

Make the Most of Technology to Increase Customer Loyalty

By Paul Gallucci

Originally published in *Collections & Credit Risk (CCR)* online magazine, April 2010

ALTERNATIVE COLLECTION CHANNELS WORK!

One of the largest banks in the US recently implemented an online collections solution for their customers. Using a series of mailings, they encouraged customers to visit the site at their convenience. During the first year, over 50% of the payment volume on the site was on accounts that did not have any contact in the last 30 days. Customers that were unresponsive to traditional phone or mail contact were in fact willing to pay; they just needed a more effective contact method that allowed them to interact on their own timetable, without confrontation, via an easy to use self-service portal. In its first year of deployment, the site experienced sustained volume growth (measured in customer logins) greater than 50% month-over-month, driven by targeted statement notices and letter campaigns. The self-service approach saved significant balances from aging without increasing the burden on existing call center operations. In addition, by eliminating the time agents would have spent handling accounts that are now self-service, the bank was able to focus agents' efforts on more complex accounts not addressed by the Internet channel.

What do the most successful financial institutions have in common? Besides the obvious answer of their ability to maximize profits while minimizing risk, they also assume that most people want to pay their debt, even in today's economy.

Many in collections have fallen on bad times and for some it's their first time in this position. They are looking to lenders for collaborative solutions to help manage their debt. By tailoring their collections efforts for each unique consumer with the most convenient and respectful options, innovative organizations can achieve a greater level of recovery success, reduce costs and, in the process, grow customer loyalty.

Traditionally, this has meant using predictive dialers and training phone collections reps to be friendly and accommodating over the phone. But technological advances have produced a much different consumer. Answering machines and caller ID provide convenient buffers to telephone collections efforts. Meanwhile, the number of residential land lines in the US has been declining for years as more households switch to using cell phones as their primary phone. Today, 12 million US households have mobile-only phone service according to telecom industry expert SNL Kagan. And the firm expects that number to more than double to 26 million by 2012. Add to that the rise and ease of online banking, email and texting as increasingly preferred modes of communication—along with escalating pressure to comply with consumer protection regulations—and it's easy to see why we need to become more nimble, flexible, customer-focused and open to changing the way things have always been done.

In response to these evolving consumer demands for choice and growing aversion to traditional collections methods, a large number of collections organizations have begun to explore alternative contact channels to reach consumers. But how do you know which channel—email, texting or SMS, web self-service, personalized voice messages or others—will work best for your own customers? As you begin to ponder your options for alternative contact channels, here are some important points to consider:

Understand the Benefits and Costs

We all know that it's not efficient or cost-effective to deploy technology for technology's sake. Each of the available options come with a very different set of benefits and can range significantly in implementation and operating costs. It's critical that you create a strategy with consistent and reliable mechanisms to track the real costs of your strategy and connect those costs to the true benefits.



ABOUT THE AUTHOR

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Test Each Option

While the concept of champion/challenger strategy testing isn't new, today's economy warrants a closer look at each contact channel to determine the mix that works best for each of your segments or customers. Using a sample segment, conduct a test of the options you believe might be most successful in achieving your collections goals. Then, carefully track the successes (and challenges) of each channel to learn which strategies and technology are most effective. This critical step will help you understand the value of new strategies, provide data for any needed improvements to your collection approaches and enable you to modify your strategy based on changes in your customers' behaviors.

Avoid Message Overload

While customers like choice, they don't like being bombarded with messages. To a customer, over-communication feels like harassment and may even be illegal. If you decide to deploy more than one of the available contact options, make sure your systems and processes are integrated to provide an overall view of the number of contacts that have been made over time and by which channel. Differentiating each customer's needs by clearly defining tailored treatment strategies will be an important key to success.

Partner with an Expert

There are experts that can help you define your comprehensive debt strategy. Using rigorous ROI analyses, pilot programs and integrated results reporting, these companies can help you best determine which channel(s) will work most effectively for your unique business and customer. In addition, many partners offer bolt-on or modular services to your existing collections technology to help keep your initial capital outlays low. In fact, many models for contracting these services include pay-as-you-go type arrangements.

By following these steps, you leverage technology and processes that will help your organization automate operations and, at the same time, optimize treatment strategies to drive cost savings and maximize efficiencies. In the end, your customers will remember a company that cared about their needs during one of their most challenging economic times.