



5 characteristics of a top-performing debt collection strategy

LEXOP

Introduction

In the wake of the pandemic, the number of consumers unable to pay back what they owe has grown dramatically. According to [CEIC data](#), the average household debt in Canada reached an all-time high earlier this year at \$2,163, which accounts for roughly 105% of the country's nominal GDP in March 2022. In the US, on the other hand, [the total household debt](#) broke records in the second quarter of the year, reaching over \$16 trillion for the first time in history.



The ongoing financial difficulties caused by the pandemic have made debt collection more and more challenging. Businesses have incurred significant losses. Thus, companies and lenders must implement more efficient tactics to offset the growing number of past-due consumers.

Providing past-due customers with an overall positive experience as they try to meet their financial commitments makes them more likely to complete the payment process. That's why a solid debt collection process that's efficient while still supportive to the customer is more important than ever. A business can automate debt collection to maximize resources, lower costs, and improve customer relationships. This approach causes a noticeable positive impact on the company, sales notwithstanding. In addition, it may help shorten collection cycles and improve cash flow forecasts.

Implementing a robust, consumer-oriented debt-collection plan is not as hard as it may seem. Read on to learn five proven best practices to up any organization's debt-collection game.

5

Best practices for debt collection

In the past, debt collectors had a reputation for using harassment and intimidation techniques to persuade debtors to pay back their outstanding balances. Luckily, thanks to new regulations and recent technological advances, collection teams have changed their ways for the better. Modern best practices allow collection agents to do their job more efficiently with a more empathetic approach. These strategies help get excellent results without sacrificing the customer experience.

Debt collection is, however, far from a one-size-fits-all process. Buyers have diverse preferences, habits, communication styles, and paying struggles. That's why they expect personalization in the debt-collection process. It is critical to make customers feel less like they are being scolded for their financial missteps and more like they're working with collectors toward meeting their payment goals.

Although debt collection is nothing new, the industry has yet to establish a standardized process to maximize receivables that benefit organizations and past-due clients. In the meantime, the following strategies will empower businesses to automate debt collection efforts and establish customer-centric, debtor-validating tactics that produce more positive outcomes for all parties involved.



1

Digital-first contact strategy

The future of debt collection is primarily digital. Now more than ever, consumers prefer a contactless approach to handling almost every aspect of their lives, and resolving their debt is no exception. Leveraging new technologies and digital tools to enable debtors to fulfill their obligations is convenient for the customer. It empowers organizations and businesses (especially those that juggle multiple accounts) to run their operations successfully.

The digital approach

Although not entirely obsolete, face-to-face tactics nowadays tend to fall short of the mark and, in most cases, fail to give the expected results. Automation is the first step toward more effective debt collection solutions that make it easier for debtors to understand their options. Collectors should not underestimate technology's power when meeting the consumer's demands while still optimizing their collection endeavors. A digital-first



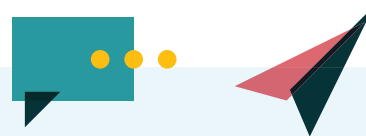
contact strategy can easily bridge the gap between reality and expectations in the overall past due consumer experience and help collectors achieve their goals.

Using debt collection software is an excellent way to eliminate friction in the customer journey before it even happens. It helps them avoid common obstacles like:

- Inconvenient payment methods
- Undesirable communications
- Ill-timed calls

Consequences of a traditional approach

A [recent survey](#) revealed that most past-due customers across the US and Canada prefer digital notifications about late bills – specifically emails and text messages. However, most continue to receive contact via traditional methods, such as snail mail or phone calls. Customers feel particularly aggravated by the latter because calls tend to happen at the least



convenient times. Additionally, according to the respondents, phone agents often appear indifferent and unsympathetic when calling regarding a past-due debt, sometimes even displaying rude attitudes.

Adopting automated email and text messaging as primary contact methods is a less invasive tactic than letters and phone calls. It also empowers organizations to leave live-agent contact for higher-value accounts at risk. Setting up consistent digital reminders appears to be the best way to achieve the level of personalization and flexibility businesses strive for nowadays.

Unpleasant interactions through other channels may frustrate customers and damage their relationship with the brand. This could result in the client taking their business elsewhere or taking longer than initially expected to resolve their debt. Digital communications let companies provide customers with a more pleasant experience during early-stage collections. Creating a more humane and supportive relationship with the client is pivotal to maintaining customer engagement and preventing damage to the brand's reputation in the long run.

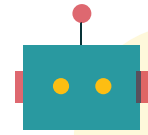
Efficacy of text and email

Online contact methods also allow companies to guide past-due customers step by step in the payment process. Emails and texts help provide clients with timely information they can revisit as needed. In addition, they create a more targeted experience that shows genuine concern for their particular situation and the obstacles they're facing.

A solid email or text debt collection campaign usually complements a reliable online payment platform or app that enables debtors to review their payment plans, make seamless payments, and more. Supporting links and offering valuable educational resources, texts and emails make the customer's life much easier and payments more convenient. Ultimately, they display the organization's desire to collaborate with them. In turn, customers that receive these communications are more likely to feel motivated to pay back their debt in due time.

