



The case for collection treatment automation



Collect funds faster using conversational AI, dynamic engagement strategies, and easy-to-trigger payment transactions.

Did you know that debt collections plague nearly 1 in 3 Americans with a credit file?¹ All too often, creditors are viewed as bothersome, earning a bad reputation simply for seeking out the payment owed. That's precisely why the introduction of collections treatment automation can be a game-(and reputation)-changer.

This paper explores the collections industry's changing landscape and presents a proven solution for first party collections teams to recover outstanding consumer debt more efficiently. What's making this shift possible is outbound digital assistance armed with intelligent conversations using natural language and AI, dynamic engagement strategies, and easy-to-trigger payment transactions.

The three key points covered include:

- A brief overview of evolving regulations
- Changing consumer communication preferences and how these behaviors can be leveraged
- A case study on the impact of collections treatment automation using outbound digital assistance

1. <https://www.route-fifty.com/tech-data/2021/04/29-adults-have-debt-collections-report-finds/173116>

Evolving Regulations

The 1970's and Now

Back in the 70s, no one could imagine being able to order dinner, purchase clothes, take photos, talk virtually face to face with someone 1,000 miles away, or open their home and car door – all from one little device. So, too – the creators of the 1977 Fair Debt Collections Practices Act could not have imagined the technology of today. You see, as defined in the '70s, the rules of engagement didn't address the rise in social media, cell phones, email and text messages.

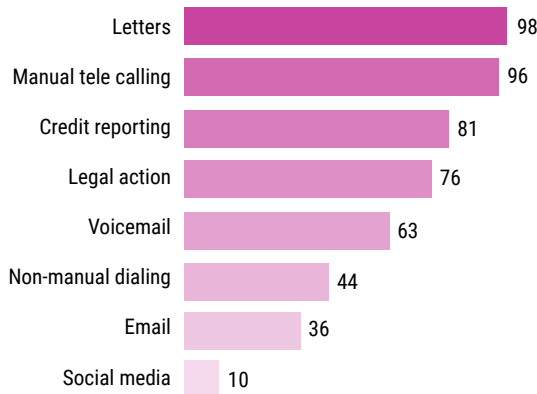
What has also changed over the years is consumer debt. "According to the latest Quarterly Report on Household Debt and Credit, total household debt rose by \$85 billion (0.6 percent) to reach \$14.64 trillion in the first quarter of 2021."²



CFPB's New Rules

As of 2017, letters and making manual telephone calls were the main means being used to collect a debt, according to ACA International. In recognition of rising debt and evolving communication channels, a new rule was issued in October 2020 by the Consumer Financial Protection Bureau (CFPB).

Methods used in collecting operations



Among the updates, the CFPB explicitly allows "text messages, emails and direct messages on social media platforms."³ This is exciting news to companies attempting to recover payment, yet despite customers preferring otherwise, SMS text messages have been vastly underutilized. With consumer willingness to engage via SMS and the CFPB now clearly defining rules, isn't it time to engage via the consumer's channel of choice?

2. <https://www.newyorkfed.org/microeconomics/hhdc.html>

3. <https://www.cnbc.com/2020/10/30/why-your-next-text-or-dm-may-soon-be-from-a-debt-collector.html>

73% of customers in late delinquency made a payment when contacted through digital channels.⁴

The overall customer preferences for contact through email, text messaging, online banking, and mobile retain strength in the late delinquency.

66%

of issues initiated contact in late delinquency (30+ days) is made through traditional characters – despite lower respond rates.

73%

of customers in late delinquency took action (make a payment) when contacted through digital channels.

Changing Customer Preferences

The Need for Digitization

First-party collection teams are seeing a gap where existing technology capabilities do not meet current demand. Organizations continue to invest in equipping agents, all while fewer people pick up calls from unknown callers, creating a perplexing problem. As it turns out, the answer is getting back to the basics and meeting the consumer where they are, or, in this case, asking them for payment where they are most likely to respond.

Research shows that nearly three-quarters of customers in late delinquency made a payment when contacted through digital channels, yet over half of issuers are not utilizing these digital channels and are still relying on traditional (read 1970s) communication tactics.⁵ Simply having that reminder as a text or email can drastically affect response rates compared to a foreboding letter or call.

