



Success in uncertain times

Covid-19 has greatly impacted the credit active population of South Africa (and all over the world), curbing the appetite for new credit.

The Q3 2020 South Africa Industry Insights Report (TransUnion) shows the number of new bank personal loans, and home loans extended in the third quarter fell by more than 60%, while new clothing accounts were down almost 70%.

This lack of new credit accounts played a role in pushing NPL (Non-Performing Loan) levels up through the bad debt distillation of no “new good-money” flowing in.

“Mortgage books worsening is always a bad sign for the economy.”

Mortgage books worsening is always a bad sign for the economy. Higher NPL’s means increased foreclosure, which in turn means a reduction in property value which results in more shortfalls; massive changes to LGDs (Loss Given Default) and a huge impact on provisions.

85% of consumers are worried about their ability to pay bills and loans, with 29% expecting to run into a shortfall within one month (TransUnion survey among South Africans).

With this much pressure on consumers, credit collectors are faced with the difficult task of collecting monthly payments, and as the statistics stand, it is highly likely that a consumer will be defaulting on at least one account.

The key to surviving in this climate is to ensure your payments are prioritised over other collectors. However, that is what everyone else is also chasing...

So how do you improve collection yields?

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In this guide, we will give you tips and insights we have learned over the years of working in Collections & Recoveries. Implementing these tactics will see you achieving success in these uncertain times.

Principa specialises in data-driven collections and recoveries solutions. In the current climate, data-driven solutions are essential to optimise your approach and ensure that you get the best out of the strategy.



Prioritise the customer experience: Your debtor is still your customer

It is time to stop thinking about customer service reps as the ones who take care of the customer experience. Every single interaction a consumer has with your brand adds to their experience and impression of your brand or company and this perception plays a key role in whether they become or continue to be your customer. A positive customer experience can have a massive impact on a company, turning a happy customer into a brand advocate.

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Usually, by the time debtors enter the collections stage, the client’s experience has plummeted by default. With collections, there is always a fine line that we must walk to ensure we maintain a positive relationship with customers. Ultimately the intention of any interaction with a customer should be to secure more business from them in future despite the negative event of debt collection. By giving more thought to customer experience in the collection stage of the customer lifecycle, we can improve the probability of repayment and future business or referrals.

So how do we strive to retain client satisfaction?

➤ **Personalisation**

We personalise to win and retain business. Why don't we do the same to collect? Personalisation can help minimise the negative impact of debt collection and increase the probability of payment and future business. Personalisation can be as small as using the customer's first name in their notification SMS; email messages or when they log into a self-service portal. Rather than a standard communication strategy, use their preferred communication channel (SMS, call, email), as well as personalised payment terms and treatments based on their profile.

No matter how small the degree of personalisation one takes, the impact can be incrementally positive.

➤ **Don't cause unnecessary disruption**

Your customers do not want to be disrupted, and your debtors even less so. By calling or communicating with debtors at a time that has proven to be successful in the past, you are increasing your chance of reaching them, but it is also probable that this is the optimal time they want to be phoned. Think about it: if you are a morning person, and you get most of your work done in the morning, you will ignore your phone calls. However, in the afternoon, when you are more receptive to conversation, you will answer. By analysing previous call data, you can contact debtors at the time that appears to be most convenient and the least disruptive to them.

➤ **Remember previous interactions**

Moreover, while we are looking back – if you can reach the customer at the same time as you did last time, then you can remember the conversation, right? Keep a record of the past interactions your agents have had with a customer and enable your agents to access those records instantly during a call, without the need to search through historical logs. This information will equip the agent to handle the call better, but could also help the debtor either recall previous facts or build on an existing relationship.

With technology, we can also equip the agent with previous call sentiment analysis, this will guide the agent as to what words *or phrases* are optimal to use. This is also another reference to personalisation.

➤ **Show empathy and understanding**

It is important to show compassion and position yourself as if you are there to help rather than to judge and punish the customer for falling into arrears. Change your collections approach from consequence to incentivised and understanding. Educate your customers to help them manage their debt, and present them with all the options for paying you back. Understand that your customer might be going through a difficult time, and they need the information you could give them. Be empathetic and don't treat every call like another task – be aware that you are dealing with real people who have lives and things they need to manage: just like you.

The fact that they are behind in payment is hopefully a short-term situation, and your goal in collections should be not only to recover the debt but equally as important to maintain a positive customer relationship that can lead to future revenue from that customer. You need to ensure your agents understand this, from when you first hire them.



