

2023 Guide: Improve Collections  
and Customer Service –  
Strategies for Successfully  
Reducing Risk and Improving  
Customer Retention



# Introduction: The State of Consumer Debt 2022

Consumer debt is on the rise across the globe for many reasons including the economic impact of COVID-19, inflation, rising gas prices and a looming recession.

A few startling statistics:

- Total consumer debt among Americans has risen about 6.14 percent annually, hitting \$4.4 trillion in January 2022, according to the [Federal Reserve](#). Collectively, Americans owe nearly 10 percent of their disposable income to household debt including mortgages, car and student loans and credit card debt.
- In the UK alone, the average total debt per household is £63,582 as of January 2022. That equates to around 107% of average earnings per adult, according to [The Money Charity](#).
- Average UK credit card debt per household stood at £2,100 in January 2022.
- 297 people per day were declared bankrupt or insolvent in England and Wales from December 2021 to February 2022. This equates to one person every 4 minutes and 50 seconds.
- 1,988 debt issues were dealt with daily by the Citizens Advice Bureau, with benefits, tax credits and debt being the reasons for needing advice and many citing the cost of living crisis as the reasons for their debt.

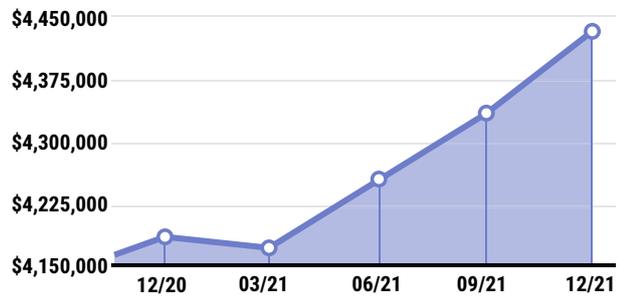
Many consumers are turning to credit and debt to manage cost of living standards. Given the rise of inflation, compared to wage rises, the average worker is seeing their total real pay as 0.19% lower than before the economic crash of 2008. The Money Charity predicts that real household disposable income is expected to fall by 2.2% in the 2022/23 tax year.

Americans have also been amassing more and more debt since 2013—although disposable income has increased as well. Yet despite this increase, [American consumers are borrowing more money more often](#).

According to a recent report from Deloitte, the “rising cost of living has also emerged as a factor in concerns about savings, with the share of Americans worried about their current savings nearly doubling since March 2021 to 61%”. And although the overall percentage of those concerned about upcoming payments has remained relatively stable, the figure is gradually rising for lower-income consumers.

### Customer debt 2021-2022

Consumer debt rose **6.14%** in the past year to **\$4.4 trillion**.



### Impact of Bad Debt on Revenue

COVID-19 and its aftermath presents banks and other lenders, administrators, businesses and debt collectors with a unique set of risk management challenges. In this fast-moving environment, the needs of your customers and guidance from governments may seem to change daily at times.<sup>1</sup>

This bad debt not only hurts consumers, but can also have an enormous impact on a company’s revenue:

For example, if your bad debt write off = \$100,000 and your net profit is 5%, you will need \$2,000,000 in additional sales revenue to offset the loss.

It follows that the more debt collected, the more revenue benefits. Companies need new ways to collect this debt - even in a down economy.

1. <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/risk/deloitte-uk-forbearance-collections-and-covid-19.pdf>

In addition to bad debt costs, the cost of acquiring a new customer is significantly higher than retaining your current customers and reducing churn. Customer Acquisition Cost (CAC) is an important business metric used to evaluate the cost of acquiring a new customer.

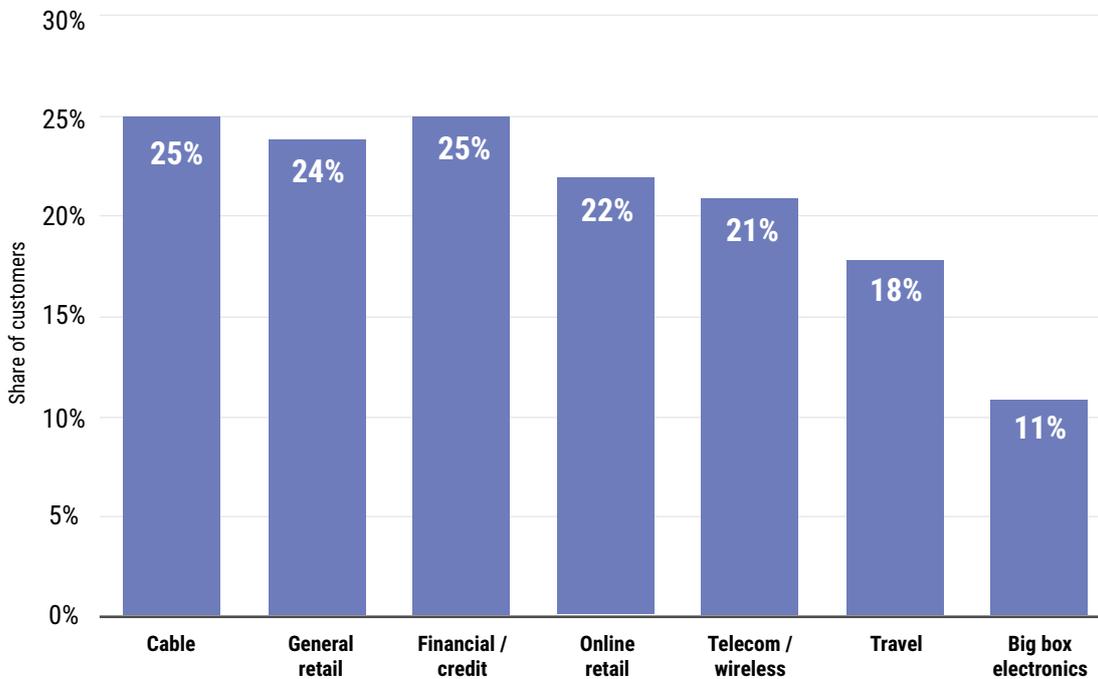
Calculated as sales and marketing expenses divided by the number of new customers, a thorough understanding of CAC can help improve a company's marketing return on investment, profitability, and profit margin. According to Profitwell, while B2B CAC is slightly higher, the CAC for both B2B and B2C are up roughly 60% compared to five years ago. One of the strategies businesses can use to reduce CAC is by reducing churn and extending your customers lifetime involvement with your brand.

