Benefits Through True Customer Engagement

Driving Customer Centric Collections
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Introduction

The debt collections landscape is dramatically changing—and for the better. Creditors have begun to adopt a new strategy—customer centric collections—for managing their delinquent accounts. This new approach combines enlightened business practices with sophisticated technology to achieve optimal results. The benefits of this change include improved collections productivity, better overall recovery results and enhanced customer service.

Customer centric collections is a completely different and more effective approach to debt management. Collections was once a function focused exclusively on delinquent accounts and handled by a part of the business detached from customers. Even within this isolated realm, collections was segregated by individual product lines, contributing to customer confusion, costly mistakes and subpar results.

Now such artificial and counterproductive barriers are beginning to disappear. Customer centric collections focuses on a fuller understanding of the customer and the strategies that can solve the customer’s debt-related problems. Debt collections is no longer viewed as merely bringing delinquent accounts current. Instead, it is becoming a more holistic approach that helps deliver a seamless, consistent experience for customers at every phase of a commercial interaction, fostering repeat business and creating greater customer loyalty in the process.

This paper discusses the changes driving customer centric collections. It explains the transformative concept of customer centricity within the collections area and the maturity model required to achieve it. It also probes the key capabilities required to make customer centric collections a reality and examines the current state of this new approach within a group of CGI financial industry clients.
What factors are driving this change today?

Greater personalization

In dealing with banks, credit card companies and other credit granting organizations, customers do not expect digital engagement to be their only service delivery option, but they do expect it to be in the mix. Moreover, they want it to be available 24x7, provide complete functionality, and be every bit as good, or even better, than the level of service a company delivers to customers face to face or by telephone.

In the case of banks and financial institutions, part of this expectation springs from the customer’s desire for greater personalization. A recent survey of retail banking customers conducted for CGI by Research One found that establishing a more complete relationship was among the top five service attributes consumers now demand from banks.1 This desire proved to be an issue for 58 percent of survey respondents. Moreover, 52 percent said they would consider switching banks for this reason.

The digital channel can, of course, not only help consumers manage their accounts, but also avoid delinquencies altogether. Examples of preventative measures include overspending alerts and money management assistance. A substantial percentage of CGI survey respondents who indicated a clear digital preference also indicated their interest in receiving information about their spending habits and how to save money.

More self-service

Being in arrears can be messy, embarrassing, intimidating and intrusive. Few consumers relish the prospect of bill collector telephone calls or visits. If given the opportunity, many would much prefer to manage their financial obligations without dealing with another person.

Customer centric solutions provide a large degree of consumer self-service. This means consumers can access their digital accounts at any time of day or night, update their personal information, and take a variety of repayment related actions—all with a high degree of personal privacy and security. Digital collections takes the frustration and embarrassment out of the collections equation.

According to CGI’s bank consumer survey, most people make financial decisions as the need arises, not according to some pre-set schedule. That said, 58 percent of respondents indicate they want their banks to provide digital contact channels. The survey also revealed that consumers prefer a digital option, regardless of their age or income and self-service options are essential, whether creditors like it or not. According to a prediction from Gartner, “By 2020, customers will manage 85% of their relationship with the enterprise without interacting with a human.”2 In such an environment, the consumer’s self-service expectation will do much to separate business winners from losers.

More value

In addition to helping consumers feel more individually appreciated and in control, customer centric collections can help make each engagement more valuable.

A customer centric approach, drawing on data analytics and business intelligence capabilities, can help borrowers devise the strategies that make repayment more manageable. Indeed, well over 50 percent of survey respondents who are digitally engaged want information on their own spending habits, and 54 percent want help with their cash management. Companies in a position to help their customers both manage money and debt have a significant advantage when it comes to retaining their best accounts for the long term.

Greater regulatory risk

Adverse court rulings, as well as increased scrutiny by government agencies like the Federal Communications Commission (FCC), Federal Trade Commission (FTC) and Consumer Finance Protection Bureau (CFPB), have made uncertainty and heightened risk the new norm in debt collections. Lawsuits related to the Telephone Consumer Protection Act (TCPA) increased 560 percent between 2010 and 2014.3

Without a proactive approach to regulatory compliance, creditors run risks posed not only by their own employees’ mistakes but by the actions of subcontractors, including law firms, collections agencies and other third parties. Such risks translate into both fines and money damages, as well as lost time, lost business and damage to reputation.