Hire the right people

Hiring staff for a call-centre can be quite harsh, as centres often have a high turnover rate. However, ensuring you hire the right people for the job, and not just anyone who can handle a phone, will go a long way in reducing that turnover rate. By employing people who have the skills and character needed to be successful, you will enable them to find ease to their job, making departure less likely. Moreover, the longer they work in your centre, the more proficient they will become, and the more accounts they will successfully manage to collect on.

Here are some essential characteristics to look out for:

- Empathy
- Patience
- Great listening skills
- Problem-solving abilities
- Good communication habits
- Target-driven

Providing agents with these skills through excellent training, while also motivating them effectively, will ensure your debtor has a good experience, that your staff turn-over rate decreases, and your collection yields increase.



Train call centre agents

It is imperative to provide new agents with the training needed to operate in the call centre. Training will include operating the dialler, correct responses, how to use software etc. It is also a good idea to have refresher or "advanced" training courses for existing staff, to update and refresh their skills. Also, remember that staff will need training on any new systems or technology introduced into the environment.

Empathy or emotional intelligence training is a course you should also offer, both to new and existing employees. The course should teach them compassion and understanding, as discussed above, but should also equip your agents to deal with situations that are out of scope or unprecedented. It will also go a long way towards improving their management of angry or upset debtors.

Your training should also help agents understand delinquency and the causes of it. They should be trained to vary their approach according to the scenario and delinquency reason and situation. For example, if a debtor is behind short-term or if it is a constant problem, and whether it is due to negligence or serious problems such as an illness.

When considering training, always remember what the Ebbinghaus forgetting curve (<https://www.psychestudy.com/cognitive/memory/ebbinghaus-forgetting-curve>) has taught us, and make sure you provide tools (like gamification) to keep them motivated and returning for more.



Motivate your call centre agents

Staff motivation levels are an essential factor in every business, but even more so in a call centre. If your call centre agents are motivated, you can expect them to remain an employee for a more extended period, reducing staff turnover. Motivation not only saves you many resources for recruiting, but also for training.

With more prolonged periods of employment, agents will also become more skilled in their role. This, together with a more motivated attitude will increase each agent's performance, and if your agents are performing well, you likely are experiencing increased customer satisfaction and loyalty. This will lead to higher profitability and growth.

While the benefits of having motivated agents are massive, not many centres can motivate agents efficiently, and they thus rarely see these results. This is an area where you can implement solutions that will have a lasting effect on your revenue and is likely to give you a competitive advantage.

➤ **Set expectations**

Be clear on what is required from the agents on a day-to-day or hourly basis. Ensure that these expectations are reasonable, achievable and data-driven. Remember that data tells a story, so don't expect the same level of performance throughout the month. Expectations should be aligned with peak and off-peak periods. Start with looking at your current performance data. This data should inform your agent's targets.

➤ **Provide information**

Provide your agents with the information they need to get results. A computer can determine age and gender from an ID number much quicker than your agent can, and with access to analytical models, you can predict the behaviour of the customer your agent is about to call. The best thing you can do is to share this information with the agent. It will only improve confidence and performance.

Strive to provide this information by way of visualisation, as visualisation (pictures and colours) enhances memory function. According to research by Christopher Taibbi, a specialist in gifted education, one of the most reliable ways to help material enter the brain is through visualisation that targets and enforces the occipital lobe as the central point of processing the information.

We have seen first hand how the use of visualisation has resulted in a 2% increase in Promise-to-Pay (PTP) rates within a challenger setup, and has resulted in a 6% lift in average PTP values, without negatively affect arrangement conversions to “cash-in-bank”.

➤ Create a bright environment

Utilise the colour psychology wheel in the workplace to brighten up the environment or to create a high-energy space. Use these colours in the physical environment and in the tools your agents use.

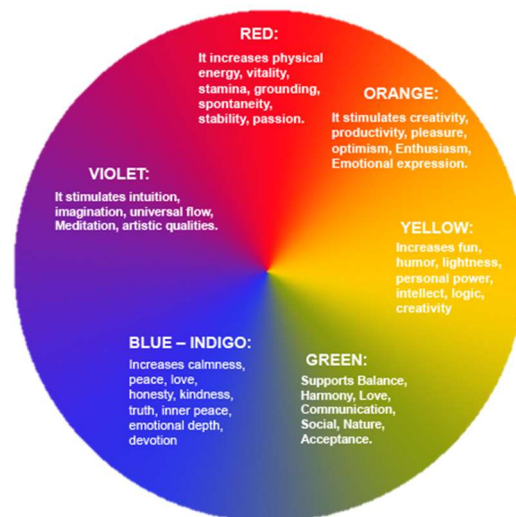
Introduce plants into the environment to increase oxygen and transforming a "dead" environment into a living and breathing environment.

