Best Practices Series

The Delicate Balancing Act: Using Speech Analytics to Optimize Collections and Mitigate Risk

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Executive Summary
Running a collections center is a balancing act ... a very delicate one. Traditionally, collections centers have had to carefully choose between improving collections efficacy or exposing the organization to risk. Add to that equation the fact that on any given day the number of actual customer interactions is very small. An average collector or recovery specialist may only spend 30-45 minutes of their entire work day engaged in actual interactions with debtors.

Today's environment of high debt requires recovery specialists that can both collect debt with a high degree of efficiency while limiting the organization’s exposure to risk. How does an organization balance these important goals? Unfortunately, without an automated process, it is virtually impossible.

If your collections center is making thousands of calls an hour or a day, how do you know what is happening on collector-debtor interactions?
Without listening to every conversation, you don’t. In general, you don’t know what you don’t know. It's scary but true.

Additionally, collections calls and interactions vary by whether the debtor carries secured or non-secured debt. With the former, collectors have certain assets they can recover and other assets for which they can file a claim. With unsecured debt, collectors typically employ some sort of cajoling, although stories of intimidation and threats are not uncommon. But to what end? With today’s debtor tradeoff – feeding the kids or making a payment – or, making this payment versus another – even threats have become ineffective. What is the answer?

With CallMiner Eureka Speech Analytics you can listen to every collector-debtor interaction without listening to every call or reviewing every chat session. More importantly, although every conversation matters, what is actually discussed in those collector-debtor interactions matters more.

By understanding what is occurring in every interaction, managers can ensure collectors are both efficient and compliant. With CallMiner Eureka Speech Analytics, you can determine which words and phrases are more effective and which collectors are more effective atconvincing a debtor to pay or commit to a promise to pay. Once collectors’ performances are automatically scored across interactions, successful behavior can be replicated and unsuccessful eliminated.

With CallMiner Eureka Speech Analytics, collections centers don’t have to choose between optimizing collections and mitigating risk. They can have both; no balancing act required.
The Collections Industry – Profile and Characteristics

According to The Federal Reserve, the collections industry is comprised of non-revolving/secured debt entities and revolving/unsecured debt entities as illustrated in Figure 01. Typically, institutional collections firms handle secured debtor interactions whereas third-party collections firms handle unsecured debt interactions.

Recovery efforts and the opportunities to leverage speech analytics are an increasing focus for collections centers. The type of debt – secured vs. unsecured – affects which recovery strategy a collector should utilize, and speech analytics plays a significant role in executing those strategies.

Recovery strategies are linked to the opportunity. Of course, the best outcome of any interaction is a payment or a promise to pay. However, in non-revolving or secured interactions, there are other revenue opportunities that can be leveraged including the offering of an extension or deferment of payment, for which the collecting firm earns an additional fee.

On the other hand, there are few additional opportunities in a revolving or unsecured debt interaction other than offering to settle quickly. A collector must secure a payment or a promise to pay based upon the relationship they have established with the debtor (a combination of “tough love” and empathy).

When a debtor interaction goes south, the consequences of inaction are also dramatically different. For non-revolving or secured debt, the ultimate consequence of nonpayment is repossession or judgment. For revolving or unsecured debt, there are no real consequences, except for continuing the recovery effort by constant contact.
Collection centers have come to realize that there is a “sweet spot” that balances three primary collector objectives – collecting a payment, limiting risk and establishing rapport as illustrated in Figure 02. The intersection of these objectives is the primary focus of this white paper.

![Figure 02. Balancing Collector Objectives](image)

Finally, it is of some import to note that overall economic uncertainty and lingering high unemployment rates make this broader discussion infinitely more complex and difficult to predict debtor behavior.

**Best Practice. Discover New Trends with Speech Analytics.** Risk profiles change overnight, and two important trends are emerging: (1) for every debtor interaction there is a decreased probability that a payment or a promise to pay will occur and (2) for every new debtor there may be a willingness to pay, but an inability to do so.

In the past and even in the worst of times, debtors have had a sense of obligation (some call it guilt) to pay their outstanding debt. Today, debtors seem to have marginalized their responsibility for the outstanding debt – evidenced through decreasing the frequency of payment to totally walking away from debt. Today for examples, it is common for media and other pundits to assert “it is okay to walk away from your mortgage.” For the large number of unemployed more than six months, the reality is they have no choice but to walk away.

![Figure 03. Collector and Debtor Transformation](image)
Conversely, collectors have moved from being overly aggressive to being empathetic. The use of empathy in the attempt to persuade a debtor to pay or make a promise to pay will be discussed in much greater detail later.

