Improving collections in the age of the "now" consumer.

4 digital "must-dos" to build loyalty while collecting.

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Executive summary

Defaults increase, engagement decreases in the age of the "now" consumer

As of August 07, 2014, one in three U.S. adults have 'debt in collections.'[1]

So as you read this report, likely either you, a friend, family member or co-worker are in some phase of the collections process.

In the post-recession economy, it's a problem that's not likely to go away. The good news is that for most, payment problems are temporary. A short-term blip on the radar that is likely to be resolved with the right approach.

Treat your customers well during this time of need, and you're likely to gain their long term loyalty. Mistreat them, and you're likely to feel their ire in the form of lost revenues, social media badmouthing, or worse - formal complaints with new government watchdog entities like the Consumer Financial Protection Bureau, known as the CFPB.

As Scott Woodhead puts it, "the future lies with companies who can be a friendly face in the crowded and anonymous online marketplace."

But today's "now" consumer demands a different kind of customer service. It's no longer enough to simply be polite and helpful. The "now" consumer expects your company to be proactive and reach them on their terms – without overstepping your boundaries.

This document outlines a strategy that will help you effectively and compliantly engage the "now" consumer using automated, multi-channel digital outreach.

With this strategy, you'll improve outcomes, reduce costs and transform collections into an effective customer service channel.

Who is the "now" consumer?

Connected: For every single person in the U.S., there is a wireless broadband data connection.[*]

Impatient: When they seek a product, service or answer, they turn to their mobile device and expect immediate gratification.[*1]

Always On: The average smartphone user checks their phone 150 times per day.[*2]

Intolerant: They are more likely to complain about a bad experience on social media than ever before.[*3]

What's more, CFPB collection complaints reached a record high in 2013.[*4]

[1] Source: Sahadi, Jeanne (2014). 1 in 3 U.S. adults has 'debt in collections.' CNN Money. Retrieved from: http://money.cnn.com/2014/07/29/pf/debt-collections/
[*] Fitchard, Kevin Report: The U.S. joins 6 other countries in achieving 100% wireless data penetration, (2014)
[*1] Schadler, Ted; Bernoff, Josh; Ask, Julie The Mobile Mind Shift, (2014)
[*2] Majumdar, Anujeet Smartphone Users Check Their Phones an Average of 150 Times a Day, (2013)
[*3] Charlton, Graham Poor Customer Service Means More Complaints on Social Media: Study, (2014)
[*4] CFPB Report Shows Complaints Rose 80 Percent in 2013, (2014)

Understanding the CFPB: the new collections watchdog

No modern collections strategy can succeed without first taking into account the increasing oversight of the Consumer Financial Protection Bureau.

Founded in the wake of the dubious lending practices of subprime mortgage crisis, this new regulatory organization is in the process of forever changing how companies approach collecting past due payments from their customers.

Their core mission: protect consumers from bad behavior by the companies they do business with. Unfortunately, this broadly defined "bad behavior" can often lie in the eye of the beholder.

Search Google for CFPB. What you'll see, before anything else, is the words "Submit a Complaint" as the top sub-link in your browser. The same words are centrally featured on their website.

Click the link and you'll find yourself on a complaint portal created with the express purpose of collecting complaints against companies like yours – companies who are involved in collecting outstanding funds or debts from consumers.

And the complaints have come in droves – rising more than 80% in 2013 from the previous year.[2] Experts predict that 2014 will also break new records.

The key to staying on the right side of the CFPB is to engage consumers early in the default process, and communicate with them often, on every channel at your disposal, in a proactive and helpful way.

Fortunately, frequent and proactive communication is one of the hallmark demands of today's "now" consumer. They want you to help them remember to pay bills, and resolve delinquencies.

Unfortunately, the constant barrage of unwanted communications from advertisers, and natural tendency to avoid collectors at the first sign of default, makes them harder to engage than ever before.