The share of Americans worried about their current savings has nearly doubled since March 2021 to

60%<sup>2</sup>



**Customer churn rate in the United States in 2020, by industry<sup>3</sup>**



2. <https://www.profitwell.com/recur/all/how-is-cac-changing-over-time>

3. <https://www.statista.com/statistics/816735/customer-churn-rate-by-industry-us/>

## New Rules Regarding Debt Collection:

To make it even more challenging, both the UK and the US have established new debt collection rules for companies, including:



### UK: Forbearance for Private Individuals

As part of the Debt Despite Scheme – launched in April 2021, significant forbearance has been afforded to both commerce and private individuals. The goal of the scheme is to provide breathing space for individuals who are financially distressed. In summary there are two types of breathing space: a standard breathing space and a mental health crisis breathing space. Creditors and third party DCAs, as well as Litigators and Debt Purchasers must adhere to the conditions of the Scheme. During the 30 to 60 day breathing space period the creditor or associated partner is not to communicate with the customer.



### US: Fair Debt Collection Practices Act

As part of the New Debt Collection Rule (also known as Rule F), effective Nov. 2021: *the Fair Debt Collection Practices Act (the “FDCPA”), attempts to clarify how debt collectors can use new communication technologies and expands the information debt collectors must provide at the outset of their debt collection efforts. The FDCPA prohibits debt collectors from causing a telephone to ring and from engaging a person in telephone conversations repeatedly or continuously with the intent to annoy, abuse, or harass. In addition, The Rule allows for the use of email and text messaging and sets forth procedures for doing so.*

While the proposed rule raised concerns as to whether first-party creditors were in scope, the final version of Rule F expressly states it applies only to “debt collectors” as that term is defined in the FDCPA.<sup>4</sup>

First-party creditors, however, should be mindful of the CFPB’s warning that Rule F is not intended to address whether activities performed by entities not subject to the FDCPA would violate other statutes, including the unfair, deceptive, or abusive acts or practices (“UDAAP”) provision found in the Dodd-Frank Act.[3] It is therefore foreseeable that the CFPB will use Rule F as a framework for enforcement actions against first-party creditors.<sup>2</sup>

4. [https://www.americanbar.org/groups/business\\_law/publications/committee\\_newsletters/consumer/2021/202109/debt-collection-1](https://www.americanbar.org/groups/business_law/publications/committee_newsletters/consumer/2021/202109/debt-collection-1)

## How the Collections Landscape is Adapting:

According to Forbes, the following four areas are where analysts expect to see the biggest changes in the industry over the next few years:

### 1 Multi-Channel Communication Systems

The right communication channel (social media, SMS/text, live phone, automated/robocalls, e-mail, etc.) needs to be matched to the targeted demographic to achieve better outcomes.

### 2 Personalized Messaging Down to the Individual

Combining A.I. with big data analytics, information is now available to determine the most effective way to engage a particular debtor, as opposed to just addressing a general demographic category. Messaging to debtors can be tailored to use the most appropriate mode of communication (e-mail, call, text, etc.), the wording and tone of the message (gentle, understanding, direct, etc.), the best time of day and frequency to initiate contact, and even the type of payment options offered.

### 3 Intelligent Rules Engines

By passing all communications through an intelligent rules engine, the system can ensure that all interactions with the debtor are done during the proper time windows, ensuring that the appropriate language and tone is used, and recording and analyzing all interactions in case of potential future disputes.

### 4 Adaptive Learning Systems

As more and more small business clients and debtors use these new systems, the data is continually parsed and analyzed. Each time the system adjusts its internal parameters to make the next interaction more accurate and efficient than the one before. The system literally gets smarter as it tracks the millions of interactions.



## Collections: Strategies to improve customer service, collections and ROI

All of these issues combined are making it extremely difficult for consumers to pay, and for companies to collect. Yet according to the Deloitte Report: Forbearance, Collections and COVID-10, organizations need to “still maintain their outbound collections activities to ensure fair customer outcomes and customer satisfaction...”

