

# Trying to boost collections? Put the Internet on your team

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## WHAT YOU WILL LEARN FROM THIS BRIEFING:

- Why the telephone channel is dropping in effectiveness as a collections tool
- Why your bill may have a lower priority in the household's "Pay This Month" stack
- Three reasons why an Internet channel makes sense for collections
- How to get started adding an Internet channel to your collections strategy
- The benefits one lender achieved with CGI's online collections solution, Web Promises™

Consumer lenders debt collection efforts are being negatively impacted by a barrage of escalating challenges:

- declining effectiveness of traditional mail and telephone channels
- shifts in consumer attitudes toward bill payment and payment preferences
- rising delinquencies
- decreasing operational budgets for collection activities

If these developments are hampering your loan portfolio's profitability, what can you do about it?

Employing an Internet channel to enable self-service collections may be the answer. The online environment allows timely, economical treatment and resolution of overdue bills with minimal collector involvement.

By opening a self-service Internet channel you should be able to collect more money at an overall lower cost. For example, you can:

1. reach consumers who don't (or won't) respond to phone and mail collection tactics
2. communicate with debtors in a manner that is more comfortable and convenient to them—and therefore more effective for you
3. operate more efficiently and cost effectively

## LENDERS ARE TRYING TO DO MORE WITH LESS

For lenders, a higher level of charge-offs is an unacceptable drain on profits. To cut internal expenses, many lenders are making across-the-board cutbacks in staffing. Paradoxically, the cuts often include resources needed to improve recovery results.

Meanwhile, some lenders are shifting collectors' efforts to loan modification and loss mitigation actions. This leaves them strapped for capacity to handle increases in delinquent accounts and loss mitigation negotiations.

## DON'T DELAY—GO WHERE YOUR CUSTOMERS HAVE GONE!

Telephone contact has long been the preferred channel for debt collection, but its effectiveness is clearly shrinking.

Answering machines and caller ID are convenient buffers to telephone collection efforts. Meanwhile, the number of residential land lines in the U.S. 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.

## WHERE DOES YOUR BILL RANK IN THE DEBTOR'S "PAY" STACK?

Many debtors are changing their priorities on when or if you get paid.

In August 2008, Javelin Strategy & Research surveyed 3,367 people about their bill-paying habits. The survey revealed that consumers are making significant adjustments in how they prioritize their bills, how much they pay and how long they wait before making payments.

Asked how their bill payment practices have changed in the prior six months, respondents selected:

- *"I prioritize which bills get paid first differently"* (40%)
- *"I make only the minimum payment more often"* (31%)
- *"I wait longer to pay my bills"* (31%)
- *"I pay more bills after the due date"* (20%)
- *"I have defaulted on bills"* (16%)
- *"I use more 'rush' or same-day payments"* (15%)

The take-away for lenders: Consumers are changing their payment behavior. Lenders need to adapt accordingly by offering alternative payment channels, including the Internet, to keep your bills top-of-mind with customers.

For lenders, this trend away from home phones spells trouble. Currently, under the Telephone Consumer Protection Act and Federal Communications Commission (FCC) Rules, debt collectors cannot use auto-dialers to call a consumer's cell phone without prior approval—if the consumer is charged for the call.

After getting 78,000 complaints on third-party debt collectors in 2008, the FCC in February 2009 asked Congress to update the Fair Debt Collection Practices Act. Specifically, the FCC wants to forbid collectors from calling or text-messaging consumers via their mobile phones without prior expressed consent.

Standard mail, too, is dropping in importance. Because of Internet usage and email, households get fewer bills and correspondence by mail.

The diminishing role of mail and the home phone in daily life is countered by a positive trend for billers: pervasive use of the Internet for banking and bill payment. For many lenders, the Internet offers a better way to collect debts.

For consumers, 24/7 Internet access allows them to pick any convenient time, day or night, to deal with their debts in a non-confrontational manner. By dealing with collection matters in privacy at a time of their choosing, they can give their full attention to an unpleasant yet necessary topic.

## THE INTERNET GETS YOUR BILL ON TOP OF THE STACK

A relatively untapped channel for the collections function, the Internet, now merits strong consideration as an effective solution for collection activities.

### Three reasons why an Internet channel works for collections:

#### 1. Consumers are comfortable with paying bills online.

U.S. consumers have demonstrated (through bill pay, online banking, loan applications) that they like the self-service, on-line option as a means of interacting with their financial institutions. For example, seven in ten online households now pay bills online monthly, up from 64% in 2008.

Consumers have enthusiastically embraced online payment of bills. The 2007 Federal Reserve Payments Study found that consumers are making greater use of electronic payments and less use of traditional payment methods.