This is where a cross-channel digital strategy shines, allowing you to reach customers in a way that is both welcomed and compliant.

7 ways to ensure you stay on the right side of the CFPB

Make a "good faith effort" and "exercise reasonable diligence" to ensure distressed borrowers understand their options.

Make sure borrowers experience "no surprises" and "no runarounds."

Engage customers in a dialogue about their outstanding balance and repayment options.

Intervene early and often with past due borrowers.

Maintain continuity of contact.

Notify them of interest rate adjustments.

Reach them on the channels they use most frequently – like text and email.

[2] CFPB Report Shows Complaints Rose 80 Percent in 2013. Retrieved from: http://www.consumerfinance.gov/newsroom/cfpb-report-shows-complaints-rose-80-percent-in-2013/

Four "must-dos" to increase payments in the age of the "now" consumer

Must do #1: be proactive
For companies looking to build better long-term relationships with customers, as well as reduce defaults, one of the best ways to do so is by helping customers avoid issues in the first place.

Across all industries, more than 75 percent of consumer's report that receiving proactive reminders from the companies they do business with are extremely helpful and welcome. In addition, 70% of consumers say receiving proactive alerts from companies could have helped them avoid issues – such as missed payments – in the past.[3]

Research shows that the most valued messages are critical notices – such as reminders to pay a bill, alerts when an account is getting low, or updates on the status of a loan or mortgage refinancing.

An effective proactive strategy will orchestrate the use of email, text, smartphone push, as well as traditional channels like phone and mail. Coordinating your outreach across channels– instead of sending the same message on multiple channels at once – allows you to more effectively reach and engage customers on topics that matter to you both.

Must do #2: engage customers in a conversation
The "now" consumer expects a different level of consideration than those in the past. For example, 42% of consumers who complain on social media now expect a response within 60 minutes.[4]

Today's social consumer wants to have a conversation – not a one way dialogue - with the companies they patronize. So too is the case when it comes to collections. As it turns out, engaging your customers in a conversation about their options when it comes to their debt is also a mandate of the CFPB.

One of the best ways to begin a collections conversation is through legacy technologies such as the predictive dialer.

The predictive dialer has been standard equipment in most collections operations since the early 90s, bringing with it productivity increases of 200 percent or more versus call center agents that must manually call customers. Today, the predictive dialer still remains essential to an effective outreach strategy.

However, while it is essential, a dialer is no longer sufficient on its own. Given a past due customer's tendency to avoid having a conversation with their creditors, relying solely on predictive dialing to reach customers live could easily fall short of the "good faith efforts" the CFPB will likely require companies to make. The Bureau defined that standard in its rewrite of the mortgage servicing rules as follows:

"Good faith efforts to establish live contact consist of reasonable steps under the circumstances to reach a borrower and may include telephoning the borrower on more than one occasion or sending written or electronic communication encouraging the borrower to establish live contact with the servicer."

70%

of consumers say receiving proactive alerts from companies could have helped them avoid problems – such as missed payments – in the past.[3]

[3] Wakefield Research, 2013 – Proactive Outreach Survey
[4] Baer, Jay. 42 Percent of Consumers Complaining in Social Media Expect 60 Minute Response Time. Convince & Convert. Retrieved From: http://www.convinceandconvert.com/social-media-research/42-percent-of-consumers-complaining-in-social-media-expect-60-minute-response-time/

While it's not explicitly written in the above, various public statements made by the CFPB's leadership make it apparent that the Bureau expects companies (not just mortgage servicers – but anyone looking to collect from a consumer) to do not just one of these things, but all of them.

This is where interactive voice messaging (IVM) can be successful. IVM is a highly efficient way to reach customers by phone without necessarily involving the time and effort of a call center agent.

IVM best-practices: IVM is an effective way to engage your customer in a conversation with your company, without feeling the pressure of a collections agent. This "self-service" approach is highly desirable to the "now" consumer, who is used to dealing with issues on their own time.

