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Transitioning from Legacy to Leading-edge with **Omnichannel Collections**

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Introduction

According to a ***McKinsey*** study, *consumer adoption of digital catapulted five years in just eight weeks in the wake of the COVID-19 pandemic.* Today, consumers prefer using different communication channels to interact and transact with businesses. Every individual has their preferences of time and medium. This makes it difficult for businesses to connect with their customers. The collections industry is no exception to this norm.

Keeping fraudulent debtors aside, gone are the days when all debtors used to respond to phone calls and collection letters. With an overwhelming increase in the number of service calls, many consumers have started auto rejecting calls, resulting in low right-party contact rates.

Research from ***Google*** found that *98% of Americans switch between devices on the same day.* As a progressive number of debtors prefer communicating with businesses through multiple channels and leveraging self-serve options to interact with organizations, how are collection agents supposed to meet evolving customer expectations while ensuring regulatory compliance? How can they improve debt recovery without jeopardizing customer relationships?

The answer lies in transitioning to a modern collections and receivables management system that enables omnichannel collections to enhance customer experiences and imbues agility and efficiency into business operations.

According to an ***Experian study,*** *inviting consumers to establish a nonthreatening dialog with an omnichannel collections and receivables management system increases response rates:*

On average, ***52 percent*** of consumers who visit a digital site will proceed to a payment schedule if the right offer is made.

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21 percent of the visits are outside the core hours of 8 a.m. to 8 p.m., indicating traditional business hours no longer work.

Of the consumers who committed to a payment plan, only ***56 percent*** did it in a single visit. The remaining ***44 percent*** did so mostly later that day or on a subsequent day.

What is an Omnichannel Collection System?

Omnichannel collections and receivables management systems have been around for some time now. However, such systems have recently become essential for organizations in the Accounts Receivable Management (ARM) industry due to their flexibility and affordability. Omnichannel systems enable ARM firms to collect payments from debtors in the most preferred mode - through traditional mails or over phone calls, online banking, payment cards (such as PayPal), and mobile payment apps.

An omnichannel collection system is a central system that seamlessly integrates with both traditional and modern communication channel(s). It manages and oversees all the collections and communications data between the debtors and debt collectors across all channels in real-time. Such a system empowers the debt collectors to identify the perfect time and preferred communication channel where the debtors usually respond to ensure effective communication with the debtor while adhering to collection regulations, which define rules related to communication and attempts to communicate. Thus, helping the ARM organizations to find appropriate "next communication action(s)" in the workflow and ensuring smooth communication between the collectors and borrowers.

Multichannel Collections vs. Omnichannel Collections

Point Solution Approach (Multichannel Collections)

All communication channels are available but not integrated.

Traditionally, organizations in the ARM industry leveraged multiple communication channels (dialer, SMS provider, letter) to reach out to debtors and communicate with them. They made communication attempts on an ad-hoc basis, due to which, most of the time, they could not connect with the debtor. In this approach:

- Organizations create multiple campaigns to reach debtors through different platforms.
- When the debtor doesn't respond to a single communication platform, the collectors will try another one.
- Collectors leverage multiple communication channels, which overwhelm the debtor.
- Firms spend a lot of time running all the communication channels optimally.

In a nutshell, a point solution or multi-channel approach requires a lot of manual intervention, results in annoying customers, delivers poor outcomes, and increases collection costs.

Continuous Flow (Omnichannel Collections)

All communication channels are available and integrated.

With the newer continuous flow approach or omnichannel communication, debt collectors can leverage a single centralized platform and communicate with the debtor through any communication channel they prefer. This approach is based on channel orchestration and doesn't require debt collectors to make a whole communication campaign for different channels to reach customers first thing in the morning. It reduces manual intervention during the process and improves the chances of customers responding to the communication.

The omnichannel collection approach benefits not only debt collectors but also debtors. The omnichannel strategy delivers a superior experience to the end customers, improves user engagement, and reduces the costs and hassles involved in a multi-channel collection strategy.

Drawbacks of Not Modernizing Collections

Technology is rapidly changing the way organizations conduct business. Today, most organizations in the ARM space struggle to keep pace with technological advancements and stay relevant. With a surge in the use of multiple digital interaction mediums, firms need to modernize their engagement capabilities. If an organization fails to leverage new consumer communication options, it will cause severe repercussions. Sticking to legacy debt communication practices will lead to frustration for the customers and loss of trust in the collection agency. Subsequently, the firm will witness a loss of revenue, and clients might also pull their business. Therefore, staying relevant and adopting the new collection communication practices is imperative.

While it may be tempting to continue using familiar legacy systems and traditional approaches of communicating with customers, the long-term impact of such a step will be unscrupulous. Organizations will witness excessive maintenance costs, data silos that prevent integration between systems, lack of compliance with the latest governmental regulations, and fewer collections.

As aforementioned, legacy communication approaches can also lead to poor or embarrassing experiences for valuable customers. This will trigger resentment towards the brand. Research shows:

Customers with bad collections experience are more likely to switch brands.