### But how to do this with compassion, while maintaining compliance and reducing revenue loss?

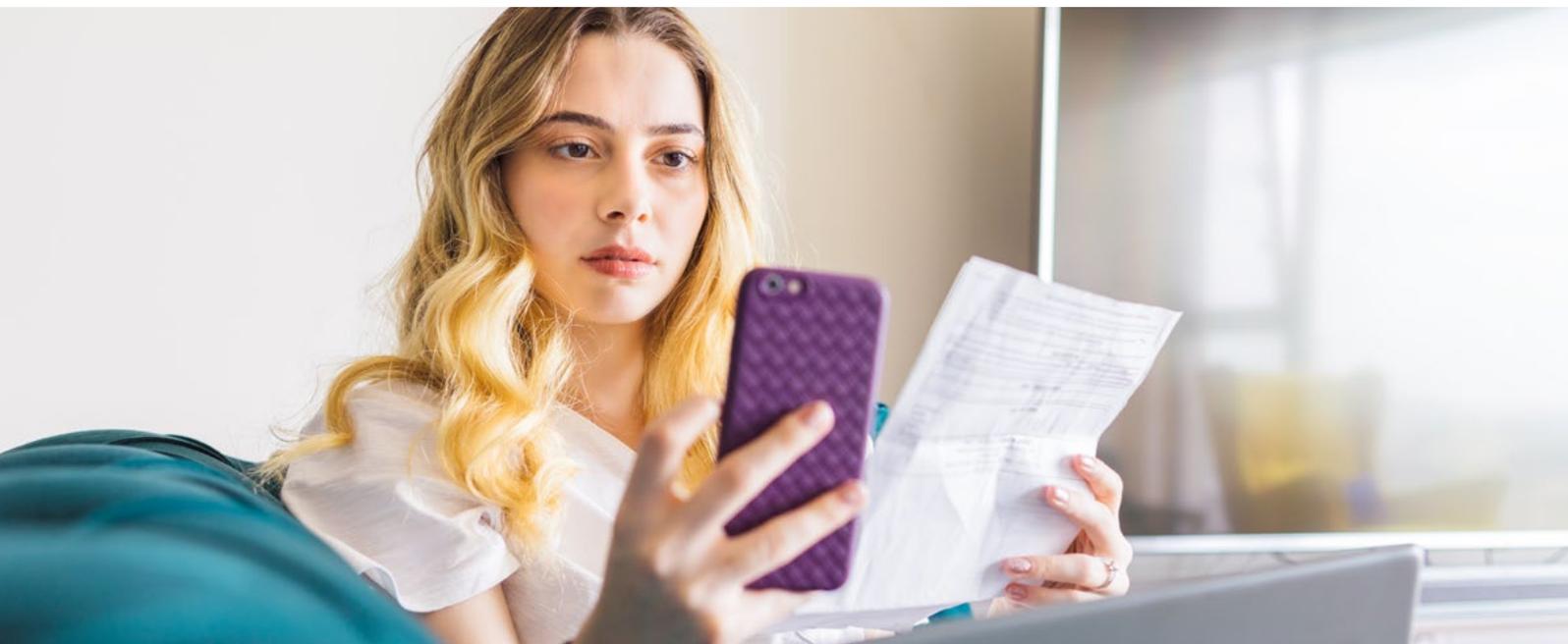
The effects of repeated lockdowns and restrictions across the US and UK have overwhelmingly pushed the poorest to their extremes. Furlough and stimulus money kept some heads above water but, as these programs wind down, default on payments is becoming more commonplace. All these factors combined make debt collection a particularly dicey task.

So how do companies recoup their payments in a way that isn't seen as predatory or capricious?

Like many things – the way debt collection should be carried out is vastly different to pre-pandemic days. In June, the UK's HMRC announced that it would start to collect debt again – admittedly with a lighter touch – as we emerge from Covid restrictions, meaning the time is right to start considering how your own business goes about doing the same.

As part of the process, reducing the volume of low value transactional calls to call centers is critical to not only improving your customer service, but also to collecting more outstanding debt.

Organizations need to “still maintain their outbound collections activities to ensure fair customer outcomes and customer satisfaction...”





## Here are 5 ways digital communications can help make your collections processes more efficient, compassionate and effective.

### 1 Improve customer relationships

When companies put the focus on relationships between debtor and customer, they can open the lines of communication sooner to ensure payment options and reduce churn – through many channels. Be proactive to engage customers: Don't let them get into too much debt but if they are there, make sure you keep the customer engaged to retain them.

Digital channels with a personal human touch, such as text and email, are far more likely to generate a positive response from consumers. These are naturally seen as more conversational and less demanding and invasive, so are the place to start when trying to collect debt in a compassionate way.

73% of customers in late delinquency took action when contacted via a digital channel

Recent advances in AI's ability to understand and reflect human language can help here too. By using software to talk to the individual in a way they are familiar with, you can increase engagement and a positive customer interaction.

### 2 Access the right customer data for preventative measures

Ensure your teams have access to the right information on the customer at the point of interaction. With the right data at their fingertips, your agents can understand the full customer history to better solve customer concerns. Proactive, automated communications can be employed to check in with your customers on an ongoing basis. This can encourage them to set up repayment plans quicker and avoid them getting into more trouble.

Contact center staff need to be able to see why problems are arising and how best to support each customer based on their history with your business. But this is only useful if it's updated regularly. The benefits of this in terms of employee time saved and increases in productivity and effectiveness are well-documented. No good business decision can be made without access to the right data.

### 3 Add personal interaction with the customer

Not all debtors are created equally, there's a huge difference between those who can't pay, those who refuse to pay and those who don't know they need to pay. Having an individual strategy for each of these types of debtors is the first step, but that is only the beginning. Each person must be dealt with individually and be presented with a payment plan that is achievable and flexible and takes into account their income and home circumstances.

