

The Psychology of the Call (behavioural analysis in the debt collection sector)

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Debt collection is changing. In the 1980s it was still about volume. Then science and technology took over and provided fancy segmentation tools and analysis. However, the truth was that for the collections agent it was still about volume. The only difference was that it was smarter volume.

Recent years have seen a paradigm shift. It is not just about who an agent talks to, but how they talk to them. The psychology of communication and debt problems have come into play. Not only is it producing better cash collected results, but staff are enjoying their jobs more. A simple measure of this is your staff turnover. A poor collections operation will have in excess of 25% staff turnover per year. One with a good environment will be less than half of this. So results are not only in cash recovered, there are also benefits in training and recruitment costs.

Psychology

We have known for a long time that different type face and colours in letters can elicit different responses. For example, use blue writing on yellowed paper if you want the person to actually read your letter. Using psychology in collection conversation is not new either. The truth is that the best agents do it naturally. The problem is that they often don't realise what or how they do it.

There are five rules that are typically followed. The first is that the agent should be in control of the conversation but there is a delicate balance to be made between showing respect and making the creditor responsible. Rule two is all about winning permission to ask questions using vague language. The third rule introduces rapport building. By communicating properly with the debtor, the agent gains valuable information. The fourth rule is then managing the conversation. Rather than tell the debtor the solution, we must convert them slowly to our way of thinking. The final rule is about closing. In collections this is typically confirmation of the amount to be paid, when and how. However, the psychology with how this is delivered is critical. If you catch the debtor off-guard with your proposal, you'll find a promise is more likely to stick.

People Business

Tools like Neural Linguistic Programming and Transactional Analysis work for collections calls. Rather than working with scripts, improved performance can be achieved by structuring the call. The best agents do this instinctively. However, we want all our staff to perform like the best, not just a precious few.

State-of-the-art collections systems can do amazing things, segmenting and prioritising debt. However the most important tool for the organisation is its people. After all it is a people business. Collection agents who can use the techniques I have discussed, will perform better. Not only will the debtor be more likely to keep a promise, but they are more likely to make the next and the next payment.

As consumer debt continues to grow and with it delinquency and bad debts rise sharply, some operations will flounder. In the future, the winners of debt collection will be the companies who embrace the psychology of the call.

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