Third-Party Collections Analytics: Using Data to Drive Performance & Results
By Phil Thomas, Vice President of Sales, Convergent Outsourcing

We are long past "smiling and dialing" in third-party collections. Companies rely more and more on analytics to drive their strategies, not only to increase profitability, but to enhance client performance and mitigate risk. And for good reason. The use of data and consumer insights to augment efficiencies of third-party collections plays a specific role in the state of our credit-based economy.

ACA International, the Association of Credit and Collection Professionals, released a white paper earlier this year as part of a new research initiative that aims to collect original and meaningful data about the credit and collection industry. "The Role of Third-Party Debt Collection in the U.S. Economy" notes that as of the third quarter of 2015, there was $12.07 trillion in outstanding consumer debt; $672 billion of that debt is at some stage of delinquency. "If this debt is not recovered, the excess costs are passed on to consumers via higher prices for goods and services as well as through increased interest rates and a decreased supply of credit."

Applying data analytics may be as simple as purchasing a "propensity to pay" score from one of a myriad of providers in the market place and building your dialing and letter plans around that. A more sophisticated approach, however, involves mining your company's own data and analyzing consumer behavior based on prior interactions or lack of response. This approach allows companies to allocate the right volume of resources to the right accounts and identify the appropriate agents to handle particular, anticipated outcomes.

Datanami recently published a case study on Toyota's overhaul of its collections process following the Great Recession of 2009 when for the "first time we ever saw 100,000 people per day behind in their car payment," says Jim Bander, national manager for decision science at Toyota Financial Services (TFS).

> *TFS analyzes all of its customer accounts to build "what-if" models to determine responses to customer situation. "We crunched the numbers the night before to say 'If a customer calls and says they're in a financial bind and would like to skip a payment or two, does that make sense for the individual customer? Is it likely to be a temporary situation or is it more likely that they have a serious shock in their life and we need to get them into a less expensive vehicle?'"*

If the projected outcome is a settlement – where a settlement letter has been sent or you have settled a separate debt with the consumer in a past transaction – a newer, less experienced agent may be effective. However, if you anticipate needing to set up a payment plan to resolve the balance, it may require the institutional knowledge of an experienced negotiator. Putting the right accounts in front of the right agents at the right times is a critical balance to delivering exemplary client performance.

Another benefit of analytics and data mining is knowing where NOT to deploy resources. For example, if an account is listed with your agency with a phone number that you recognize as wrong, you save time by sending the account to skip trace and using that dial on a more productive number. When working older and less liquid portfolios, knowing who not to call is just as critical as knowing which ones to call. Enormous amounts of time and money are spent chasing dead-end accounts using outdated calling methods.

A high percentage of lawsuits and demands that collection agencies receive are not from the consumers listed in their office. Most are from third parties being called repeatedly at their home by a collection agency. By utilizing an internal database, or data warehouse, that identifies erroneous phone numbers and numbers that have generated demands or lawsuits in the past, you will mitigate risk for your company and your client.

Analytics and data analysis drive client performance by putting the right accounts with the right agents, reduces wasted resources on bad number, and reduced risk by understanding prior behaviors. To learn more about how we use sophisticated data analytics for our third-party collections, feel free to connect with me at pthomas@ConvergentUSA.com.