Extending human compassion is of course a job best left to, well, humans, but that doesn't mean you can't use automation for initial fact finding. AI can be trained to pick up when a customer is willing but not able to pay and pass that customer onto a friendly person to resolve the issue. Depending on the data you have on your customers, you can offer them options to encourage payment, like:

- Can't pay now, when can you pay?
- Split into 5 payments?
- How can we work together to solve this problem?

Moving customers to a different payment plan or product offering can reduce churn and improve your CX at the same time.

### 4 Improve call center ROI / service / reduce costs

Communicating proactively with your customers prevents issues from becoming insurmountable. It also allows you to free up call agents to deal with the bigger, more complex cases. This can increase agent productivity by focusing them on value-add activity.

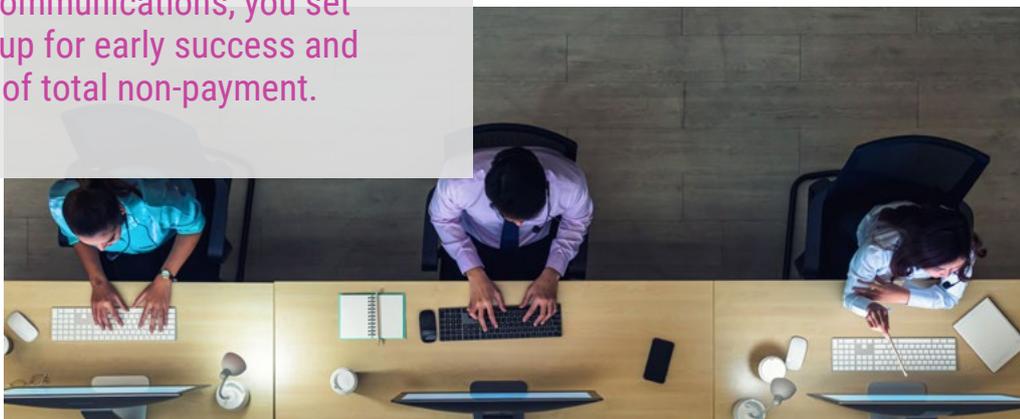
Agents attempt to call customers with a typical success rate of 30%, most commonly because the calls aren't always at a good time for the customer, or they may not recognise the number. The result is experienced agents wasting time unsuccessfully calling customers, which is an inefficient use of resources, as well as frustrating for the agents themselves.

Proactive digital customer conversation however affords companies a more efficient way to deflect/prevent calls and positively support customers.

Digital communication allows you to engage and serve customers proactively, through each customer's channel of choice to:

- Accelerate and support the transition of customers to digital
- Reduce inbound calls through prevention & deflection
- Encourage customers to take desired actions
- Resolve routine issues faster

When you communicate early, and often, and tailor your communications, you set your customers up for early success and reduce chances of total non-payment.



## 5 Use a Multi-Channel Approach

Not everyone loves digital – and that is still going to be the case for many years. But, as younger generations expect it, older generations are getting used to some level of digital interaction. With collections in particular, it is important to engage in a multi-channel approach, allowing customers to “opt-in” to digital conversations or not. This increases their comfort level with your customer service.

As part of the multi-channel approach, it can be useful to encourage customers to engage digitally with you in order that you can offer them benefits like:

- Proactively inform and identify customers that could benefit from assistance and support and guide them through the process automatically
- Proactively offer support where a customer is clearly experiencing financial difficulty, e.g. sudden reduction in income
- Proactively engage customers when a fundamental change occurs that may affect their day-to-day account usage with additional support/help

By engaging customers with multiple avenues of collections and debt resolution, companies can:

- Collect funds faster
- Reduce costly suspensions
- Retain customers they may otherwise lose
- Collect more payments
- Recover bad debt more effectively

**So how to begin this journey? Many companies are turning to digital communications as a way to improve their customer service and increase their collections rates.**

“Digital capabilities are a crucial tool in addressing the challenge of future collection capability when the second wave of calls is likely to occur. Total call volumes will be just as high, because people who called in the first wave will call back in the second wave - when their existing payment holidays unwind.

Digital collections solutions can help in two ways:

1. Facilitate self-service for some low risk yet common collection activities, such as change of address, filling in I&EX forms, and making automated payments.
2. Diverting volume of calls from call centres to apps and webpages, where specific collections tools appropriate to customers circumstances are promoted i.e., repayment plan, changing repayment date, term extension, etc.”<sup>5</sup>



*ContactEngine recently worked with a leading communications service provider to increase their debt collection by 22%, with a 20% reduction in days to pay by using this approach (you can learn more about that [here](#)).*

5. <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/risk/deloitte-uk-forbearance-collections-and-covid-19.pdf>

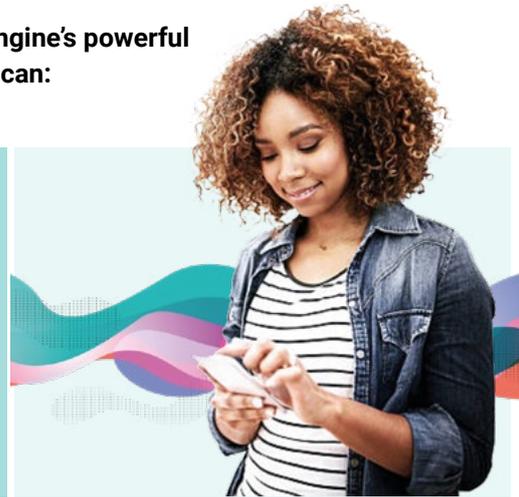
# ContactEngine: Tackle Collections and Improve Your CX Today With Proactive Conversational AI



**Reduce bad debt and increase collections with an informed, compassionate approach**

ContactEngine lets you provide proactive customer service – interacting with your customers through the channels they’re most comfortable with, before they need to contact you. ContactEngine AI starts and runs intelligent conversations, transforming the efficiency and costs of your operations, and revolutionizing your customer experience.

