Achieving customer-centricity through digital transformation

Imagine your customers being able to manage their accounts through self-service or set their payment dates and terms - from the privacy of their homes, at a time best suited to them. Now, imagine combining the benefits of self-service with the human touch to deliver outstanding customer experiences. Today, it is possible to provide such a digitally-integrated customer service journey – thanks to a combination of next-gen technologies such as advanced analytics and machine learning.

A digitally-enabled collections environment supports the following customer-centric features:



## Self-service as the starting point of customer journey

The most common means of the first contact for borrowers today is online at 34%.<sup>4</sup> An intuitive self-service portal replaces human agents and acts as a non-intrusive channel, helping customers manage their end-to-end needs at a time and channel convenient to them. Such a portal can provide a personalized view of customer emails and portal activity, and allow customers to review and choose a payment plan best suited to their individual financial situations. The portal can also be equipped to cater to special situations such as bankruptcy, disputes, etc. If the portal is unable to address the customer's needs, the interaction is transitioned on demand to the next touchpoint, using automated workflows. The next touchpoint is usually a well-trained digital agent (via phone or email) who has access to all contextual information gathered by the first touchpoint (the portal). This is important because 70% of customers say connected processes - such as seamless handoffs and contextual engagement - are important to winning their business.<sup>5</sup>

## Customized interactions to enhance customer engagement

While some customers require no prompting and pay their debt on time, others may need reminders in the form of email alerts. Yet others may require help with restructuring their payment plans. An integrated digital debt collection solution provides a 360-degree view of customer interactions across touchpoints. Based on customer data analysis, lenders can send personalized and empathetic emails, and take a tailored approach to debt collection across the debt collection lifecycle.

4. Connecting with Borrowers Online, Ellie Mae, 2018, Accessed December 2018, <https://assets.sourcemedia.com/8d/2d/2001c69844858c42c3ac41190dc7/2e9b0f9a-9606-44b2-b110-1f786ae76eec-ces-awareness-phaseiii-consumer-connect-ebook-121883.pdf>

5. Customer Expectations Hit All Time High, Salesforce, Accessed December 2018, <https://www.salesforce.com/research/customer-expectations/>

## In-built governance for optimized customer interactions and compliance



A digital debt collection solution optimizes processes and operations and aligns them with customer requirements. How does this work? The solution captures customer and agent level metrics to help businesses analyze gaps in agent performance and provide targeted coaching. Automated workflows and integration with common gateways, such as email and payment gateways, ensure unified operations across the customer lifecycle. The ability to easily change the business rules underpinning the solution adds to its flexibility and scalability.

## Reaping the benefits of digitalized, customer-centric collections

As businesses across industries embark on digital transformation to provide customer-centric services and solutions, the time is ripe for lenders to adopt a similar approach to transform debt collections. This requires an innovative mindset on the part of lenders and a willingness to leverage the expertise of a proven digital debt collection solution provider - in case they lack such expertise in-house. Doing so allows lenders to reduce their cost of collection and drive customer experience and compliance-focused services:

Drive measurable results using high impact metrics such as liquidations (total cash collected vs total value placed) and cost-to-collect

Enable superior compliance and security through machine learning-based business rules that govern each step of the customer interaction process

Preserve customer privacy and convenience by initiating customer interaction on a digital channel

Identify vulnerable customers and offer customized solutions on a channel of customer's choice - based on customer journey

Enable contextual customer interactions backed by data and create opportunities to cross-sell and up-sell – for instance, borrowers who were provided an online portal were 18% more likely to turn to their loan officer for another loan<sup>6</sup>

Deploy a proactive, non-intrusive approach to debt management, persuading customers to engage earlier and preserve their credit worthiness

Test and modify strategies to improve customer engagement and profitability

6. Connecting with Borrowers Online, Ellie Mae, 2018, Accessed December 2018, <https://assets.sourcemediacom/8d/2d/2001c69844858c42c3ac41190dc7/2egbof9a-9606-44b2-b110-1f786ae76eec-ces-awareness-phaseiii-cons-umer-connect-ebook-121883.pdf>

## Building a next-gen debt collection solution



As the consumer and regulatory environments present increasing challenges to lenders, digital transformation provides the opportunity to design a whole new approach to collections – one that is more efficient, integrated and customer-centric. Such an approach helps address the demands of modern consumers for rapid, transparent and seamless interactions, as well as the oversight by regulators for fair and respectful treatment of consumers.

Insights from an Ellie Mae survey show that borrowers who were provided an online portal were two times more likely to say technology improved their loan process. Clearly, lenders that leverage digitization to augment their human capabilities and existing debt collection strategies will enhance customer experience.

To grow your collections and engage with customers at scale, schedule a complimentary demo of Firstsource's Digital Debt Collections platform by [clicking here](#)

7. Connecting with Borrowers Online, Ellie Mae, 2018, Accessed December 2018,

<https://assets.sourcemedia.com/8d/2d/2001c69844858c42c3ac41190dc7/2e9b0f9a-9606-44b2-b110-1f786ae76eec-ces-awareness-phaseiii-consumer-connect-ebook-121883.pdf>