

# Automating Debt Collection 101

Key concepts and requirements for a  
successful automation effort

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## What's TrueAccord?

TrueAccord is turning your losses into opportunities with data science and expert treatment.

Our system allows you to stop handling late payments, get paid faster, and retain more customers you thought you lost.

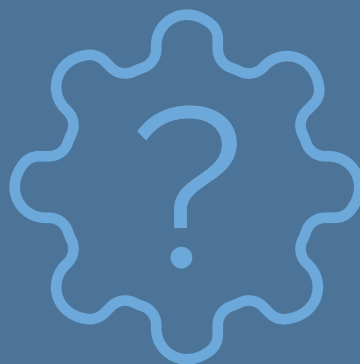
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## Introduction

Whether you're lending or offering services, you will run into late payers, and those mean recovery and collection efforts. Putting one person on the job and expecting them to collect can work when you're small but not so much as you grow your business.

The one person grows into a large team, and soon the company discovers that debt collection is a highly inefficient part of its operations. Yet recovering unpaid payments is key for hitting profitability goals. With increasing regulation and scrutiny, maintaining a large team of collectors becomes a legal liability as well as a financial one.

This is when properly developed process and decision automation can significantly change the economics of the collection process. In this short eBook, we discuss what automation means, the benefits of automation and some key tips. We hope that it makes you curious enough to continue exploring what contemporary technology can offer.



## What is Automation in Debt Collection?

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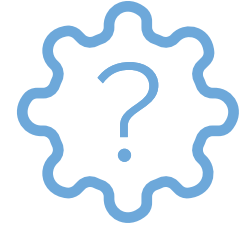
Why automate the debt collection process? What does that even mean? We first need to understand the difference between process and decision automation, and what the two approaches can do.

Debt collection and account receivable efforts often start with one person calling and emailing late customers, and evolve from there. As a result, most collection departments are comprised of large teams of operators trying negotiate with customers. Data science teams tasked with improving performance usually approach it in one of two ways: process automation or agent-independent decision automation.

What is Automation in Debt Collection?

## Process Automation

Process Automation describes the effort to automate manual tasks done by collection agents. This may mean skip tracing, logging payments, or queuing up phone numbers to call. The data science team acquires data sources or builds a process that replaces manual work with automated tools, thus reducing the amount of time an agent spends per case.



Skip tracing is the process of looking for a debtor's whereabouts and best means of contact.

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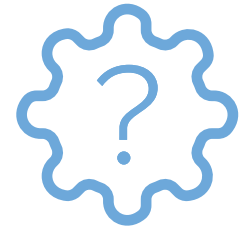
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What is Automation in Debt Collection?

## Agent-Independent Decision Automation

Agent-independent decision automation means creating models that treat agents as an unreliable source of information. The data science team determines a performance indicator they are trying to optimize – right-party contact or the number of calls ending with a payment. They then build models that optimize these performance indicators, while disregarding individual agent feedback and only tracking them in the aggregate.

While both approaches are important and are often used at TrueAccord as well, there's a third one that often gets overlooked because data scientists and agents don't interact often: Agent Dependent Decision Automation.



Right party contact is the number of times the agent speaks to the actual debtor rather than get a disconnected number, a voicemail, or someone else.



## The Benefits of Automating the Debt Collection Process



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Automation requires special infrastructure, extra training, and an upfront investment in human resources to analyze and build automation models. However debt collection is often viewed solely as a cost center, and many companies are reluctant to invest in it.

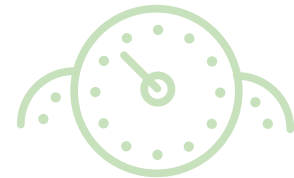
Here's what we see at TrueAccord:



Improved customer satisfaction



Increased agent efficiency



Improved performance

The Benefits of Automating the Debt Collection Process

## Increased Agent Efficiency

How many cases should an agent handle? Basic collection operations have agents handle all cases and do their own skip tracing. More sophisticated ones separate skip tracing and calling, and organize agent teams by levels of escalation. While this method improves efficiency by specialization, an agent ends up on average 800-1000 cases.

With strong process and decision automation, this number increases dramatically. TrueAccord's agents have reached a whopping ratio of 10,000 cases per agent in 2014 and are expected to shoot way beyond this number in 2015. This ratio is reached by automating more than 90% of communication with customers on a daily basis, automatic negotiations, and follow-up management by a machine rather than a human. We aim to reach 15-20k cases per agent in 2015.



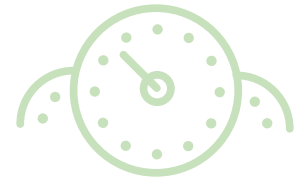
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## The Benefits of Automating the Debt Collection Process

## Improved Performance

Most collection operations make their returns from the top 20-30% of customers who agree to talk and are able and willing to pay. What happens to the rest? When agents aren't available to talk to them or run manual skip tracing, most of these cases go unhandled. It's not cost effective to spend even a few dollars per case when recovery is highly unlikely.

By utilizing automated and digital communication channels, the platform can follow up with customers in short enough cycles for them to remember the collector when money is available. It can present relevant settlement offers when those will be accepted, and it can learn from the customer's behavior to become more and more relevant as time goes by. More than 35% of customers in an average batch click on a link and negotiate with an automated system, thanks to diligent and relevant follow-ups.