**With ContactEngine’s powerful AI engine, you can:**



**Automate** 

75% of your collections journeys: by accessing customer data and engaging in a proactive, 2-way personal interaction with the customer.

**Reduce** 

bad debt and the impact on revenue: by engaging customers earlier in the process, solving issues and arranging payment.

**Increase** 

payment rates: by identifying customer intent and offering an automated and straightforward in-channel payment / payment option.

**Reduce** 

customer churn: by extending your customer lifetime involvement in your company.

**Ensure** 

call backs are made at the right time for the right contact: automatically route contacts to agents with debtor information at the ready.



**Reduce** 

costs with more efficient agents: give agents access to important debtor information and automate agent messaging with live, authorized connect scripts for consistent communication.

**Simplify** 

compliance: with process automation and alerts within agent scripting that maintain outbound contact regulations and requirements.

ContactEngine typically achieves responses from around 90% of customers, and will then go on to set up calls with human agents where desired. The result is more efficient use of resources, with agents successfully calling customers and adding value.

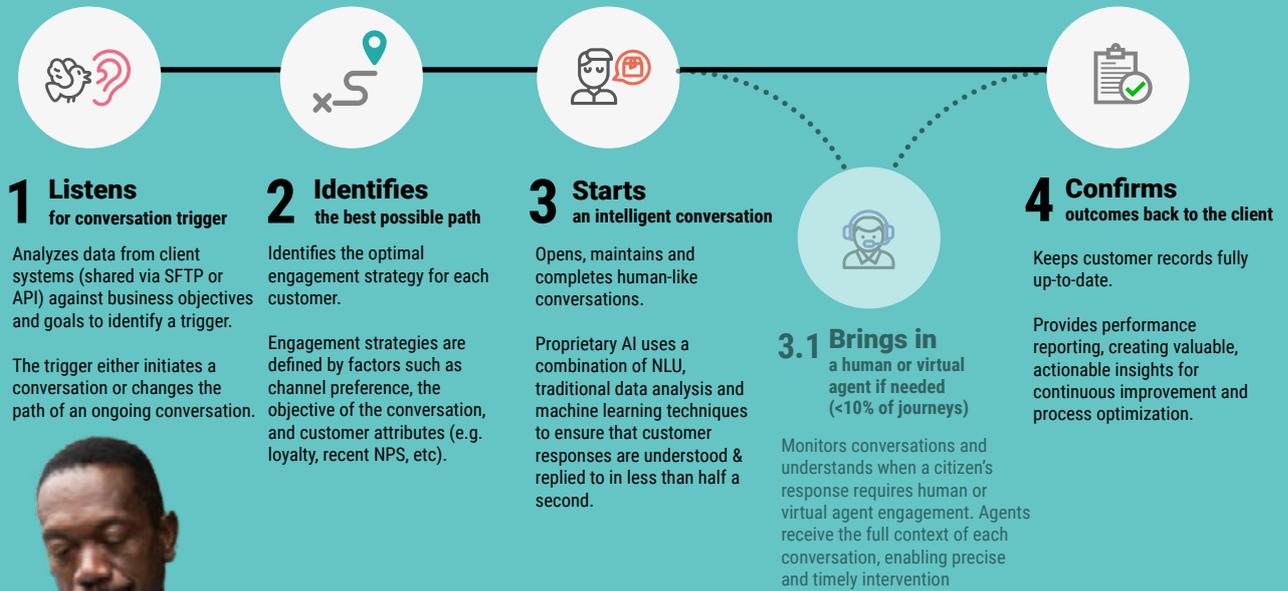
**Our customers have seen results like:**



## ContactEngine: how it works:

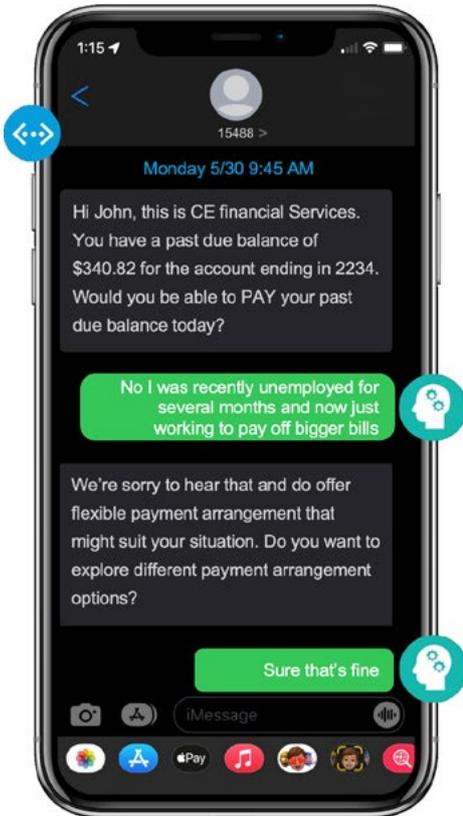
Our technology delivers immediate, measurable value. The improvements in customer and employee experience have been tremendous, with a return on investment >10:1 on cost-saving alone.

