Improving collections in the age of the digital consumer.

Four “must-dos” for building customer loyalty while collecting.

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Executive summary

Defaults increase, engagement decreases in the age of the digital consumer

While some might think defaulting on a debt is a relatively rare occurrence, one in three U.S. adults have ‘debt in collections.’[1]

So as you read this report, it’s likely either you, a friend, family member or co-worker are in some phase of the collections process.

In the post-recession economy, it’s a problem that’s not likely to go away. The good news is that for most, payment problems are temporary. A short-term blip on the radar that is likely to be resolved with the right approach.

Treat your customers well during this time of need, and you’re likely to gain their long term loyalty. Mistreat them, and you’re likely to feel their ire in the form of lost revenues, social media badmouthing, or worse - formal complaints with new government watchdogs like the Consumer Financial Protection Bureau, known as the CFPB.

As Scott Woodhead puts it, “the future lies with companies who can be a friendly face in the crowded and anonymous online marketplace.”

But today’s digital consumer demands a different kind of customer service. It’s no longer enough to simply be polite and helpful. They expect your company to be proactive and reach them on their terms – without overstepping your boundaries.

This document outlines a strategy that will help you effectively and compliantly engage the “now” consumer using automated, multi-channel digital outreach.

With this strategy, you’ll improve outcomes, reduce costs and transform collections into an effective customer service channel.

Who is the digital consumer?

Connected: For every single person in the U.S., there is a wireless broadband data connection.*

Impatient: When they seek a product, service or answer, they turn to their mobile device and expect immediate gratification.[*1]

Always On: The average smartphone user checks their phone 150 times per day.[*2]

Intolerant: They are more likely to complain about a bad experience on social media than ever before.[*3]

Note: More consumers complain to the CFPB about debt collection than any other activity.

[1] Source: Sahadi, Jeanne (2014). 1 in 3 U.S. adults has ‘debt in collections.’ CNN Money. Retrieved from: http://money.cnn.com/2014/07/29/pf/debt-collections/
[*] Fitchard, Kevin Report: The U.S. joins 6 other countries in achieving 100% wireless data penetration, (2014)
[*1] Schadler, Ted; Bernoff, Josh; Ask, Julie The Mobile Mind Shift, (2014)
[*2] Majumdar, Anujeet Smartphone Users Check Their Phones an Average of 150 Times a Day, (2013)
[*3] Charlton, Graham Poor Customer Service Means More Complaints on Social Media: Study, (2014)

Understanding the CFPB: the collections watchdog

No modern collections strategy can succeed without first taking into account the increasing oversight of the Consumer Financial Protection Bureau.

Founded in the wake of the dubious lending and servicing practices of the financial crisis, this relatively new regulatory organization is in the process of forever changing how companies approach collecting past due payments from their customers.

Their core mission: protect consumers from bad behavior by the companies they do business with. Unfortunately, this broadly defined "bad behavior" can often lie in the eye of the beholder.

Search Google for CFPB. What you'll see, before anything else, is the words "Submit a Complaint" as the top sub-link in your browser. The same words are centrally featured on their website.

Click the link and you'll find yourself on a complaint portal created with the express purpose of collecting complaints against companies like yours – companies who are involved in collecting outstanding funds or debts from consumers.

Debt collection has been the most-complained-about activity. As of March 1, 2016 the Bureau had handled approximately 219,200 debt collection complaints. The key to staying on the right side of the CFPB is to engage consumers early in the default process, and communicate with them in a proactive and helpful way.

Fortunately, proactive communication is one of the hallmark demands of today's digital consumer. They want you to help them remember to pay bills and resolve delinquencies.

Unfortunately, the constant barrage of unwanted communications from advertisers, and the natural tendency to avoid collectors at the first sign of default, makes them harder to engage than ever before.

This is where a cross-channel digital strategy shines, allowing you to reach customers in a way that is both welcomed and compliant.