**Call Components**
Although every conversation matters, what is actually discussed in those collector-debtor interactions matters more. To understand where an opportunity arises in an interaction, the first step is to dissect the conversation into its piece parts. The dissection process is akin to understanding a conversation’s anatomy – it travels through a beginning, middle and end, has character and energy. Again, the differences between secured and unsecured debt interactions are readily apparent as illustrated in the following charts.

![Figure 04. Call Component Differences: Secured vs. Unsecured Debt](image)

**Speech Analytics Defined**
Speech analytics is enterprise software that automates the process of listening to customer interactions. CallMiner is the leader in speech analytics. CallMiner Eureka mines customer interactions to identify customer needs, analyze interactions, track behaviors, correlate causes and report results. For collections centers recording debtor conversations, speech analytics is not a magic elixir, but it comes pretty close. CallMiner Eureka automatically extracts information from collector-debtor interactions enabling your collection center to optimize collections and mitigate risk.
How Speech Analytics Works

Figure 05 details how speech analytics works. Using speech recognition engines and proprietary algorithms, CallMiner takes every word and phrase that is spoken, how those words are spoken (e.g., acoustic information) and the context in which those words are spoken and converts those data points into business intelligence.

Because audio is just another form of unstructured data (in essence the spoken word is converted to text or conversation snippets), speech analytics is able to mine data for process improvements and the like. Email, chat, surveys and related text-based communication schema are already text; CallMiner treats this source like recorded conversations.

Best Practice. Treat Calls as Another Data Source. CallMiner converts all aspects of a call or interaction – the words, the acoustics and the context – into data and stores it in an open data base. Data can then be measured and improved. “If you don’t measure it, it didn’t happen. If you don’t reward it, it may not happen again.”

How CallMiner Eureka Categorization Works
Debtor communication data is merged with call information (collector, dialed number, et cetera) and then automatically categorized into:
- **Reasons.** One or more reasons for each event (e.g., First Contact, Repeat Contact, Follow up on Payment, etc.).
- **Behaviors of Participants.** Generic behaviors of participants throughout each event (e.g., repeat, dissatisfaction, transfer-hold language, payment language, politeness, empathy and understanding).
- **Products.** Payment plans, promise-to-pay language that are mentioned.
- **Competitors.** Competitor names mentioned.

Understanding what is happening in collector-debtor communications is the number one reason why collections groups purchase speech analytics.

### Best Practice. Leverage the Power of Data.

The collections industry has always recognized the power of debtor transactional data. Research indicates collector efficacy increases, i.e., better decisions and stronger ability to negotiate, as data availability improves. Adding a “voice of the customer” data layer using speech analytics significantly increases collections efficacy.

### The Benefits of Using Speech Analytics in a Collections Center

Collections efficacy is pretty easy. It’s all about more. More money. More money faster. More accounts collected. Collector performance. Speech analytics helps collections centers:

- Categorize All Collector-Debtor Communications.
- Analyze Behaviors that Lead to Successful Collections.
- Improve Right Party Contacts (RPC).
- Improve Promise to Pay (PP).
- Improve Payment Setup.
- Help Increase Revenue per Collector.

For risk mitigation, the impact is potentially huge as most collections centers’ recovery margins are razor thin and cannot afford lawsuits or fines. CallMiner helps collections centers mitigate risk by identifying:

- Presence of Risky or Prohibited Language.
- Any FDCPA Procedural Adherence Issues.
- Any Cease and Desist Language.
- Any “Do Not Call List” Notification.
- Customer Satisfaction Issues (dissatisfaction/understandability).

### Understanding Call Flow

The “what” of collector-debtor interactions for secured and non-secured debt was detailed earlier. The call flow is the “where,” and it is the point at which the improvement opportunity occurs. Every interaction can be broken down into 10 key elements; for purposes of this discussion, we focus on five: Verification, Disclosure, Ask for the Payment, Overcoming Objections/Up-Sell Opportunities and Risky Language. For illustration purposes, a typical conversation is flowed in Figure 06.
Verification
During verification, collectors ask the debtor to state their full name, their full address and the last four digits of their social security number. Even at this early stage, CallMiner Eureka can identify which collectors

- Are too abusive causing contacted party to hang up.
- Aren’t attempting to get new contact information, i.e., wrong party connect (WPC).
- Are validating skip tracing activities/ information with Right Party Connect (RPC).