2

Ability to automate and scale



Automating debt collection is an excellent way to accommodate surges in past-due accounts. AI technologies empower companies to scale up their debt-collecting operations without having to hire more agents and spend valuable resources they could need elsewhere. The right debt collection software allows companies to computerize basic and complex tasks for added convenience. Implementing chatbots and virtual assistants enables them to free up live phone agents and operators and use these human resources to improve productivity in other critical areas.

Additionally, debt collection software enables teams to create a centralized system to handle past-due accounts. This practice is perhaps the most effective way to cut costs for organizations. It allows the entire team to access and update the same database so they can all be on the same page and avoid unnecessary misunderstandings.

Automated debt collection software can hold the most relevant information about each client and present it in a viewable and searchable way. This allows the debt collection personnel to save time and effort when performing their duties. A unified system facilitates several aspects of the business that are essential to keeping things running smoothly, such as:

- Workflow
- Decision making
- Service
- Data connectivity

The ability to automate and scale will ultimately empower debt collectors to improve their rates and increase the speed of their collection process. By enabling companies to pick the best approach to contact and collect from their customers, automation is the most reliable resource available today to improve quality control across the debt-collection industry.

3

Segmentation based on likelihood to self-cure and prioritization



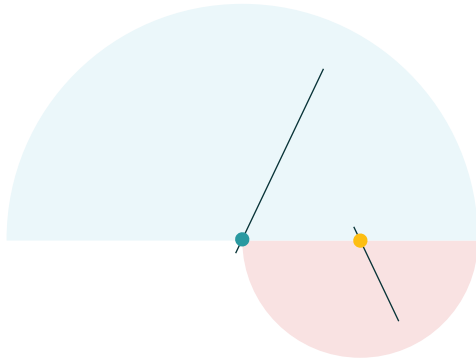
When handling multiple past-due accounts simultaneously – often hundreds of thousands – it becomes increasingly harder to keep tabs on all of them without proper segmentation. Classifying customers into different categories with similar attributes allows businesses to differentiate between those customers that could benefit from human contact and those that could respond to automated messages. Reserving live-agent interactions to higher value accounts at risk will allow lenders to optimize human resources.

Segmentation promotes a more personalized customer experience that helps organizations elevate their debt-collection tactics. When done right, it lets collection teams scale the collections process, increase the number of accounts they work with, and seamlessly recover more receivables at a lower cost and through less work.

Organizations could choose to divide customers into groups based on:

- Their credit score
- Their preferred payment method
- Their type of account
- Their average delinquency days

This division enables businesses to improve client correspondence and boost compliance rates. Collection teams can also use behavioral segmentation to identify what type of communication a given customer is more receptive to. This empowers the organization to execute the right efforts with the customer's needs in mind and find the best way to collect from every type of at-risk account. Segmentation can also help determine which past-due clients may have the ability to pay quickly so that they can prioritize those who need reminders and prompts to get their accounts up to date.



Value at risk clients

Instead of simply focusing on the number of days an account has been delinquent, collectors can prioritize past due clients by value at risk (VAR). This score is calculated taking two metrics into account: the product of outstanding balances and the measure of collections risk. This process may be similar to the one lenders use to determine creditworthiness. Yet, collection-specific models are designed to forecast the probability of customers remaining in delinquency past the 30, 60, and 90-day threshold. Additionally, they help predict the likelihood of a client defaulting.

Implementing automation tools in debt collection allows agencies to collect valuable data that help them measure these indicators. An AI and machine learning approach to debt collection helps better and more easily understand customer behavior to act on it accordingly and increase a collector's chances of success. This way, technology takes care of low-risk clients so that agents can focus on high-risk accounts that require human intervention.

Days sales outstanding

This metric refers to the days between a sale and the time a company can collect payment for it. Getting payments quickly allows businesses to put their resources where they need to. However, a long delay in receiving payments can cause problems in the cash flow and prevent organizations from achieving their goals.

Automation is an excellent way to help collection teams keep an eye on the outstanding accounts receivable. Not only does this empower them to understand whether their collection tactics are effective, but it also lets them focus on those accounts that need a bit more attention.

4



Flexible options for past-due customers to tailor payment plans

When customers struggle to pay back their debt, showing them some flexibility may be the best way to get them back on track. Calling a past-due client to demand payment in full is unlikely to get a debt collector as far as they could get if they were flexible. Looking at the total amount in their statement may be daunting and make them feel helpless if they're going through financial difficulties that prevent them from fulfilling their previously acquired financial obligations. Yet, dividing that amount into a few friendlier-looking installments could be just what they need to feel like there's a light at the end of the tunnel.

