



WHITE
PAPER

Getting to First In Line:

**Utilizing Proactive Notification to
Improve Collection**

October 2008



Table of Contents

Section 1: Introduction 1

Section 2: Impacts and Implications 1

Section 3: Proactive Collections Strategies 2

Section 4: New Actionable Automated Collection Solutions..... 2

Section 5: Avaya Is The Right Choice For Proactive Notification..... 3

Section 6: Summary..... 4

Section 1: Introduction

Many financial institutions, whose core business depends upon collecting structured payments from their customers for mortgages, credit cards, and major purchases like automobiles and other durable goods, are facing increasing collection problems from financially stressed consumers. The seize-up in the credit markets precipitated by the unwinding of mortgage-backed securities, the rise in energy prices, and the rise in the general cost of living, have created an economy with consumers experiencing increased levels of financial difficulties.

Financial institutions, which initially experienced short term disruptions in the credit markets, have seen a second wave of pain in a growing cycle of consumer financial duress. Starting with a growth in late payments, the weakness in consumer spending has spread to delinquencies in the mortgage, credit card, auto financing market and other financial businesses. In some cases long term financing options have been challenged as some asset classes have lost value due to falling prices for homes and new and used SUVs and trucks.

Section 2: Impacts and Implications

Financial institutions are suffering due to the troubles in the economy and credit markets and their rippling impact on consumer financing. Collection performance has been deteriorating with the number of delinquencies growing as a percentage of accounts. Consumer difficulties of making on-time payments manifest themselves in increasing roll rates – more accounts are rolling over from being current to late, to early stage collections to mid-stage and late stage collections. This means that financial institutions are finding it harder to collect payments. Regions of the United States under mortgage strain are also showing signs of spilling over into credit card and auto loan portfolios. As total dollars collected decreases, there is also a growth in bad debt write-offs. Finally, as institutions make more active efforts to recover their money, more frequent customer interactions are required and the cost of collections rises. As stretched collection resources are unable to keep up with customer interactions early in the collections cycle, more accounts are running into problems.

Initial efforts to improve collections by using traditional, comparatively aggressive approaches can undermine longer term efforts to win and retain customers with negative strategic impacts on customer satisfaction, loyalty and retention rates. As late payments turn into delinquencies, and then defaults, financial institutions are at risk of losing both investment dollars and their customer base. This has the potential to endanger a financial institution's short and longer term profitability and survivability, and needs to be addressed.

In the collection process segmenting the treatment of customers is critically important. For example, separating customers with good payment records from those that have a spotty payment histories can allow companies to treat these segments with different approaches. However, with only the option of using live agents for follow up actions, there are limits to what can be done with segmentation strategies. Since the use of live agents is expensive, they will only be used in the segments with the highest returns. Some segments will be left untreated and ultimately allowed to fall deeper in delinquency or written off. For those segments that may justify the use of live agents for collections on past due accounts (late or 30 days past due), the treatment may seem aggressive and alienate good customers who may have simply forgotten to make their payment.

Section 3: Proactive Collections Strategies

In today's tough consumer credit environment, lenders are experiencing higher levels of delinquency and large increases in "walk-aways." This trend makes it increasingly critical for companies to take a more proactive approach to identify, contact and manage current customers that are "at-risk" for default or a prolonged period of non-payment. The silver lining in this gloomy picture is that there are solutions available which can be implemented quickly to turn around the growing downward spiral. Lenders who leverage available data, analytics and technology solutions can reap significant bottom-line impact and improve customer loyalty.

When it comes to collections, the prime competitive objective for financial institutions is to improve their positioning with customers in terms of getting paid first. They need to be "first in line" for payment. At the same time, they need to ensure their relationships with their key customers survive both the current payment cycle and the longer range economic downturn. To achieve this "first in line" positioning without alienating their customer, financial institutions need to take a proactive approach to customer service that actively reaches out to customers early and often. These proactive customer touches can inform and guide customers in their payment activities. By proactively contacting and communicating with customers, financial institutions can help their customers plan their payment schedules, get them to prioritize their payments when they have limited ability to pay, and do so in a manner which is non-threatening and perceived as helpful rather than aggressive. Proactive solutions must also be crafted to adhere to privacy regulations and follow procedures that protect customers' privacy rights.

Proactive Outreach campaigns communicate and interact with customers at specific points in the customer collections lifecycle. They displace inbound call volume by anticipating the reasons a customer would call. They provide requested event-triggered information that makes for more satisfied customers, and even shorten the collections cycle.

Outreach campaigns are not just limited to collections. Proactive notifications can also be applied to the very beginning of the customer relationship during account set-up and on-boarding to verify information, activate accounts or cards and passwords. These proactive touches can re-assure customers of their initial financial choice and provides them with superior customer care. Outreach campaigns can also expose customers to the new, undiscovered services resulting in significant up-selling and cross-selling opportunities.