Disclosure
During disclosure, collectors state the call is an attempt to collect a debt; that the call is monitored and information is collected for debt collection reasons only. Collectors must disclosure the name of the collections firm (and when appropriate, whether they are collecting for another firm and that firm’s name) and the amount due. During this stage, CallMiner Eureka can identify which collectors

- Aren’t disclosing properly.
- Aren’t identifying company, creditor and amount information.
- Have issues with asking for payment.

Ask for Payment
Next collectors ask for a payment, and they can do so in a variety of fashions depending upon the firm’s procedures. During this stage, CallMiner Eureka can identify which collectors
• Collect the most payments, payment structures or promises to pay.
• Do not try to overcome objections or have difficulty overcoming objections.
• Offer settlements more often.
• Offer alternatives more often.

**Overcoming Objections**
During this stage CallMiner Eureka can identify which collectors.
• Handle objections better and why.
• Don’t handle objections well.
• Have violated FDCPA.

**Sales/Up-Sell Offers (in lieu of Overcoming Objections)**
During this stage CallMiner Eureka can identify which collectors
• Introduce offers – e.g., payment deferment.
• Are more successful with offers.

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**Best Practice. LISTEN without LISTENING.** Organizations can replicate successful collectors or they can A/B test offers to determine which offer(s) works best. Speech Analytics is the ultimate focus group providing immediate feedback for corrective action.

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**Collector Scorecards and Quality Monitoring**
In short order (and with a dashboard if you so choose), Eureka speech analytics can automatically identifies which collectors are performing, and more importantly, which are not.

The ability to identify stars and poor performers begins with automating Collector Scorecards. In the past in quality monitoring, it was only feasible for supervisors to listen to 3-5 calls each week or month out of potentially thousands of calls; with Eureka, this entire process is automated based upon your organization’s performance metrics. Eureka automatically generates a collector scorecard that compares performance against a peer group, as well as compares one collector group to another group.

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**Best Practice. Improve Agent Productivity With Automation.** Not only does this automation save time and reduce supervisory burnout by eliminating the need to examine every interaction, but it presents enormous opportunities for training and coaching customized to specific needs.

Shown in Figure 07 is a typical Collector Scorecard. If a supervisor determines that a particular indicator interesting, e.g., amount of silence, they have the ability to drill down directly to the applicable call(s). If a collector is experiencing a significant amount of silence on a call or calls, this is typically an indicator of process breakdown or the need to coach or train.
Optimizing Revenue per Collector – Payment and Promise to Pay

How is collector efficacy measured? In collections, clearly the highest goal is to secure a payment. The next priority is to secure a promise to pay. What words are used, and when they are used to secure a payment or a promise to pay, is very important. In the example detailed in Figure 08, the combination of identification of gaps in assessment criteria and then follow-on coaching yielded significant increased revenue per collector.
CallMiner’s experience shows that star performers always summarize with an action plan...

“Mr. Smith, you have agreed to pay $50 next Tuesday...” Star collectors always detail the consequences of inaction. In Figure 08 above, clearly Micheline does a very poor job in several areas: closing, stating the consequences of inaction as well as providing a summary action plan.

Using speech analytics, supervisors know when there is deviation from their stated business objectives, not only ensuring adherence but also helping to improve overall collections efficacy.

The Sweet Spot

Overly aggressive collector calling strategies are passé. Today smart collectors are both persuasive and subtle. Smart collectors know how to balance fear (as measured in speech analytics by agitation) and empathy. Speech analytics helps collection centers identify agitation and empathy and in so doing, drive successful collections.

Figure 09 illustrates the necessary balance between agitation and empathy. Too much agitation, the debtor withdraws or hangs up. Too much empathy, the debtor becomes the collector’s friend. With speech analytics monitoring tools, supervisors can coach and mentor collectors to increase their performance.

**Figure 09. Successful Collectors Masterfully Combine: Agitation + Empathy**

![Graph showing successful collectors' agitation and empathy levels.]

**Best Practice. Establish Your Organization’s Best Practices.** Use CallMiner Speech Analytics results to coach agents on the appropriate application of both persuasion and empathy to obtain payment. Once you have found the “secret sauce,” they can replicate the process for all collectors.
Mitigating Risk

In general, collections centers monitor 100% of calls to mitigate risk. Speech analytics provides an easy and effective way to listen to all collector-debtor interactions without actually listening to all interactions.

CallMiner Eureka automatically detects presence of risky or prohibited language and
- Which collectors expose firm
- After examining and scoring each call,
  - Discover threats of legal action
  - Requests for DNC List
  - Call interactions that may result in regulatory review
- The ability to search for these risk-inducing words and phrases quickly or be alerted to their presence after call recording has completed.

Script Adherence

CallMiner’s collections customers have specific business requirements around script adherence. Strict adherence to procedural compliance helps mitigate risk.