The Fed's findings were validated by the Javelin survey, summarized in the sidebar to the left, which also found that consumers are turning to the Internet as their preferred channel for bill payment. Forty-seven percent of Javelin's respondents said they were now paying more bills online than they did six months earlier.

## 2. Self-service Web options are well suited for collections.

Every biller has delinquent debtors who avoid contact by mail and phone. If debtors can be reached, many are willing to pay.

By opening a Web channel, lenders enable customers to self-cure their delinquency on their own schedules, which are often outside the legal contact “window” for telephone collection calls.

The online channel gives consumers a comfortable (and possibly more dignified) avenue to exchange pertinent information with the creditor and make payment commitments. The lender doesn’t embarrass its customers by calling them when friends, family or co-workers may be within earshot.

Online interaction with consumers ensures compliance and accommodates most aspects of debt negotiations, commitments, payments, settlements and time consuming data capture required for loss mitigation and workout programs. By allowing lenders to offer communication in the consumers preferred language, the web channel further improves the quality of the communication and opens the service to a broader audience.

One bank found that many customers who shunned contact by mail or phone will respond to mailed invitations to visit a website. (See “It Works!” on page 4.)

## 3. The Internet channel is efficient.

Web-based collection systems can be provisioned as Software-as-a-Service (SaaS).

SaaS uses an IT managed services approach that enables an organization (such as bankcard issuers) to participate in a system’s benefits—but without the burdens of provisioning, owning and operating the technology. The result is low development and operational costs, with rapid and economical scalability to accommodate swings in volume and meet new regulatory compliance demands as they arise. The business case is further bolstered by the channel’s ease of implementation and its ability to reach reticent debtors.

By using an Internet channel for collections, you can free staff from capturing information that consumers themselves can enter, so your experienced collectors can focus on more sophisticated work, such as collecting on complex or higher-risk accounts.

## HOW TO GET STARTED

1. **Get Organized:** Online Collections is new to Credit Organizations and to Customers. To get started you must answer: What are the anticipated benefits and ROI? How will you drive customers to your site? How quickly can you or your technology partner scale to address customer adoption? How will an online channel impact your existing collections operations? How will or should your collections tactics differ from other channels?
2. **Deploy a Branded Customer Web Site:** Deploy a customer collections portal with 24/7 availability, payment capabilities, and real-time interaction and updates to your existing collections operations that is branded to provide customers a familiar look and feel which will encourage use and a sense of security.
3. **Apply Real Time Rules to the Customer Treatment and Experience:** Each customer is different. Apply rules that consider their preferences, your legal obligations and your profitability.
4. **Tightly Integrate your Web and Offline Collection Systems:** Employ real time integration techniques to connect your customer’s web interaction to your existing collections systems and operations.
5. **Develop a Comprehensive, Dynamic Online Strategy:** Your customers’ behaviors are changing as your business changes. Implement a strong strategy to monitor and proactively respond to their preferences and ensure the effectiveness of Online Collections.

## HOW CGI CAN HELP

Through CGI's online collections solution, Web Promises, lenders gain a low-cost and easily implemented way to get more money faster from delinquent customers. Now lenders can easily extend their websites to facilitate self-service collection activity.

Web Promises opens the door for non-confrontational communications with debtors. The online channel makes it comfortable for the customer to make promises and commitments and to initiate some aspects of debt settlement.

Web Promises provides business-rule screening and delivers acceptable transactions to the core collection system for real-time processing. While Web Promises can be tailored to work with most collection systems, it is optimized for CACS® 8.0+, CGI's market-leading collection system.

Web Promises is a Software-as-a-Service product. This means it can be implemented with a remarkably low capital outlay and operated with tremendous savings. Most lenders can be up and running in as little as two months, with full payback achievable within one year.

CGI Web Promises is supported by the long-time leader in collection systems for large organizations. CGI's CACS Enterprise is the collection system chosen by many of the world's largest consumer finance organizations and financial services institutions, including seven of the top 10 U.S. banks and six of the top 10 banks worldwide.

## FOR MORE INFORMATION

Email  
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## IT WORKS!

### How one business benefits from online collections

A CGI client recently implemented Web Promises for its customers to communicate their commitments to help pay down overdue bills. The client, one of the largest banks in America, used a series of mailings to encourage customers to visit the site at their convenience.

During the first year, over 50% of the payment volume was on accounts that did not have any contact in the last 30 days. Customers that were unresponsive to contact from the business 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 has experienced sustained volume growth (measured in customer logins) greater than 50% month-over-month; driven by targeted statement notices and letter campaigns.

This bank's experience demonstrates that the site is reaching customers not accessible through traditional channels. This self-service approach saved significant balances from aging—without increasing the burden on existing call center operations.

In addition, by eliminating time agents would have spent handling accounts that are now self-service, the bank cuts commissions and focuses agents' efforts on accounts not addressed by the Internet channel.