### How do we do it?

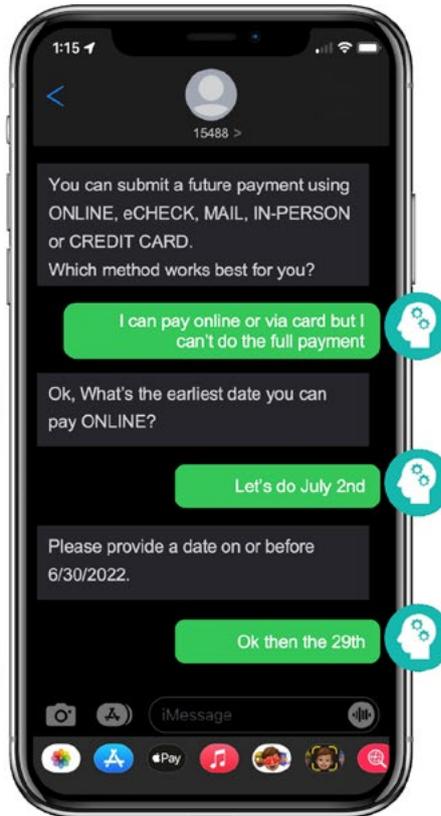


## Collection Treatment Journey – Payment Arrangement

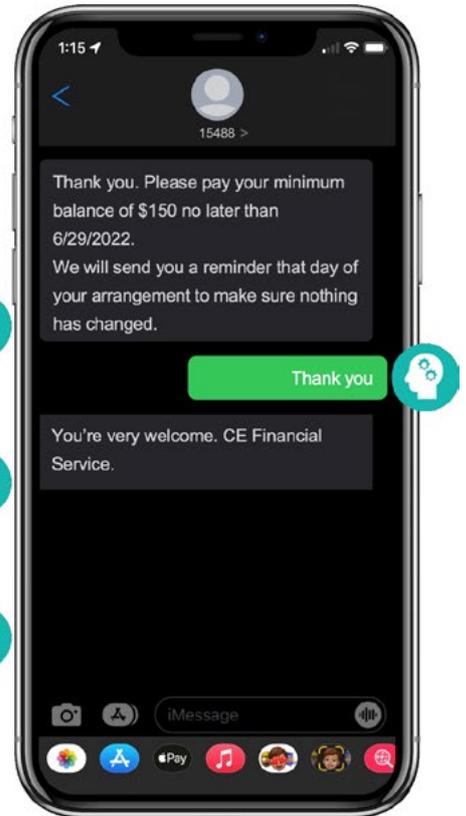
### 1. Soft reminder



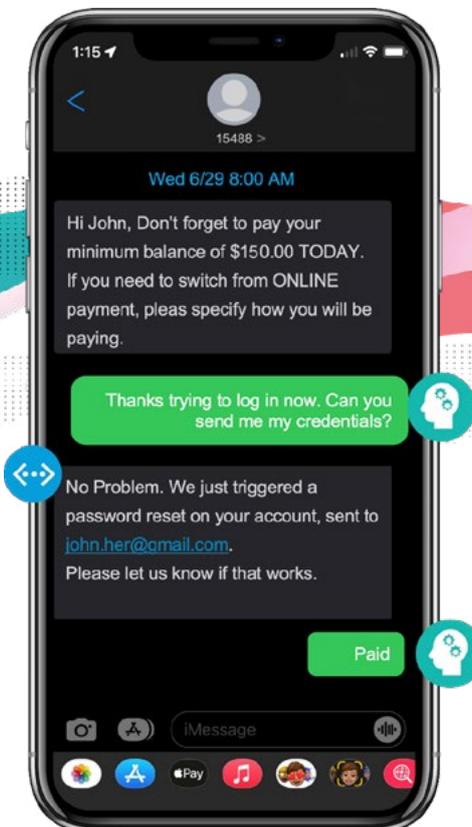
### 2. Payment options



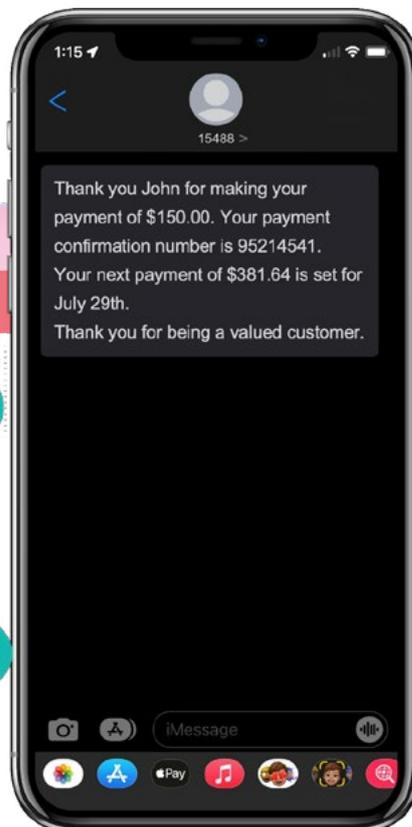
### 3. Option selection



### 4. Reminder

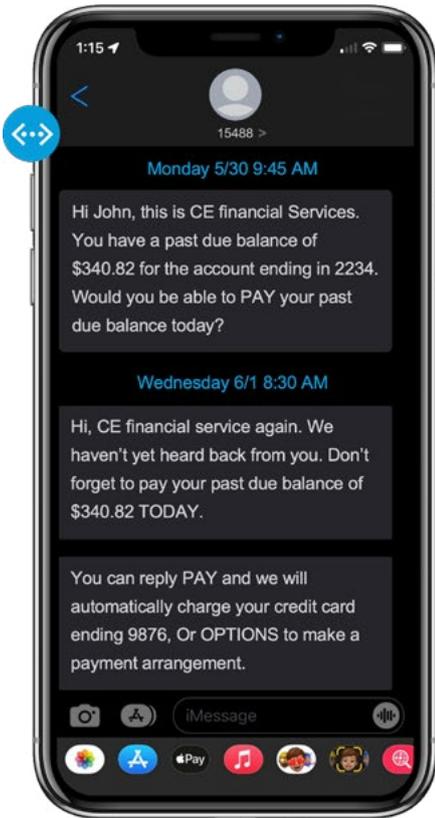


### 5. Payment confirmation

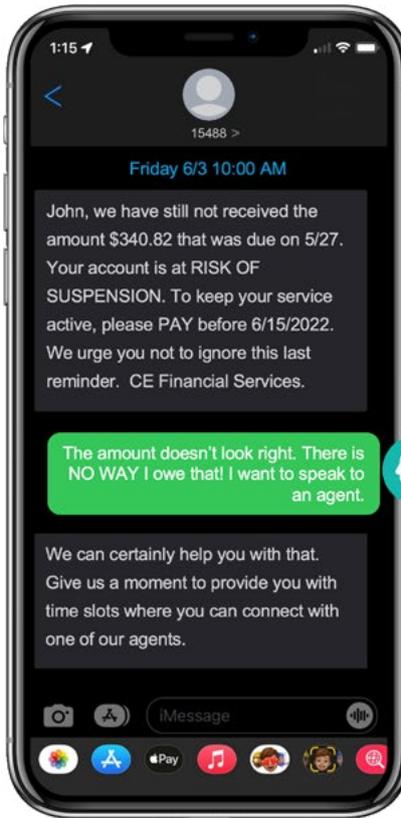


# Collection Treatment Journey – Suspend & Agent Handoff 1

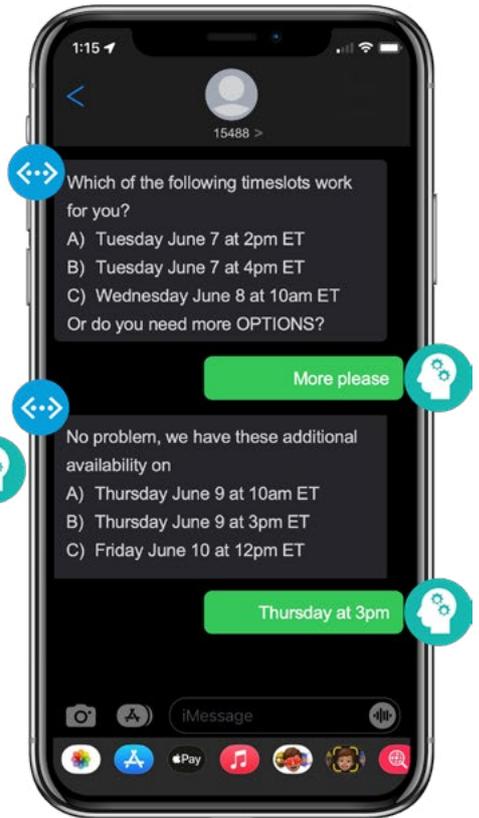
## 1. Soft reminders



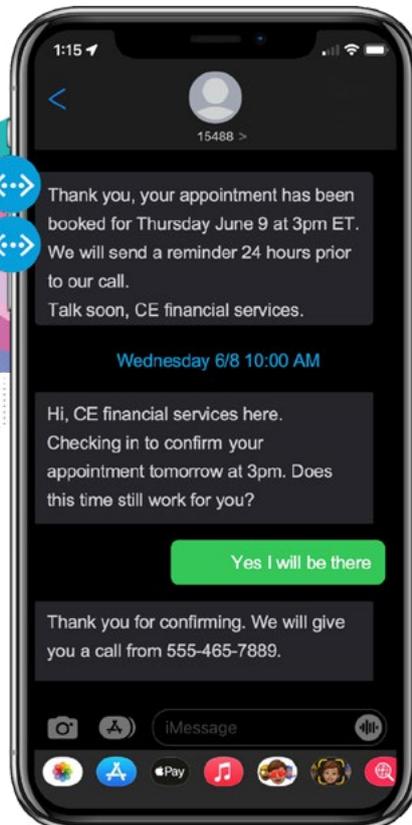
## 2. Hard reminders



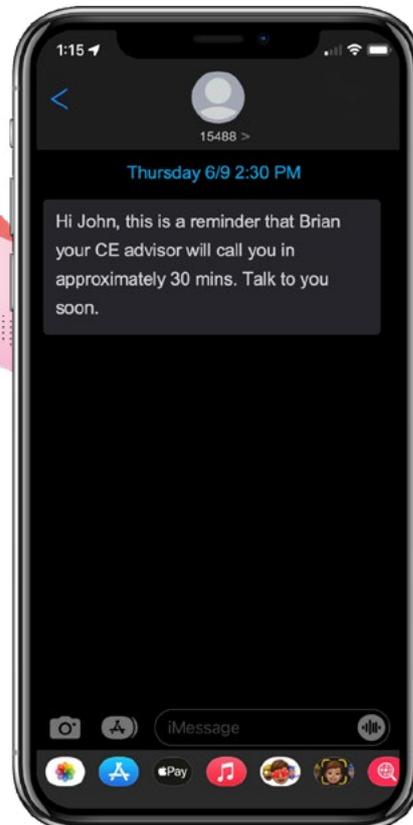
## 3. Appointment options



## 4. Appointment reminder

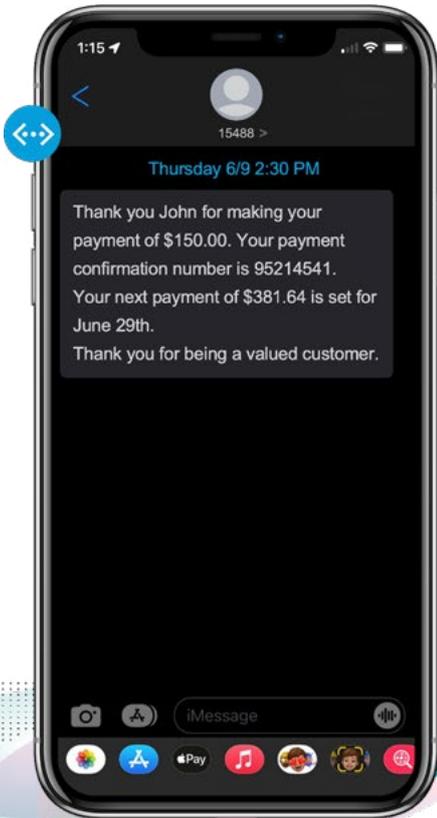


## 5. Appointment day – Agent

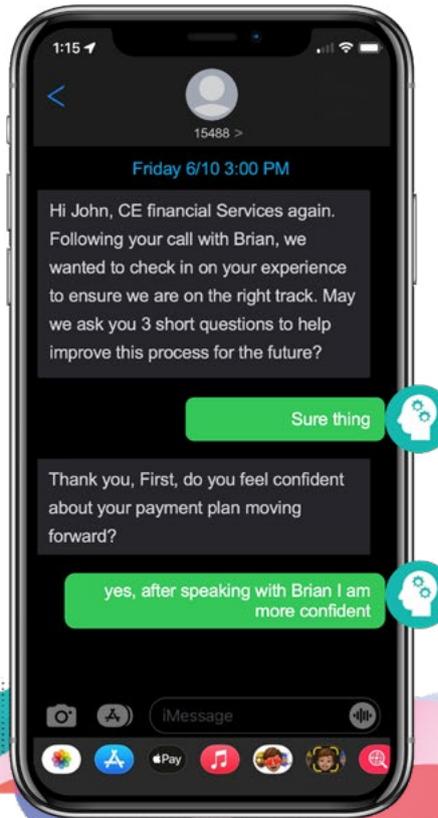