CallMiner breaks down this process into categories which are based on patterns. Patterns are made up of words or phrases that are used to define a certain event or behavior that has occurred. The chart below illustrates some of Eureka’s collections categories and the associated words and phrases. These categories are incredibly sophisticated, and utilize thresholds and pattern weights based upon how representative the pattern is for the category.

FDCPA

Given the increasing oversight of the Fair Debt Collection Practices Act (FDCPA) and the power that debtors have to sue a collector, identification of immediate compliance issues is very important, and immediately identifying which collectors are out of compliance allows a supervisor to take swift action to correct the issue.

As shown in Figures 10 and 11, collection organizations can use CallMiner to track and trend specific areas of risk-based interaction, and gain an immediate view of the regulatory risk existing across the organization.
Making Collections Centers More Efficient

No discussion of speech analytics would be complete without detailing the ways in which it can make your collections center more efficient. Regardless of the size of your collections center, opportunities to reduce costs using speech analytics abound. Here are a few of the ways that speech analytics can have an immediate impact on your contact center’s bottom line:

- Reduce Long Silences and Blocks of Silence.
- Identify Short Calls (and route more efficiently through IVR).
- Reduce Unnecessary Transfers or Holds.

Best Practice. Do More with Less. Collections organizations can take a universal view of key call attributes (AHT, Agitation, and Blocks) from CallMiner, as well as, actual collection rates from other internal systems to understand the appropriate intersection of call efficiency and collections efficacy (in $/agent).

Summary

Collections organizations are leveraging the power of CallMiner Speech Analytics to achieve the delicate balance between collections efficacy and management of undue risk associated with recovery. CallMiner provides the necessary tools to define the “sweet spot” where a collector can recover assets with a higher success rate and do so without the negative consequences of lawsuits, negative press or increased regulatory review.

About CallMiner

CallMiner, Inc. is the leader in enterprise speech analytics, and speech analytics is its only business. CallMiner has the most advanced, “best-of-breed” speech analytics solution in the industry as evidenced by successful implementations at:

- one of the world’s largest companies (and global financial institution)
- the largest call center system in North America
- the world’s largest software company
- two of the world’s largest automotive collections divisions and several of the largest institutional and third-party collections firms in the world
- #1, #2, #5 and #8 largest cable TV operators

For more information about CallMiner, please email collections@callminer.com, call (239) 689-6463, ext. 2 or visit www.callminer.com.

About Michael Ullrich

In his current role as Senior Solutions Architect at CallMiner, Michael Ullrich provides field support to sales, as well as providing valuable customer input to the product life cycle. Ullrich began his contact center career 22 years ago as an agent working for Software Publishing Corporation (Harvard Graphics, PFS Write). He quickly moved up in supervisory roles, then into management and then to director of contact centers. He has managed incoming, outgoing and blended contact centers, as well as having worked at an outsourcer. Next, Ullrich focused on delivering technology into contact centers. He developed and oversaw the world-wide contact
center infrastructure strategy for cc:Mail (Lotus) and Netcom. Thereafter, he joined Aspect Communications and ran the North American sales engineering organization. Ullrich has direct experience in the speech analytics and collections industry. He earned both a Bachelor of Science in Computer Science and a Masters of Business Administration from California State University East Bay.

Dave McCracken, Project Manager
As a Project Manager in CallMiner’s Professional Services Group, Dave McCracken has led Speech Analytics implementations for multiple clients in the collections industry, as well as other Fortune 100 and nationally-recognized organizations. During that time, he has assisted multiple collections centers with solving both Collections Efficacy and Compliance/Risk Mitigation issues through the effective usage of Eureka Speech Analytics. McCracken has more than 13 years of experience delivering enterprise and specialized technology solutions in both a leadership and consultative role. He holds an MBA in Finance from Webster University.

About Michelle Craft
Michelle Craft is responsible for CallMiner’s global marketing initiatives, including public relations. She has more than 20 years of senior marketing management experience, including MIVA, Inc. (NASDAQ: MIVA), formerly Findwhat.com; Royal Dutch Shell (NYSE: RDS.A); and Fibernet Telecom (NASDAQ: FTGX), and has 13 years experience in cable TV ownership and operations. Craft began her career at the National Cable TV Association in Washington, D.C and won a “Best of Show” Addy® in 2006 from the American Advertising Federation for the state of Florida and Caribbean for an innovative 104-page retail planner and micro site she produced, linking paid search ads to retail holidays. She holds a BA in Politics/Business from the Catholic University of America.

About the Cover
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