Flexible options for past-due customers

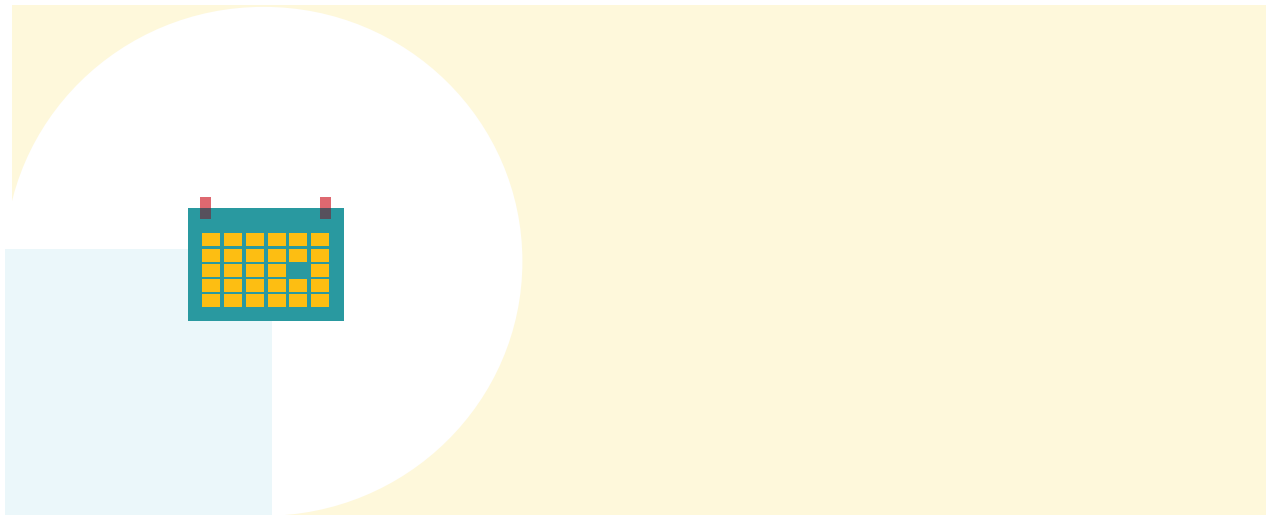
Sometimes, past-due clients don't know their options, and it's in the collector's best interest to help them out. Offering an installment plan or another alternative

could remove the burden of a hefty debt and motivate customers to pay back what they owe. Collectors may even allow them to choose their preferred payment method between:

- Credit cards
- Debit cards
- Checks
- Cash
- Cashier checks
- Money orders

Payment plan personalization

Every customer has different needs and struggles, so working with them and being mindful of their pace as they try to get their accounts in good standing goes a long way. Organizations must consider



the amount they owe to build a realistic yet attractive payment plan that a past-due customer may respond to positively. However, they should also consider the customer's

- Ability to pay
- Payment history
- Reasons for becoming delinquent
- Length of relationship

Keeping these aspects in mind is yet another way to keep all organization-customer interactions personal and make them more effective.

If an organization can automate debt collection, they have the power to walk its customers through the payment options they have. They could send them timely communications that explain what they can do to pay back and when and even allow customers to build their plan. Automated debt collection software could give past-due clients access to alternatives that could be more challenging or take more time to convey over the phone. It can even give them access to exclusive offers that could make it easier for them to get out of debt.

5

Customer-oriented experience



A positive and straightforward experience for past-due customers equals retention. Customer-oriented operations that focus on making the client's life easier and offer a way to make efficient and secure payments are the best way to keep a client's business. Nowadays, online payment methods and digital communications are the most coveted. Debt collection software can allow agencies to accept online payments without a third-party merchant getting involved for added security and lower costs. Additionally, organizations can send notifications and prompts to past-due customers when needed.

Self-service portals are all the rage right now, and for good reasons. They let past-due customers set up online payments, build a payment schedule, and review their payment history, among other perks, without human input. This gives customers the impression that they're in charge and makes them less likely to show resistance when it's time to pay back —

unlike receiving a call from a collection agency.

Communication channels are forever evolving, so listening to the customer is the best way to understand where and how to reach out and what type of message they'll respond to. Ensuring customer satisfaction and promoting a more positive experience that looks and feels tailor-made will ultimately get collection teams the results they want without breaking their relationship with the customer.

Final remarks

Creating a healthy, customer-centered debt collection process is the best approach to getting customers to work on resolving their debt. Many best-in-class collections teams are already implementing strategies and practices to help their past-due customer achieve their payment goals. The best approach to collecting from past-due clients is to listen to their needs in building a flexible customer-first experience.

In order to build a better debt collection process, businesses must gauge their customer's capabilities and struggles. This will help them follow the right segmentation strategy to promote better agent-client communication and focus their human resources when necessary. Classifying customers into different groups also allows for more personalized messages that are bound to produce more profitable results.

Automation and debt collection software is a practical and more humane way to help people pay their past-due bills. At Lexop, we believe that technology can help create a friendlier collections experience that benefits all parties involved. Our easy-to-use, scalable software is designed to empower businesses to reach, retain, and engage their past due clients and provide them with a great self-service experience that triggers a win-win scenario. If you're ready to learn more about how to improve collections, [reach out to us today!](#)





Lexop helps companies retain past-due customers by facilitating payment and empowering them to self-serve.

Its SaaS solution offers the benefits of personalized outreach at scale while affording consumers the flexibility to choose the payment scheme that best fits their situation.

Lexop gives you everything you need to reach, incentivize, and collect from your past-due customers.

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Learn more at lexop.com