Digitizing for the Future Treatment Process

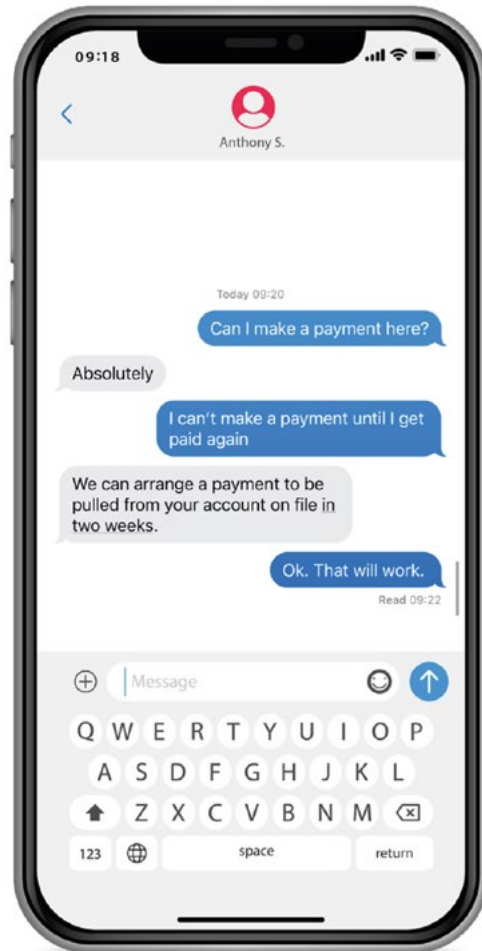
Now, imagine the impact on customer service if instead of a mailed letter, you send a text message that becomes a data-rich, conversational journey with your customer. By helping them transact all through their channel of choice, you can not only make their lives easier, but you also develop a knowledge base that can be used to inform every discussion. Maybe the customer speaks Spanish as a first language or recently moved and has an address change causing a delay. This data is captured and utilized automatically to inform the conversation and solve customer issues. In addition, when you empower the customer to transact easily, you can reduce the number of accounts sent to collections and help remove the stigma of a nagging creditor.

4. <https://www.mckinsey.com/business-functions/risk/our-insights/the-customer-mandate-to-digitize-collections-strategies>

5. <https://www.mckinsey.com/business-functions/risk/our-insights/the-customer-mandate-to-digitize-collections-strategies>

McKinsey & Company affirms the power of digitization in collections and describes the future treatment process as a “sensitive multichannel contact strategy” that “requires coordinated capabilities—in technology and infrastructure; in advanced analytics, machine learning, and automation; and in a well-orchestrated deployment. The object is to deliver tailored messages through the right channels in the right sequence to the right customers. The cost of implementing a true multichannel strategy will amount to a small fraction of the return to issuers, in more efficient and effective recoveries and happier customers.”⁶

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Case Study in Digitization of Early Collections

If 73% of customers in late delinquency made a payment when contacted through digital channels, imagine how many of those individuals would never have reached late delinquency had their customer journey been automated via the channel of their choice. Recently, one of the leading North American Communications Service Providers (CSPs) wondered the same thing – and implemented ContactEngine to uncover the answer.

In just the first week of the collections treatment process, the use of intelligent, conversational natural language AI, dynamic engagement strategies, and easy-to-trigger payment transactions were shown to increase payments received by 15% and payment arrangements by 47%.

6. <https://www.mckinsey.com/business-functions/risk/our-insights/the-customer-mandate-to-digitize-collections-strategies>

7. <https://www.mckinsey.com/business-functions/risk/our-insights/the-customer-mandate-to-digitize-collections-strategies#>

ContactEngine provided a leading CSP an automated, in-channel payment solution that increased the cure rate by an astounding 19% in just the first week.

This result stems from the ability of AI technology to identify customer intent and offer an automated and straightforward, in-channel payment or payment arrangement option. The company saw the greatest financial impact with **22% additional dollars collected, followed by the reduction of days to pay by 20%**.

The secret to success? Being exactly where your customer needs you with a convenient solution. ContactEngine provides customers in collections with:

- A streamlined, integrated communication feedback loop that delivers real-time payment information
- Tokenized URLs for instant access to the customer's portal
- Automated in-channel payments with access to stored payment profiles allowing for immediate payment

And results for the CSP:

- Payments: A **15% increase** in customers making a payment
- Cures: A **19% increase** in customers removed from collections
- Amount paid: A **22% increase** in dollars owed were received
- Payment arrangements: **47% increase** of payment arrangements were negotiated
- Days to pay: **20% decrease** in days to make a payment

In just one week, ContactEngine was able to:

- ✓ **Collect funds faster**
- ✓ **Collect more payments**
- ✓ **Recover additional dollars**
- ✓ **Reduce costly suspensions**

Innovative Automation

ContactEngine enables collections treatment automation using conversational AI, dynamic engagement strategies, and easy-to-trigger payment transactions that move the needle and help you collect outstanding debt faster.

Want to learn more? Let us show you how ContactEngine can help you transform the efficiency of your collections treatment process while revolutionizing the customer experience—contact us for a demo today.



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About

The report is published by ContactEngine Inc.

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ContactEngine is a Conversational AI technology that enables brands to proactively engage customers in conversations that fulfill business objectives. ContactEngine automates outbound customer engagement across all channels and generates unique insights into the changing patterns of communication by applying demographic and intent analysis, linguistics and ground-breaking artificial intelligence principles to mass volumes of raw data. ContactEngine transforms the way global brands engage with their customers — saving brands millions and making their customers happier.

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