



Method Matters:
*Fine-tuning your
contact strategy for
collections success*

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RISK SOLUTIONS

You have multiple ways to communicate
with consumers. ***Or do you?***

The best way to reach a delinquent customer might surprise you.

You probably use a variety of communication methods to recover debt. Phone calls and letters are longstanding staples of the industry. Digital is growing. Meanwhile, some collectors even still knock on doors.

What works best? It depends. Some methods are more effective than others based on generational differences, consumer lifestyle, regulations, logistics, and other considerations.

In a qualitative study of first party collections practices in banks and credit unions, we interviewed collectors about their communication strategies and the advantages and challenges of each. This is what we found.



PHONE CALLS



This tried-and-true approach is still the most frequently used method of collection—and the most effective.

Benefits

Phone calls are a universal form of contact, particularly among older generations.

Consumers typically feel confident paying by phone vs. website.

Can reach a high volume of consumers quickly—especially with auto-dialers.

Allows for immediate results if contact is made.

Challenges



Today's consumers (particularly younger ones) tend to screen calls and ignore voicemails.



Requires extreme accuracy/currency of data. (This is a challenge across all contact methods.)

Bad data can trigger a whole host of TCPA violations and/or complaints.



Landmines of Telephone Consumer Protection Act (TCPA) compliance:

Certainty that you're calling the right individual

Restricted calling hours; problematic when working across time zones

Different requirements for mobile vs. landlines



Staff must be trained to ensure proper tone/language for utmost compliance and customer experience.

LETTERS/STANDARD MAIL

Collectors view this as one of the most frustrating, least effective methods of contact, yet it persists due to regulatory requirements.



Benefits

Requires a minimal amount of time and effort when automated.

Allows for standardization of communication.

When letters are actually read, their “official” nature tends to prompt action.

Satisfies regulatory compliance and creates a paper trail of customer communication.

Challenges



Competes with clutter in the mailbox. Official collections letters easily get overlooked or confused with unimportant mail due to formatting restrictions.



It’s difficult to confirm receipt: Letters could be mis-routed due to incorrect address information.



EMAIL

While more collectors are turning to email contact, many are slow to adopt it due to potential privacy and regulatory risks.



Benefits

It's checked more frequently than physical mail and more likely to grab the recipient's attention.

Appeals to Millennials and Gen Zers—fast-growing consumer segments are more apt to respond to email vs. other method.

Consumer convenience; collector doesn't have to worry about "right time" to contact.

Quick, easy, and allows for standardization.

Challenges



Regulations limit what can be said in emails, so messages tend to be generic: i.e., "Please contact us."

Other regulations pertaining to email are still loosely defined, making collectors hesitant to embrace it.

Lack of clarity leads to lower sense of urgency by the recipient.



High potential for message to wind up in the spam folder, left unseen/unread.



Consumers must opt in to email communication, which may diminish its use.



Phishing scams are rampant, and consumers may be concerned about the legitimacy of an email.

Tip: Always include an official phone number, email address or other response format that is also reflected on your website.

TEXT MESSAGING

Like email, this contact method is gaining ground due to efficiency and shifting demographics. However, the potential cost and unknown regulatory risks make some collectors wary of going this route.



Benefits

Millennials and Gen Zers are more likely to respond to texts vs. phone calls, leading to faster results.

Any time can be the “best time to contact” because the consumer can respond at their convenience.

Automated texting is still relatively new and therefore more likely to capture attention than other types of communication.

Challenges



Automated texts require a special app/solution that increases expense and IT support.



Regulations restrict the information that collectors are able to include in texts. For example, they cannot be specific about the details of the account.



Texting can create opportunity for malware or fraud; consumers may be skeptical of the origin and not respond or block.

DOOR-TO-DOOR

Collectors tend to only go door-knocking for very specific cases.



Benefits

Baby Boomers seem responsive to this method, as it plays into their customer experience expectations of conducting business in person.

Very helpful for skip tracing; at a minimum it yields more information to work from.

Challenges

Extremely time consuming and resource-draining.



Collectors can only cover a limited distance each day.

Smaller banks and credit unions may not have the manpower/budget to spare.



Requires additional training to ensure productive interactions and a positive customer experience.



SO, HOW DO YOU MAKE THE RIGHT CALL?

Ideally, your collections strategy will include the full range of contact methods. Efficiency is only one criteria and may be outweighed by other considerations:



Regulations. Rules regarding frequency of communication and permissible language vary by method and location.

For example, the Fair Debt Collection Practices Act influences the number of times a consumer can be called in a day—and is dependent on whether the collector left a voicemail or connected with the consumer.

Mailed letters are required for certain debts and the number of days delinquent can vary by state/debt type.



Access to information. What information do you have on the consumer? How confident are you in the accuracy and currency of your data?



Training. Collection methods that involve more personal, human-to-human interaction (i.e. phone, door-to-door) require special skills to ensure a kind, empathetic tone balanced with effective recovery techniques.



Analytics. Systems that incorporate analytics can:

Help pinpoint the best contact methods per consumer.
















Promote successful debt resolution and helps reduce customer friction.

Those that randomize day/time tend to be the least effective based on trial & error.

Many organizations also supplement analytics with notes on consumer preferences.

GENERATIONAL DIFFERENCES AND CUSTOMER PREFERENCES.

You get better results when matching contact methods to the way consumers live their lives. This improves the customer experience too. Here, we've summarized the customary preferences of each generation. Of course, no group is entirely homogenous, so be sure to test contact methods among your unique customer sets.

	Baby Boomers	Generation X	Millennials & Generation Z
 Tend to Prefer	 Phone Call  Collection Letter  Door-to-Door	 Email  Phone Call	 Text  Email
 Best to Avoid	 Text  Email	 Collection Letter  Door-to-Door	 Phone Call  Door-to-Door

CONTACT METHODS CAN BE COMPLICATED. WE'RE HERE TO HELP.

Technical innovation. Shifting consumer demographics. Sky-high customer expectations. A growing patchwork of regulations. Your collections strategy has to hold up against multiple and dynamic forces. **It's important to continuously assess the performance of your collection methods and procedures, then refine approaches accordingly.**

LexisNexis® Risk Solutions delivers the winning formula:



A variety of consumer data tools that yield exceptional insight



Scoring and analytics to inform collections strategy



Solutions to help you maintain compliance

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Let's work together to improve your efficiency, reduce customer friction, and increase collections success.

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