Agencies that fail to provide a personalized experience to customers lose them eventually.

Therefore, it is essential for debt collectors to adopt a collections and receivables management system with seamless integration between modern digital channels and traditional communication mediums.

Benefits of Omnichannel Collections

The collection landscape is changing due to the influx of new technologies and digitally aware debtors. Today's consumers wish to possess the ability to pay debts whenever they want, from wherever they want, and however, they want to. Consumers expect to receive messages, reminders, and payment options via convenient channels they are familiar with, such as social media, email, SMS, or Live Chat. Subsequently, it is essential for organizations in the ARM industry to leverage modern and traditional channels of communication to efficiently reach their delinquent borrowers. Single-channel organizations fail to meet these consumer demands. As a result, most firms and agencies in the industry are embracing omnichannel collection systems to transform the way they collect. Some of the discernable benefits of such a system include:

Enhances Customer Experience: An omnichannel collection system enables firms to connect with their customers via their preferred channels. It also allows the customers to create arrangements and make payments through their preferred medium. Such a system enables the firms to personalize communications by integrating data across various contact channels, including traditional and digital ones. According to a McKinsey study, *"today's personalization leaders have found proven ways to drive 5 to 15% increase in revenue".*

Delivers Better Insights: Omnichannel communication strategy enables firms to collect and analyze data across multiple channels. This data enables collectors to understand the customers and their preferences better. Leveraging the knowledge, collection agents can reach the customers through a channel of their preference and at a convenient time. It also facilitates enhanced customization of communications sent to each customer, thereby personalizing their experience and depicting a caring image for the collection agency. Additional customer information also allows the firms to accurately verify identities and flag potential threats of fraud.

Reduces Operational Costs: When debt collectors know when to contact and which communication to utilize for contacting a debtor, they save costs associated with contacting multiple times through various communication channels. Omnichannel communications help in reducing contact times and improving operational efficiency.

Increases Collections: According to an Aberdeen Group Study, *an established omnichannel approach helps companies grow by 9.5% year after year in terms of annual revenue, compared to a 3% growth for companies with weak omnichannel engagement.* An omnichannel collection system enables firms to engage with customers in intent-driven moments of decision-making across multiple touchpoints and presents preferred payment modes to them. In this manner, firms can boost their collections, reduce contact efforts, and stay ahead of their competitors.

Strengthens Compliance: Pestering customers with frequent calls or emails can land the communications in the recipient's spam folder or even lead to charges of harassment. The laws were not so strict even a few years ago, however, the regulations have been strengthened recently. 2020 CFPB (Consumer Financial Protection Bureau) rulings on the organizations in the ARM industry have also ensured that firms need a new strategy for collections and receivables management and communications. Omnichannel systems put customers at the center and deliver them a non-invasive and helpful way to pay debts. Such a system enables firms to design and execute workflows with different actions to ensure a compliant process.

A robust omnichannel collection system empowers organizations in the ARM industry to not only process more payments but also build good relations with their customers. By communicating through a preferred channel, the firm paves the way for a better customer experience.

What do the statistics say about Omnichannel Collections?

Check out some mind-blowing statistics below to understand how ARM firms can get up their collections game by leveraging omnichannel collections.

9/10 Customers Want Omnichannel

According to a UC Today report, *9 out of 10 customers prefer an omnichannel experience.* Customers demand a seamless communication experience through different channels. This reason should be enough to prepare for omnichannel collections.

3/4 of Customers Demand a Consistent Experience

Another study by Gladly reports, *every 3 out of 4 customers want a consistent experience regardless of the communication platform they use.* This means that companies cannot ditch consistently to save costs.

Less than 22 Percent of Customers Have Good Mobile Experiences

Tem Kin Group study reveals that *60 percent of organizations believe that they have done a great job when it comes to providing customers with a good mobile experience.* However, *only 22 percent of the customers agree.* This mandates that organizations focus on offering their consumers incredible mobile experiences.

Conclusion

The collection industry is undergoing a major shift due to growing regulatory compliance requirements, digitally aware customers who demand more ways to connect, and the increased pressure to improve their overall collections performance. The answer lies in adopting an omnichannel communication strategy. However, to ensure the maximization of omnichannel communication potential organizations in the ARM industry need to adopt a proven system that offers a broader and richer set of omnichannel capabilities. With that in mind you should be asking yourself:

"Is your existing collection system enabling or disabling you when it comes to driving more effective and compliant communications and better overall collections?"

About AgreeYa Cogent

Cogent is a comprehensive Receivables, Collections and Litigation Management software for collection firms and agencies driving compliance, business optimization and easy integration. Engineered on the latest Microsoft .Net framework, Cogent is specifically designed to provide business automation, cost savings and exceptional inventory management. The product comes with state-of-the-art data warehousing and data mining features and is scalable in number of users and volume of accounts.

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