Effective IVM communications will:

– **Utilize personalization:** Announce the name of the customer (e.g. "This is a message for John Smith"), authenticate their identity, and reference how much is owed.
– **Illicit a response:** Offer the opportunity to take immediate action — such as collecting a promise from the customer to make a payment or even taking the payment on the spot.
– **Route to live agents where necessary:** Enable customers who cannot pay the opportunity to discuss other options, such as payment plans or forbearance.
– **Control the flow of calls to the contact center:** Mindful of the need to avoid flooding the call center with such calls, sophisticated IVM platforms can automatically adjust the rate at which they deliver outbound messages to match the capacity of the contact.

Using IVM in this way allows creditors to better treat past due accounts, while also meeting CFPB demands for good faith efforts to establish live contact.

But, what if the customer will simply not answer a phone call, either from a predictive dialer or an IVM system? In such cases, layering digital communications -- SMS text messages, emails and smartphone push notifications into your contact strategy may be the answer.

Must do #3: help them "self-service"
"Mobile has reprogrammed your customers' brain," explains Forrester Research in their new book, "The Mobile Mind Shift."

Consumers now expect to be able to get exactly what they want, anytime, in their immediate context. They have the same expectations of your collections efforts.

Your customers expect access to payments, notices and information – and they expect access on their terms, and on their own time. Digital channels, such as email, text, and smartphone push, allow you to reach out to borrowers in a proactive way to increase payments, without irritating and risking increased complaints.

They are also among the best ways to reach customers who are reluctant to engage in a conversation. The most effective strategies utilize a cross-channel approach to ensure customers have access to your communications when they want, where they want.

Email best-practices: Email is one of the most effective ways to engage customers who are reluctant to otherwise engage in a live conversation.

Effective email collections strategies:

– **Acquire consent before a customer is delinquent:** Ask new customers for permission to reach them by email, and ask them to add your company's address to their "safe sender" file.
– **Break through the clutter:** Nuance studies have found that emails should be sent mid-morning and use compelling subject lines such as "URGENT: A change in the status of your account."
– **Provide next steps:** Include links to help customers self-service or connect them to live-operators where appropriate.

SMS text best-practices: One of the biggest advantages of using text messages as part of your collections strategy is that the "now" consumer will undoubtedly see your message.

In fact, studies have shown that while the average response time for emails is 90 minutes, for text messages it's 90 seconds.[5] And companies who use text messages in concert with other digital channels report twice as many responses.

So while the message may be short, the impact is powerful.

Effective SMS text collection strategies:

– **Include a response mechanism:** Provide links to websites and click-to-call phone numbers, so customers can take immediate action.
– **Remind and collect:** Both remind customers about upcoming payments and communicate when they're past due.
– **Speak naturally:** Advanced speech recognition capabilities allow customers to intuitively interact with self-service solutions and drive repeat use.
– **Allow them to reuse previous payment options:** To speed the path to payment.

Must Do #4: give a helping hand, not the hammer
Those that help us out during tough times are likely to hold a special place in our hearts. In fact, research by the Association of Psychological Science shows that "bad times bond us together."[7]

And in the emotional venue of collections, those who extend a helping hand to their customers are likely to find they stay loyal – as well as pay your company first when a stack of bills comes due.

For example, borrowers who are working with their servicer on foreclosure avoidance are 40 percent more likely to answer the phone when called, 50 percent more likely to identify themselves as the right party and 25 percent more likely to choose an interactive option in response.[8]

Those engagement rates speak volumes – customers clearly prefer to work in cooperation with their creditors to working in conflict.