We sometimes forget to provide stimulating areas during break times: comfortable seating, healthy food and lots of water within a naturally lit space, will leave your agents energised to get back to work after lunch.

➤ Utilise gamification

The majority of call centre agents are millennials and early Generation Z, and for that reason, we need to introduce generation specific tools and stimulators.

Gamification is a known motivator for both millennials and Generation Z and introducing it in your call centre could improve energy levels.



➤ **Understand the millennial and Gen Z**

The millennials and generation z's core values consist of traits such as achievement-driven, extremely fun, highly competitive, self-confident and very tolerant.

It is time for companies to understand their workforce and change to accommodate their traits. If we do not, we will continue to fight a losing battle against our agents.

➤ **Provide positive reinforcement**

We all know that being a collection's agent must be one of the toughest jobs out there. Interacting with people that do not want to talk to you, or are rude and abrasive, can be disheartening. Over and above this, call centre agents are continually monitored and evaluated by supervisors. Providing positive reinforcement and feedback will improve job satisfaction significantly. Remind agents that they are helping their customers and that they are playing a positive and essential role in the credit industry. Encourage positive attitudes and professional behaviour and offer stress-reducing training or enablement.

➤ **Utilise technology**

Provide agents with the tools they need to achieve the expected results and to monitor their performance against the targets in a **live** environment. Do frequent research into what tools are available for call centres. Do not just assume you currently have the best or only tools– find the perfect tools for your centre!



Manage and utilise data

We all know that operations are genuinely dependant on analytical insight and models to drive a strategic, operational approach. However, even if we have the best analytical resources, without granular level data storage, we will never be able to utilise them effectively. One of the easiest ways to ensure collections calls end positively is to maintain accurate customer data that your call centre agent can use during communications. For data to be valuable and applicable, data needs to be stored in one location, a "data warehouse", and all account management systems and operating systems need to keep the "grail" updated with all new data. Managing this data to remove the clutter from the gems should be top of mind, and securely in place before anything else.

We have learned from Covid-19 that the data we believe is not important or vital, can very quickly become extremely important. An example of this would be the customers industry of employment. This information has never been so strategically important as it is right now, and the capability to capture, manage and utilise this information has become critical.

Customer account data should be reviewed and updated consistently to check for inconsistencies or inaccuracies. Any changes to customer data should be well-documented and controls put in place to prevent erroneous edits or deletions.



Analyse Data

“Data analytics forms the cornerstone of operational efficiency and drives collection strategy.”

Credit lenders use data analytics to assess potential clients and determine affordability. However, many credit lenders and debt collection companies fail to apply the same practice when dealing with defaulting clients. Collections operations have historically revolved around quantity, as opposed to quality.

What do we mean by quantity vs quality?

- Working as many matters as possible during a day
- Making as many calls as possible during a day
- Getting the highest repayment arrangement possible

However, what if we could increase operational effectiveness **AND** financial returns? What if we utilise our data within collections and recoveries to drive our strategy and efficiency?

"Without big data analytics, companies are blind and deaf, wandering out onto the Web like a deer on a freeway." Geoffrey Moore, Author of "Crossing the Chasm" and "Inside the Tornado".

Data analytics forms the cornerstone of operational efficiency and drives collection strategy. You should utilise analytics and analytically derived models/scorecards within all areas of the collections cascade.

Analytical models can be created to determine: Right time and number to connect, probability of payment, individual debtor instalment value, net present value settlement calculations, EDC outsourcing scorecards, legal process efficiency, probability and yield forecasting.

<https://insights.principa.co.za/scoring-in-collections-webinar>

Analytically driven collections strategies should govern your call centre.



Technology

We have been spoiled with numerous technology advances in the last few years, which provide exceptional tools to the modern call centre in order to improve operational effectiveness.

Let's look at a few of these new tools:

➤ **Self-service bots**

Self-service bots are not new to customers, but the adoption of self-service bots within the collection environment has been extremely slow, notwithstanding the customer demand and clear benefits it offers.

Millennials are forming a big part of credit portfolios, or will be forming a big part within the near future. If we look at how they engage, we will see that “texting” forms the major part of their engagement preference. That, together with the fact that collections engagements create a feeling of embarrassment, makes an impersonal platform fit for purpose.