Six ways to ensure you stay on the right side of the CFPB

Make a "good faith effort" and "exercise reasonable diligence" to ensure distressed borrowers understand their options.

Make sure borrowers experience "no surprises" and "no runarounds."

Engage customers in a dialogue about their outstanding balance and repayment options.

Intervene early with past due borrowers.

Maintain continuity of contact.

Reach them on the channels they use most frequently – like text and email.

[2] CFPB Report Shows Complaints Rose 80 Percent in 2013. Retrieved from: http://www.consumerfinance.gov/about-us/newsroom/cfpb-monthly-complaint-snapshot-examines-debt-collection-complaints/

Four “must-dos” to increase payments in the age of the digital consumer

70%

of consumers say receiving proactive alerts from companies could have helped them avoid problems – such as missed payments – in the past.[3]

Must do #1: be proactive

For companies looking to build better long-term relationships with customers, as well as reduce defaults, one of the best ways to do so is by helping customers avoid issues in the first place.

Across all industries, more than 75 percent of consumers report that receiving proactive reminders from the companies they do business with is extremely helpful and welcome. In addition, 70% of consumers say receiving proactive alerts from companies could have helped them avoid issues – such as missed payments – in the past.[3]

Research shows that the most valued messages are critical notices – such as reminders to pay a bill, alerts when an account balance is getting low, or updates on the status of a loan or mortgage refinancing.

An effective proactive strategy will orchestrate the use of email, text, smartphone push, as well as traditional channels like phone and mail. Coordinating your outreach across channels – instead of sending the same message on multiple channels at once – allows you to more effectively reach and engage customers on topics that matter to you both.

Must do #2: engage customers in a conversation

The digital consumer expects a different level of consideration than those in the past. For example, 42% of consumers who complain on social media now expect a response within 60 minutes.[4]

Today your customers expect to have fast, efficient conversations – not time-consuming, one-way dialogues – on the digital channels they prefer. This desire extends to interactions about their past due bills. The CFPB agrees these exchanges are vital and have mandated conversations about debt options occur before taking adverse actions.

In the past, most collections conversations were initiated with the support of a predictive dialer. Standard equipment in most collections operations since the early 90s, predictive dialers replaced manual calls by agents to past due consumers and introduced productivity increases of 200 percent or more.

Unfortunately, dialers have become increasingly ineffective at reaching and engaging their targets. Not only has the voice channel been supplanted by a preference for email, text and push notifications, over the years consumers have learned to recognize the sound signature of a dialer and hang up before ever speaking with a collector. Today, those relying solely on predictive dialing to reach customers live could easily fall short of the CFPB’s expectations that “good faith efforts” will be made to establish contact with the debtor. Their expectations were defined in the rewrite of the mortgage servicing rules:

“Good faith efforts to establish live contact consist of reasonable steps under the circumstances to reach a borrower and may include telephoning the borrower on more than one occasion or sending written or electronic communication encouraging the borrower to establish live contact with the servicer.”

[3] Wakefield Research, 2013 – Proactive Outreach Survey
[4] Baer, Jay. 42 Percent of Consumers Complaining in Social Media Expect 60 Minute Response Time. Convince & Convert. Retrieved From: http://www.convinceandconvert.com/social-media-research/42-percent-of-consumers-complaining-in-social-media-expect-60-minute-response-time/

While it's not explicitly stated, various public statements by the CFPB's leadership make it apparent that the Bureau expects all companies (anyone looking to collect from a consumer) to not just call, but to leverage written and electronic communication as well.

This is where interactive voice messaging (IVM), conversational text messaging and push notifications can be successful. In particular, IVM can be a highly efficient way to reach customers by phone without necessarily involving the cost of a call center agent.

IVM best-practices: IVM is a way to engage your customer in a conversation with your company without feeling the pressure of a collections agent. The most effective of these messages are highly personalized – announcing the name of the customer, authenticating their identity and providing enough account level detail to deter questions regarding how much is owed or how many payments have been missed. Since they are also interactive, these pre-recorded messages are capable not only of delivering information, but also eliciting a response from a borrower, such as a promise to make their past due payment in the near future or even transacting an electronic payment right then and there.