[5] The Wireless Association (CTIA)
[6] Number of Smartphone Users in the U.S. from 2010 to 2018 (in millions). Retrieved from: http://www.statista.com/statistics/201182/forecast-of-smartphone-users-in-the-us/
[7] Dahl, Melissa (2014). Bad Times Bond Us Together. The Science of Us. Retrieved from: http://nymag.com/scienceofus/2014/09/bad-times-bond-us-together.html

Automate outreach to keep borrowers engaged
However, when a distressed customer engages in a discussion about alternatives to full payment, it's almost never a one-and-done conversation. The process will typically proceed over several weeks, or even months, as the creditor requests documentation from the customer that may qualify them for some form of forbearance.

Of course, the anxious customer will want to be kept up-to-date on where they stand. Using automated digital communications to keep them up-to-date, you can both improve the customer experience, while also lowering the cost of collections operations at the same time.

Once a customer has raised their hand asking for help, creditors can engage them in an ongoing dialog that blends automated status updates with requests for information. This keeps customers informed about where they are in the evaluation of their request for assistance, and what documentation is still required to complete the process.

Lower costs while building loyalty
At the same time, this approach saves valuable time and money. Each automated communication that replaces a live contact with an account representative saves the creditor an estimated $4 to $7, which can equate to millions of dollars each year.[8]

When a conversation is required, an automated call to remind customers of an upcoming appointment with an account representative also increases the likelihood the customer will be ready for the call.

Mortgage servicers have found that non-confrontational applications of IVM, email, SMS and push notifications can effectively engage customers in resolving their delinquency through either self-service or with the assistance of a live agent.

This approach not only helps to increase immediate payments, it's also good for long term loyalty. In fact, new research shows that nine out of ten consumers report that a company's customer service has a significant impact on their decision to do business with them.[9]

$4 to $7

saved per interaction when using automated outreach versus live contact with a representative.[8]

[8] Nuance Communications, May 2013 – Usage Study
[9] Nuance Communications, July 2014 - Top Customer Service Frustrations

Getting ready for now

In the "now" economy, customers expect you to work harder for their business. In this new world where the customer is king, your company must not treat them less than royally just because their accounts are past due.

Treat them well and you'll not only improve collection outcomes, you may very well earn a customer for life. Just remember the 4 "Must-Dos" to increase payments in the age of the "now" consumer.

Be proactive
Use proactive outbound communications such as email, IVM and text to help remind customers when bills are due or if they have missed a payment.

Engage customers in a conversation
Reach out to customers on the channels they use most – email, text, and mobile phone – to engage them in an ongoing conversation about their outstanding balance and let them know what their options are.

Help them "self-service"
Offer immediate access to automated solutions for making a payment and ensure that these solutions are simple and intuitive to use.

Give a helping hand, not the hammer
In the emotional venue of collections, those who extend a helping hand to their customers are likely to find they stay loyal – as well as pay your company first when a stack of bills comes due. Use automated digital outreach – such as texts, emails and IVM – to engage customers in a helpful and proactive way.

Learn from your peers
To see how others are improving their collections outcomes using digital outreach, download these case studies.

– Learn how SunTrust Mortgage reduces first payment defaults by 60%
– Home Credit Bank Deploys Automated Call Routing Using Speech Recognition

About proactive engagement
Nuance works with the nation's leading brands, improving the reach and effectiveness of their customer service and collections campaigns. We deliver results by blending the scalability and efficiency of cloud-based automation with sophisticated personalization based on known preferences and previous response patterns. Orchestrating the use of channels most preferred by consumers – voice, text, email, mobile application and live agent– further ensures cost-effective results. Fortune 500 companies who build loyalty based on their service, trust Nuance to proactively engage one in five Americans each year with the right information at the right time. Follow us on Twitter: @NuanceEnt

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Nuance Communications is reinventing the relationship between people and technology. Through its voice and language offerings, the company is creating a more human conversation with the many systems, devices, electronics, apps and service around us. Every day, millions of people and thousands of businesses experience Nuance through intelligent systems that can listen, understand, learn and adapt to your live and your work. For more information, please visit nuance.com

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