A customer centric approach helps the creditor better control all the “moving parts” of the debt collections process, including regulatory compliance.

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1 Financial Consumer Demands for Tomorrow’s Digital Bank, 2015 survey of 1,244 bank consumers in the U.S., Canada, France, Germany, Sweden and the UK conducted by Research One on behalf of CGI.


3 Financier Worldwide, Crunching the numbers: Courts square off over the Telephone Consumer Protection Act, April 2015.
Building a customer centric collections process

Rather than merely attempting to collect on individual accounts, a customer centric collection approach considers the total relationship that the creditor has with the debtor. The goal here is to look across all of the accounts a borrower may have with a company for the purpose of devising effective strategies for repaying outstanding amounts, achieving better, more cost-effective service and results for the customer, and preserving valuable customer relationships far into the future.

Four disciplines are essential for moving to a digitally enabled customer centric collections capability:

- **Customer decisioning:** A customer represents a combination of risks and exposures across one or more accounts. Customer decisioning technology, including predictive modeling, helps the creditor to anticipate a debtor’s future behavior based on his or her repayment history. Multiple borrower characteristics are considered, including settlement limits, foreclosure equity status, promise/payment history, forbearance program eligibility, contact channel preferences and level of responsiveness. Having such insights helps the collections agent do the right thing at the right time with the right customer. Creditors can use customer characteristics to iterate through experimental designs, incorporating champion/challenger techniques to continually improve outreach results over time. In the past, product lines determined the types of models used; for example, one group might apply to car loans, another group to credit card debt, and a third to mortgages. With a customer centric approach, decisioning across accounts and customer attributes—not types of products—inform practices and improve results.

- **Tailored treatments:** Some customers will pay a past due balance on their own without prompting. Others may remit after a single text or email reminder, while others may need help with a repayment plan. Better informed collectors can tailor treatments to increase the effectiveness of each customer contact. However, if data is maintained at the account level only, this is difficult to achieve. Customer centric solutions allow engagements to be more personalized and repayment solutions more customized by presenting the data from multiple accounts at the customer level. This “bigger picture” allows collection workflows to achieve more comprehensive, end to end results. Workflows are synchronized to ensure informed, in-sequence performance and operational coherence. In a typical example, account data can be analyzed and a custom payment allocation plan generated based on business policy rules and a borrower’s available funds. The right technology solution will capture activities at both the customer and account level and update other, related accounts through a single activity entry. Tailored treatments also apply to early, mid—and late stage recovery (post charge off) collections, as well as specialty collections, including repossessions, deceased borrowers, foreclosures and skip traces, etc.

- **Consistent experience:** Customer centric collections views the customer as a stakeholder in the effort to successfully manage debt. It incorporates the borrower’s point of view and incorporates his or her input. Customer centricity is contact agnostic, utilizing self-service channels like SMS text or email when these are most appropriate and human contact when talking to a collections agent is more appropriate. Well sequenced, well informed customer engagements make interactions easy and consistent, regardless of how they occur. A more consistent customer experience yields a more productive, more valuable customer experience overall.

- **Customer operations:** With decisioning and treatments in place and interactions made complete and consistent, the creditor can align its processes and operations with customer needs. In this environment, no contacts are wasted because the digital collections platform itself is capable of collecting customer level metrics, learning, improving, and providing incentives to encourage positive behaviors. Orchestrated workflows, common information gateways, and treatments for late and specialty stage collections help ensure that third parties operating in the name of the creditor remain part of the solution—not the source of payment disputes, upset customers and compliance problems.
Customer centricity: Where do banks and other creditors stand today?

CGI recently assessed the customer centric collections status of 22 retail banking organizations, with debt management programs ranging in size from fewer than 300 collection agents to more than 1,000 collection agents. While all of these firms indicated their intent to move in this direction, only a handful could be considered to be in an advanced stage of achieving these capabilities.

The review categorized the banks into three stages:

- **Stage 1** is where the creditor is still conducting product focused collections. Its operations are siloed and offer a limited view of the customer’s history or circumstances.
- **Stage 2** incorporates multiple products and customer views for informed agent interaction and decisioning. In this stage, however, the focus remains on delinquencies, not problem solving and debt management. Some self-service capabilities have been put in place.
- **Stage 3** is customer relationship focused. Agents have been trained across products and are capable of negotiating payments.