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The Benefits of Automating the Debt Collection Process

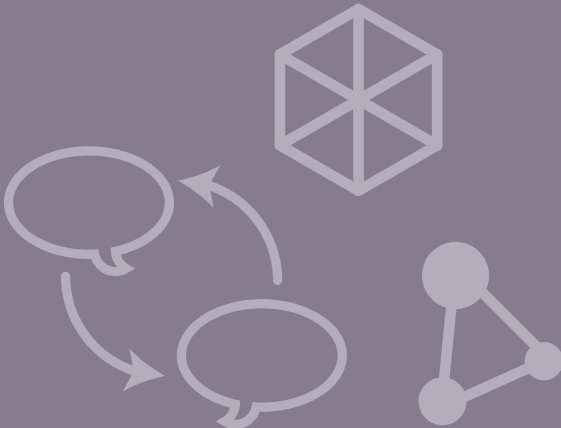
## Improved Customer Satisfaction

The debt collection process isn't often viewed as a driver of customer satisfaction. If anything, as a source of legal risk. The daily grind of agents talking to customers in difficult situations coupled with tight regulation leads to pitfalls that have to be managed. When debt collection is automated, many of these problems disappear: machines aren't baited or biased by angry customers, and maintaining code-controlled compliance is much easier than controlling hundreds and thousands of human agents.

Once the risks are diminished, opportunities emerge. Customers in debt collection are in a bad situation, but almost none of them due to malice. Finding the way to get late customers to work with you again increases Life Time Value and will increase your revenues in the long run: some of our customers see more than \$2 in added business for every \$1 recovered.



Some of TrueAccord's customers have seen more than \$2 in added business for every \$1 recovered.

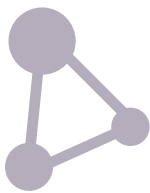


**The Three Keys to Collection Automation**

## The Three Keys to Collection Automation

Flipping the traditional butts-on-seats model on its head and teaching a machine how to do a human's job is not an easy process. Remember: we're talking about domain-expert based automation, not automating the agents' manual tasks or building a model in some ivory tower to feed the agents with better cases. This is the grueling, operational work of understanding why some people pay and others won't, based on the experts' experience, and translating it into algorithms that grow with the data they accumulate.

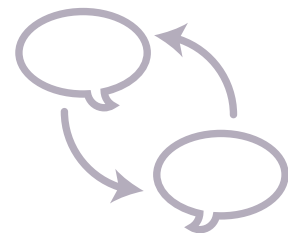
To realize the benefits of automation, you'll need to pay attention to three elements:



Increasing Relevance



Data infrastructure



Feedback Loop

## The Three Keys to Collection Automation

## Data Infrastructure

The key in any automation process is being able to define a performance indicator we'd like to improve, and the way to predict it. One can't start this task if data are unavailable, corrupt or fragmented. The operational legacy of most collection teams dictates that they use a tapestry of systems - for scrubbing bankrupt customers, a dialer for calling, a separate mail processing system, a separate payment processing interface and so on. A fragmented system leads to a fragmented data store, which makes it impossible to know which actions were taken on a debt and attribute success to any of them.

Your first step is creating a unified data store that tracks all action made on an account.



Since TrueAccord was built as an integrated system from day one, all data is saved in one place in an event based system. This gives our data scientists a lot of power in running different optimization and automation models.

The Three Keys to Collection Automation

## Feedback Loop

Extracting knowledge from domain experts can be frustrating. Often, when asked how they know that something will or will not work, the answer is “we just know”. It takes training, ongoing conversation, and an iterative process to get experts to structure their knowledge correctly for automation.

The feedback loop includes three steps:

1. Interviewing your experts: presenting several cases that were successfully converted and those that weren't, and asking what they have in common
2. Implementation: the resulting generalized logic is validated against data trends



The Three Keys to Collection Automation

## Feedback Loop

3. Deployment: the logic is deployed to your system, and agents can comment on its performance in real time and compare it to the way they would act under similar conditions

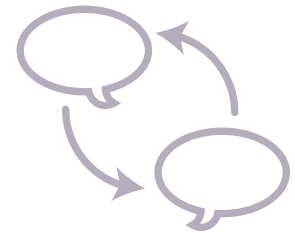
Creating a feedback loop between your agents and data scientists is incredibly important. Without it, your data scientists are guessing, and your agents work inefficiently, their knowledge untapped.

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TrueAccord's agents and analysts work in the same office space, with constant communication to make sure that any new insight agents get about customer behavior makes its way into our business logic and models.

## The Three Keys to Collection Automation

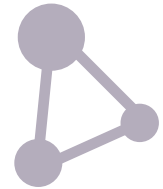
## Increasing Relevance

The human brain is an incredible machine, and it offers intuitive connections that computers can't make. Whenever faced with new information, even the slightest addition, the brain recalculates its route and makes new assumption about the person they are interacting with.

A machine can't replicate the brain's ability but it can mimic it – with some help.

Use your experts' understanding of a customer's response to inform the way you send your initial communication, as well as using responses you get from them to inform your next communication. While deploying follow up flows based on browsing patterns, we realized some flows converted up to 7 times better than a regular message.

Find pockets of customers who don't get personalized treatments and create those responses.



At TrueAccord, we've reached a point where every customer action - email open, link click, page view - informs our model, whether it's an implicit or explicit response.

## Bottom Line

Consumers are increasingly reliant on credit to fund their consumption – whether short or long term. This leads to defaults, and to debt collection being a part of any business' tool box. As you grow, using automation or an automated solution like TrueAccord is the right way to minimize your costs while increasing your performance, scalability and customer satisfaction.

To learn more, visit our website:

[www.trueaccord.com](http://www.trueaccord.com)