This "self-service" approach is highly desirable to the digital consumer, who is used to dealing with issues on their own time.

Effective IVM communications will:

– **Utilize personalization:** Announce the name of the customer (e.g. "This is a message for John Smith"), authenticate their identity, and reference how much is owed.
– **Elicit a response:** Offer the opportunity to take immediate action such as getting a promise from the customer to make a payment or even taking the payment on the spot.
– **Route to live agents where necessary:** Enable customers who cannot pay the opportunity to discuss other options, such as payment plans or forbearance.
– **Control the flow of calls to the contact center:** Mindful of the need to avoid flooding the call center with such calls, sophisticated IVM platforms can automatically adjust the rate at which they deliver outbound messages to match the capacity of the contact.

Using IVM in this way allows creditors to better treat past due accounts, while also meeting CFPB demands for good faith efforts to establish live contact.

But, what if the customer will simply not answer a phone call, either from a predictive dialer or an IVM system? In such cases, layering digital communications – SMS text messages, emails and smartphone push notifications – into your contact strategy may be the answer.

Must do #3: help them "self-serve"

"Mobile has reprogrammed your customers' brains," explains Forrester Research in their book, "The Mobile Mind Shift."

Consumers now expect to be able to get exactly what they want, anytime, in their immediate context. They have the same expectations of your collections efforts.

Your customers expect access to payments, notices and information – and they expect access on their terms, on their own time. Digital channels, such as email, text, and smartphone push, allow you to reach out to borrowers in a proactive way to increase payments, without irritating and risking increased complaints.

They are also among the best ways to reach customers who are reluctant to engage in a conversation with a collector. The most effective strategies utilize a cross-channel approach to ensure customers have access to your communications when they want, where they want.

Conversational text best-practices: One of the biggest advantages of using text messages as part of your collections strategy is that the digital consumer will undoubtedly see your message.

In fact, studies have shown that the average consumer reads incoming text messages within 90 seconds of receipt.

Moving beyond simple, one-way text messaging, conversational text enables businesses to engage customers in a two-way dialogue, whether the communication is customer-initiated inbound or company-initiated outbound – even via existing toll-free business numbers. And when the texting platform is capable of natural language understanding, the entire conversation can be automated, reducing collection costs by allowing customers to self-serve.

Effective conversational text collections strategies:

- **Include a response mechanism:** Provide links to websites and click-to-call phone numbers so customers can take immediate action.
- **Remind and collect:** Both remind customers about upcoming payments and communicate when they're past due.
- **Start a conversation:** Natural Language Understanding capabilities allow customers to intuitively interact with self-service solutions and drive repeat use.

Email best-practices: Email is one of the most effective ways to engage customers who are reluctant to otherwise engage in a live conversation.

Effective email collections strategies:

- **Acquire consent before a customer is delinquent:** Ask new customers for permission to reach them by email and ask them to add your company's address to their "safe sender" file.
- **Break through the clutter:** Nuance studies have found that emails should be sent mid-morning and use compelling subject lines such as "URGENT: A change in the status of your account."
- **Provide next steps:** Include links to help customers self-serve or connect them to live operators where appropriate.
- **Allow them to reuse previous payment options**: : Ask the customer for permission to retain their account information to speed the path to future payments.

Must Do #4: give a helping hand, not the hammer

Those that help us out during tough times are likely to hold a special place in our hearts. In fact, research by the Association of Psychological Science shows that “bad times bond us together.”[7]

And in the emotional venue of collections, those who extend a helping hand to their customers are likely to find they stay loyal – as well as pay your company first when a stack of bills comes due.

For example, borrowers who are working with their mortgage servicer on foreclosure avoidance are 40 percent more likely to answer the phone when called, 50 percent more likely to identify themselves as the right party and 25 percent more likely to choose an interactive option in response.[8]

Those engagement rates speak volumes – customers clearly prefer working in cooperation with their creditors to working in conflict.