The review showed roughly half of banks (45 percent)—including two firms with more than 1,000 collections agents—were still performing Stage 1 collections. About one-third (32 percent) were in Stage 2, and 23 percent—again including two firms with more than 1,000 collections agents—were in Stage 3. Of the 22 banks included in the review, six indicated that they are now upgrading their collections systems to achieve customer centricity. The assessment suggests that, by 2019, the status of banks will be reversed, with 50 percent offering customer centric collections and about one quarter still in Stage 1.

CGI performed a second review of nine client banks’ collection activities. That review focused on the four disciplines deemed essential to customer centric collections: decisioning, tailored treatments, consistent experience and customer operations.

Decisioning is driven by customer data and predictive models. A customer’s previous collection activity proved to be the customer data category used by all nine banks, followed by contact history. Banks were less likely to use information about a customer’s financial position, value, tenure or total exposure. Propensity to pay proved to be the most popular predictive model category, followed by propensity to roll and probability of charge off.

Review results show banks are aligning their tailored treatments to the customer. Early stage was the collections life cycle area drawing the most “treatment” instances, followed by entry into collections and late stage collections.

CGI Collections360 and CACS® Enterprise: A disciplined platform approach to customer centric collections.

CGI’s Collections360 and CACS® Enterprise are a proven platform approach for driving customer centric collections. Together, these solutions deliver the following advantages:

- Complete view of customer risk, value and preferences
- Treatments tailored to the customer
- Comprehensive, multi-product line based decisioning for negotiations across accounts
- Consistent cross channel customer engagement
- Collections capabilities aligned with the organization and operations

Their key components and capabilities include the following:

- Strata™, a business rules engine for generating a wide range of customer status and behavior characteristics, as well as supporting scoring, decisioning, strategy testing and performance reporting
- Tailored treatments for customer level workflow definition, multiple account data rollups, promise to pay allocations, and activity assignments at the account and customer level
- Relationship views for customer level notations, searches and portfolio review
- Contact level demographics and ubiquitous contact updating, robust customer contact preference capture and storage, and multi-channel contact options, which combined ensure a consistent customer experience

While more sophisticated technology is gradually being embraced, CGI’s review of the nine banks found surprising deficits. Almost half of these institutions (44 percent) could not say what share of their collections interactions took place on a self-service basis versus using live collectors. As creditors strive to achieve a consistent customer experience, understanding consumer preferences and practices will be critical. Interactive voice response and websites proved to be the most popular self-service channels.
Seize the benefits of customer centric collections

From marketing and sales to post-sales product and service support, companies are using digital solutions to go customer centric. Now the time has come for companies to apply this powerful technology to the transformation of debt collections, too. Turning a customer centric approach into a productive, profitable reality, however, takes a commitment to practice innovation, the willingness to deploy a proven market solution, and the desire to take collections operations from the ordinary to the extraordinary.

Customer centric collections improves collections performance, helps customers better manage money, better informs customers about their existing debt, and helps borrowers to resolve outstanding account issues. Creditors are moving to customer centric collections because the benefits are clear:

- Business intelligence and data analytics use existing data for value-added, personalized, customer engagement
- A heightened emphasis on default management and prevention serve clients and companies alike, helping to preserve credit worthiness and valued customers, respectively
- Fully informed conversations mean more productive interactions across product lines—and, when appropriate, even opportunities for cross-selling and up-selling
- Strategies can be modified and tested, with incentives added to the mix that foster long-term relationships and solidify brand loyalty
- Privacy, security and compliance increase with business rules that manage customer contact preferences and the type of information that can be disclosed and shared
- Collections can be integrated with other parts of the business portfolio for a fuller view of current operations, customers and the marketplace itself

The opportunities are ripe. The solutions are real. The time for change is now. Visit cgi.com to learn more about CGI’s sophisticated technology and years of experience in bringing dramatic improvements to collections operations, or contact us at banking.solutions@cgi.com.
About CGI

Founded in 1976, CGI is a global IT and business process services provider delivering high-quality business consulting, systems integration and managed services. With 65,000 professionals in 40 countries, CGI has an industry-leading track record of delivering 95% of projects on time and within budget, aligning our teams with clients’ business strategies to achieve top-to-bottom line results.

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