It is however important to choose the correct bot and technology partner, in order to safeguard customer experience and reputational risk. We have seen too many companies “experiment” with live chatbots and loose customer engagement through the platform.

(<https://insights.principa.co.za/how-to-choose-the-correct-collections-chatbot>)

➤ **Omnichannel platforms**

Within collections and recoveries, customer engagement forms the cornerstone of success. Most companies however still deploy a traditional communication strategy which is random and ineffective.

“Studies show that 60% of people prefer brands that interact across multiple platforms. By 2022, people physically going to the bank is expected to drop by 36% with mobile transactions eventually composing 88% of all banking transactions.” (<https://dasceq.com/blog/how-intelligent-omnichannel-collections-can-improve-customer-experience/>)

Omnichannel is more than just “multichannel”, an omnichannel solution includes the ability to process new and updated information instantly, which in turn can automatically trigger the account to be moved in terms of the workflow or process flow, as well as triggering the subsequent strategic actions.

Omnichannel creates consistent, and strategic engagement across multiple communication platforms and devices, resulting in increased customer engagement and subsequent collections results.

➤ Agent coaching bots

Machine learning and advanced data analytic techniques are often used in combination with behavioural sciences to develop coaching bots. Virtual assistant for call centre agents is a collections solution that guides and support agents through calls in real-time, offers them easy access to information and motivates and inspires high performance. This can translate directly to increased collection yields. (<https://insights.principa.co.za/coaching-bots-increase-debt-collection-call-centre-yields>)

➤ Speech analytics

Within call centres, only a small number of telephone calls are analysed due to the operational constraints thereof. This however creates room for incorrect assumptions i.e. “our call quality is good” or “our calls are regulatory compliant”.

“A sample size that is too small reduces the power of the study and increases the margin of error, which can render the study meaningless.” - <https://sciencing.com/determine-size-quantitative-research-study-8072459.html>

Speech analytics solutions can however assist call centres to analyse **all the calls**, and highlight calls which require additional attention, highlight words and phrases that are commonly used, highlight conversations which contain or don’t contain a specific word or phrase.

“Speech Analytics solutions focus on the actual spoken content of a conversation by transcribing and analysing what was said. In other words, it looks for specific words and phrases and how these relate with one another. Speech analytics places greater importance on what was actually said and produces transcribed data that can constitute tangible evidence.” – Rod Jones

Contact Centre Consulting

(https://callbi.io/downloads/Speech_Analytics_for_South_African_Contact_Centres_By_Rod_Jones_Ver2.0_S.pdf)

In South Africa we have always been sceptical about speech analytics, due to the unique nature of our languages and dialects. In recent years however, local experts have produced speech analytics solutions designed primarily for South Africa that can accurately analyse several South African languages. It is just a matter of time before all 11 official languages will be available within these platforms.

➤ **AI (Artificial Intelligence)**

With the explosion of AI recently we need to ask whether there will still be a place for call centre agents in 5-10 years' time? Millennials enjoy self-help services and AI call centre agents. However, will this make human agents redundant? Alternatively, can you ignore AI because you have a fully-staffed call centre?

The fact that the call centre environment is drastically changing and incorporating technology will never replace the need for the personal interaction between two parties. These communications will merely occur differently as the days of call centre agents performing mundane tasks like providing balances, or giving banking details, will come to an end, to be delivered by self-service AI bots.

With the inclusion of AI solutions into operations, call centre agents will perform specialist duties like resolving default account queries, negotiating for optimal repayment arrangements, and educating debtors to become credit wise. Your collections strategy going forward should be looking to include both holistically, as this will ensure your collection yields are higher than ever.



Conclusion

In our experience, focusing your efforts on optimising these aspects of your collections operation, will improve your returns and revenue and make sure you are getting paid first, consistently. Even starting to implement any one of these tactics will see you reaping the rewards not long after that.

We suggest starting with advanced data analytics. Good luck!



About Principa

We work wonders with our data science services to serve over 150 companies in 30 countries in Africa, Middle East and Europe.

Our focus is on turning data into the wisdom that sparks ideas, inspires, and drives innovation and business improvement for our customers. We want to deliver data insights, data-driven strategies and the technologies that improve how businesses operate, how they develop new products and how they acquire, retain and grow their most profitable customers.

Our data science services help our customers answer questions about the past and present and anticipate future outcomes. The data insights we derive provide the information and knowledge from which to develop more effective strategies, increase efficiency and profitability and decrease cost and risk.