Keep borrowers engaged with automated outreach

However, when a distressed customer engages in a discussion about alternatives to full payment, it’s almost never a one-and-done conversation. The process will typically proceed over several weeks, or even months, as the creditor requests documentation from the customer that may qualify them for some form of forbearance.

Of course, the anxious customer will want to be kept up-to-date on where they stand. Using automated digital communications to keep them up-to-date, you can improve the customer experience while also lowering the cost of collections operations at the same time.

Once a customer has raised their hand asking for help, creditors can engage them in an ongoing dialog that blends automated status updates with requests for information. This keeps customers informed about where they are in the evaluation of their request for assistance, and what documentation is still required to complete the process.

Lower costs while building loyalty

Using non-confrontational applications of IVM, email, SMS and push notifications can effectively engage customers in resolving their delinquency through either self-service or with the assistance of a live agent.

At the same time, this approach saves valuable time and money. Each automated communication that replaces a live contact with an account representative saves the creditor an estimated $4 to $7, which can equate to millions of dollars each year.[8]

When a conversation is required, an automated call to remind customers of an upcoming appointment with an account representative also increases the likelihood the customer will be ready for the call.

This approach not only helps to increase immediate payments, it’s also good for long term loyalty. In fact, new research shows that nine out of ten consumers report that a company’s customer service has a significant impact on their decision to do business with them.[9]

Save $4 to $7

per interaction when using automated outreach versus live contact with a representative.[8]

[5] The Wireless Association (CTIA)
[6] Number of Smartphone Users in the U.S. from 2010 to 2018 (in millions). Retrieved from: http://www.statista.com/statistics/201182/forecast-of-smartphone-users-in-the-us/
[7] Dahl, Melissa (2014). Bad Times Bond Us Together. The Science of Us. Retrieved from: http://nymag.com/scienceofus/2014/09/bad-times-bond-us-together.html
[8] Nuance Communications, May 2013 – Usage Study
[9] Nuance Communications, July 2014 - Top Customer Service Frustrations

Embracing the digital age

In the digital economy, customers expect you to work harder for their business. Relying on annoying predictive dialer calls and impersonal blast messages is not the answer. In this new world where the customer is king, your company must not treat them less than royally just because their accounts are past due.

Treat them well and you'll not only improve collection outcomes, you may very well earn a customer for life. Just remember the four "Must-Dos" to increase payments in the age of the digital consumer.

Be proactive
Use proactive outbound communications such as email, IVM and text to help remind customers when bills are due or if they have missed a payment.

Engage customers in a conversation
Reach out to customers on the channels they use most – email, text, and mobile phone – to engage them in an ongoing conversation about their outstanding balance and let them know what their options are.

Help them "self-serve"
Offer immediate access to automated solutions for making a payment and ensure that these solutions are simple and intuitive to use.

Give a helping hand, not the hammer
In the emotional venue of collections, those who extend a helping hand to their customers are likely to find they stay loyal – as well as pay your company first when a stack of bills comes due. Use automated digital outreach – such as texts, emails and IVM – to engage customers in a helpful and proactive way.

Learn from your peers
To see how others are improving their collections outcomes using digital outreach, download this case study:

– Learn how SunTrust Mortgage reduces first payment defaults by 60%

About Proactive Engagement
Nuance works with the nation's leading brands, improving the reach and effectiveness of their customer service and collections campaigns. We deliver results by blending the scalability and efficiency of cloud-based automation with sophisticated personalization based on known preferences and previous response patterns. Orchestrating the use of channels most preferred by consumers – voice, text, email, mobile application and live agent– further ensures cost-effective results. Fortune 500 companies who build loyalty based on their service, trust Nuance to proactively engage one in five Americans each year with the right information at the right time. Follow us on Twitter: @NuanceEnt

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