

A digital debt collection future:

Maximizing collections and staying compliant

Expanding your digital communications and leveraging automation are the best strategies to maximize returns while minimizing risk





A digital debt collection future

The debt collections industry has seen a massive transformation in the way debt collectors and creditors run their businesses. During the recent COVID-19 pandemic, consumers received several forms of economic stimulus and debt deferral options that dramatically impacted collections activity. Consumers' financial behaviors are also shifting in response to rising costs of goods and services. Inflation since the beginning of 2022 has taken a toll on annual budgets. Debt collectors, like all employers, must grapple with the rising cost of labor in an industry that has historically been dependent on call center agents.

The debt collections industry has been clouded in uncertainty. The good news? Challenging times can be a prime opportunity to evaluate current practices, put new strategies in place and ramp up for what's ahead.

Compliance should be the cornerstone of any collection strategy. With new technologies and methods for communication now commonplace, agencies must fulfill regulatory obligations or risk significant fines. Keeping compliance management centered in all processes, including hiring and training staff, and ensuring the protection and accuracy of consumer information, will minimize risk. Digitalization and automation can assist by providing a "virtual paper trail" of an organization's commitment to compliance. Hiring and training agents who can effectively communicate and arrange payment, without using abrasive tactics, is another way to maintain compliance with regulatory guidelines.

Let's explore the latest trends in collections and how they are essential to competing in the current landscape. In addition, we'll give tips for best practices for building the most efficient collections strategies moving forward.

Top debt collection trends in 2022

Maximizing digitalization

Integrating and expanding digital technologies are mandatory to be successful in the collections space. Texting, in particular, has overwhelming engagement compared to other means of communication, particularly with the younger generations. Text messages have a 98% open rate and 90% are read within three minutes of receipt¹ Seventy-five percent of millennials say they prefer texting as opposed to talking on the phone.² Keep in mind, text messages are also subject to TCPA contact rules. Debt collectors must be at the forefront of adopting digital communication tools (i.e., email, text, chatbots and banking apps), so they can more easily connect with debtors and communicate with them in the way they're most comfortable. (See the table to the right for a breakdown of communications preferences by generation.)

A digital debt recovery solution helps collectors streamline processes, maintain compliance and maximize collections efforts. An omnichannel approach increases chances of connecting with consumers via the platform they prefer and from which are most likely to respond.

Embracing automation

Continued innovations with automated technologies and interactions are creating new inroads for communicating. Artificial intelligence (AI) tools, such as chatbots, text messages and website portal negotiators that provide real-time customer care and self-service opportunities continue to expand. Automating processes can reduce human error and build your consumer-centric approach while alleviating stress on call center agents.

Optimizing data





Consumer protection agencies regularly call for stronger safeguards surrounding the protection of personal information. Having access to the most accurate, up-to-date consumer data is key for efficient communications, greater return and reduced risk throughout the consumer lifecycle.

81% of consumers say a positive online experience, which includes interactions with multiple digital touchpoints, makes them think more highly of a brand.⁴

¹<https://www.openmarket.com/resources/why-enterprises-use-mobile-messaging-infographic>
²<https://www.palodesk.com/why-do-people-rather-text-than-talk>
³<https://www.dnc.com/text-message-compliance>
⁴<https://www.experian.com/blogs/global-insights/wp-content/uploads/2022/04/WaveReportApril2022.pdf>

How each generation prefers to communicate

For effective results, understanding your audience such as their contact preferences and tone of messaging is key to consumer engagement and a greater chance of response.

| |  Gen Z (1997 – 2012) |  Millennials (1981 – 1996) |  Gen X (1965 – 1980) |  Baby boomers (1946 – 1964) |
|---------------------------------|--|--|--|---|
| Digital adoption | Born digital natives | Majority digital natives | First generation to adopt digital | Not digital natives, but very much digital consumers |
| Digital exposure | Spent most of lives in front of screens | Propensity to stay connected digitally | Early adopters of email | Use email regularly |
| Connection and devices | Used to lightning-fast internet and upload speeds | 92% own smartphones | 17% access the internet primarily on a smartphone | 80% more likely to access the internet on desktop |
| Communication preference | 65% prefer online communications to in-person | Most don't answer phone calls | Prefer short, direct communications | Responds to "teamwork" framing to resolve issues |

Different generations communicate in different ways, they also have very different debt profiles. Baby boomers, for example, are less likely to be in delinquency. Nonetheless, with significant growth in digital adoption, even amongst older generations, preparing top-tier digital strategies is imperative to success.

Implement best practices and make them work for you

As collectors develop strategies for moving into an uncertain economic environment, best practices centering on the elements previously mentioned; digital, omnichannel, automation and leveraging the best data and tools available, will optimize your ability to collect and stay compliant. Embracing products that enhance the contact and collections process, can increase returns while lowering costs.

7 best practices for an optimal collections strategy

Compliance should be at the core of every step and strategy

1. Focus on accounts with the highest likelihood for payment.
2. Leverage third-party data to optimize outreach under the Reg F, 7 in 7 requirement.
3. Validate email addresses and identify work email addresses.
4. Embed consent collection into all touchpoints with customer, working across teams (marketing, originations).
5. Take advantage of text, automated calls, and email communication methods.
6. Get notified when a line type or phone ownership changes
7. Retain compliance records for three years.



40 million

The number of Americans who file an address change with the United States Postal Service every year.⁵

10 years

The length of time 51% of email users keep their email address.⁶

⁵<https://www.uspsig.gov/document/national-change-address-program>
⁶<https://www.zettasphere.com/how-many-email-addresses-people-typically-use>

How to get started

Experian's industry-leading data and analytics can help lift your recovery rates and elevate your collections efforts. By leveraging our tools and solutions, you can successfully navigate changing regulations and better segment and prioritize your portfolio.

- **PriorityScore for CollectionsSM**

With industry-specific debt-recovery scores, you can prioritize accounts based on likelihood to pay or expected recovery amount.

- **Email verification services**

By using real-time email address verification, Email List Verification, and Email Append, you can accurately validate the information in your database for deliverability and addresses that are likely employer-issued.

- **TrueTraceTM and TrueTraceTM Live**

Find consumers based on real-time contact information. We've seen a 10% lift in right-party contact (RPC) rates with clients who use Experian's locating tools.

- **Phone Number IDTM with Contact MonitorTM**

Track phone numbers, ownership and line type to determine how to contact consumers. Real-time data can also increase your RPC rates while limiting your risk.

- **Collection TriggersSM**

Enhance account monitoring with automatic notifications when it's the most opportune time to contact consumers.

Data, digital tools, automation, and an omnichannel approach are the future of the collections industry, allowing collectors like you to make the most strategic use of their workforce while staying compliant with new, strict regulations. The collections landscape is changing dramatically. To keep up, you must change with it.

Ready to get started?

Visit us today at www.experian.com/collections

