

The Collections Big Three

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Staff, Segmentation, and Systems: Each of these components of collections is vital for the delivery of good performance. There can be no doubt that people are the most important tool for obtaining payment from customers in arrears. However, if the systems have problems, then the efficiency of the staff will be affected. In research we conducted last year, over 80% of respondents said that they were hampered operationally by inflexible or inaccurate collections systems.

Treating all debtors the same is also inefficient. Many companies are using collections scoring to tilt strategies and thereby apply different actions, timing and tone of the action based on likelihood of payment. Again the efficacy of this depends on the ability of the system to cope with the segmentation of strategies. In addition, actions requiring human intervention requires adequate capacity and appropriately skilled staff.

There are simple tips to apply to the Big Three and I'll outline these below.

Staff: The key to ensuring that the appropriate staff deal with the right debtors is of course training. However, the tip is a little more subtle; it is based on the type of training. In today's world of short collection calls, the quality of the call is paramount. I advise "NLP" style training that enables the agent to make a connection with the debtor. Not only are you more likely to get a payment now, but next time as well.

Segmentation: In my experience there are always opportunities for simple segmentation rules. Scoring works well, but it is a blunt instrument and tends to work best as customers enter collections. Data analysis may find the rules, but the analyst tends to need to know where to look to be able to find the relationships. I find that case reviews can through up some obvious missed opportunities. In addition I recommend involving the agents to brainstorm the patterns of behaviour they see. This involvement I also motivational and it is always beneficial to see the segmentation as a tool working with the staff rather than in opposition to them.

Systems: Most collections managers would like the latest technology. However, businesses often fail to see the cost justification for the investment. My tip here is to find an alternative – middleware. A wrapper can be put around existing systems and transform them. Ugly, cumbersome screens can be redesigned. Hot key problems can be removed and silos can be converted into CRM solutions. Of course it costs money, but middleware solutions can be a fraction of the price of a new collections system.

Delinquency is a growing issue in consumer credit and instead of working harder (because we all know that this is never a long term solution) we must work smarter. Look at the Big Three in your collections operation and ask yourself whether there are opportunities. Sometimes little things can make the difference between a good operation and a great one.