Section 4: New Actionable Automated Collection Solutions

To get the most from their outbound notification campaigns, a contact center must be able to design, launch, and measure campaigns that know when and how to reach out to the appropriate customers. At the same time, the contact center must comply with complex government regulations, such as do not call restrictions and best practices.

The delivery of outreach campaigns requires a combination of existing technologies, applications and careful segmentation of customers. Core technology and application elements include the integration of outbound dialing with Voice Portal/Interactive Voice Response (IVR) capabilities. This combination allows financial institutions to target key customer segments, reach out to them with outbound personalized messages through multi-media channels such as emails, SMS, and voice messaging and then execute the resulting transactions through an IVR/voice portal rather than with live agents.

Applied to the collection process, automated proactive notification solutions can be used to automatically inform customers of various key events or date driven information. These events may include, for example, verification of a large purchase activity on credit card accounts or notification of:

- an overdraft event and funds transfer opportunity,
- payment due dates, including information on how to avoid additional fees or penalties, and
- payment reminders after missed due dates combined with offers to let the customer go to an automated payment application that either translates into a payment or renewed promise to pay.

Most financial institutions already have some level of outbound technology in place, but use it in a more conventional and limited way. Many institutions, for example, have call center components, including automated outbound dialers, multi-media contact routing and IVR/portals. By re-purposing/expanding the use of these elements for outbound efforts, financial companies can create proactive campaigns that give them a greater visibility with their customers. Finance companies can also cost-effectively add missing components to their existing portfolio of contact center technologies.

Section 5: Avaya Is The Right Choice For Proactive Notification

Avaya is uniquely positioned to assist you in implementing an appropriate proactive notification solution to support the full customer experience lifecycle. Avaya contact center technology is deployed in over 90% of the top Fortune 500 financial institutions and is most likely deployed in your company. Avaya offers the most feature-rich and well-designed contact center solutions in the market. It supports massive scalability, high availability, and highly secure solutions backed by the industry's leading service organization to keep your systems and applications up and running. Additionally Avaya industry leadership positions in outbound dialers and automated portal technologies including speech recognition and has the most experienced professionals in designing and deploying proactive notification solutions.

By deploying an Avaya solution you can execute a proactive strategy that addresses current collections lifecycle problems. Avaya's Proactive Outreach solutions provide robust capabilities to deliver:

- Interactive and multi-channel proactive and immediate notifications and alerts
- Low cost high touch service through the use of automation and personalized messaging
- Integration of automated outbound calling with self-service systems or contact center to deliver seamless transaction completion
- Campaigns that reach the right person, with the right options, at the right time, in the right way

As the leading provider of contact center professional services throughout the world, Avaya has helped its customers build optimal, world-class service environments with a full suite of planning, design, and integration services as well as extensive product support. Its experienced professionals can apply industry best practices and tailored solutions to your specific needs. For example, they can help you examine and assess your communications environment holistically, ensuring root causes of issues and hidden costs are identified; and ensure proper integration with your existing environment.

To support your needs, Avaya consultants can work with your team to clarify your organization's business requirements and assess its current operations and processes. They will also build a business case complete with success metrics to gauge the solution's return on investment. In the design phase, Avaya Advanced Solution Architects provide comprehensive design and integration of the solution architecture followed by a test plan and full deployment strategy. Avaya services professionals will also provide extensive testing as well as perform a knowledge transfer to you and members of your team.

Avaya's Proactive Outreach for Financial Services solution can help your business turn around deteriorating collection KPIs by reducing the number of delinquent accounts, decreasing roll rates, reducing bad debt write offs, while improving your cost of collections and improving overall customer service.

Section 6: Summary

Proactive notification solutions offer great promise for financial companies looking to overcome the headwinds of the current economic slowdown. Avaya's Proactive Outreach for Financial Services solution can help your business in the design, development, launch, management, and analysis of multi-channel, interactive outbound notification campaigns, resulting in the ability to:

- Recover capital and generate revenue. Get your payments first in line with customers.
- Increase customer satisfaction. Customers appreciate and in some cases even prefer being contacted in a timely way with information that is relevant to them.
- Reduce inbound call volumes. Avoid many costly, inbound calls by proactively contacting consumers with timely, personalized and relevant notifications.

To find out more about the Avaya Solution please contact your Avaya representative or go to www.avaya.com.

About Avaya

Avaya delivers Intelligent Communications solutions that help companies transform their businesses to achieve market-place advantage. More than 1 million businesses worldwide, including more than 90 percent of the FORTUNE 500®, use Avaya solutions for IP Telephony,

Unified Communications, Contact Centers and Communications Enabled Business Processes. Avaya Global Services provides comprehensive service and support for companies, small to large. For more information visit the Avaya Web site: <http://www.avaya.com>.



[avaya.com](http://www.avaya.com)