## Collection Treatment Journey – Suspend & Agent Handoff 2

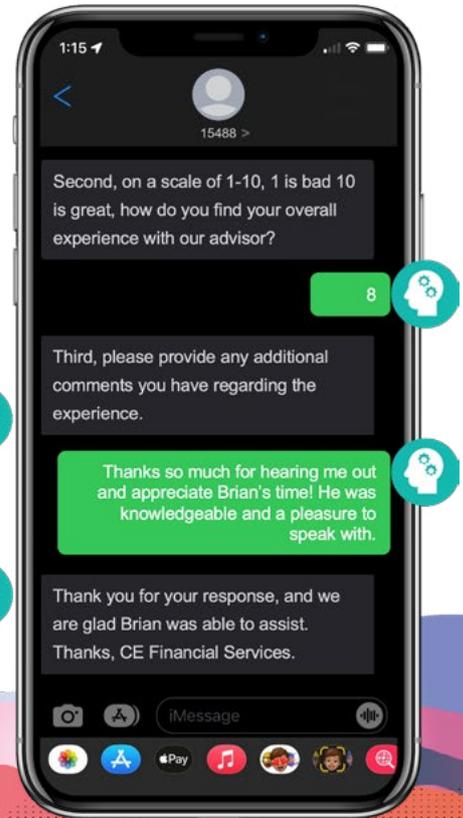
### 1. Payment confirmation



### 2. Follow up



### 3. Follow up



## Conclusions

The time is now to ensure your company can not only collect more revenue, but add customer service and compassion to those that just need a helping hand – or even just to be dealt with in a way that works for them. Increase the amount of money you get back while improving your customer service in one easy platform.

To learn more about how the latest advancements in customer service technology can be applied to help reduce the cost of collections, increase repayments, and help prevent your customers from becoming indebted, contact us today.



Join the leading CSPs who are collectively saving millions of pounds in truck rolls, reducing inbound field operations calls by up to 60%, and reducing operating expenses by up to €75 million per year - **contact us for a demo today.**



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## About

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ContactEngine is a Conversational AI technology that enables brands to proactively engage customers in conversations that fulfill business objectives. ContactEngine automates outbound customer engagement across all channels and generates unique insights into the changing patterns of communication by applying demographic and intent analysis, linguistics and ground-breaking artificial intelligence principles to mass volumes of raw data. ContactEngine transforms the way global brands engage with their customers — saving brands millions and making their customers happier.

For more information, visit [contactengine.com](https://contactengine.com)