Leading Strategically Through Recovery: Offers, Segmentation, and Contact Strategies

Amy Perkins
I'm Amy Perkins, the President here at the IA Institute, and I'm really excited about our session today. Thank you all for attending this latest roundtable in our Leading Strategically Through the Recovery series.

This series was really intended to help support strategy leaders on how they'll need to rethink their approach post-COVID-19, and prepare for what we all know is going to come in terms of increased consumers who need support, and our need in collections and recovery to be able to respond appropriately to that.

So we'll cover all of the various topics that are impacting COVID-19 in terms of strategy over the course of the next couple of months, but we'll do it in even more in-depth at our Strategy In Tech digital conference coming up July 21st through 23rd.

Today we have Dave Wasik, Partner at 2nd Order Solutions; and Brian O'Malley, Managing Director and Partner at BCG. Together we've chosen today to focus specifically on what we think are three of the hottest topics that these guys are hearing right now, which is segmentation, offers and contact channels.

I want to tell you a little bit about David and Brian's backgrounds and go through a little bit of housekeeping, and then we'll jump right in.

David's focus is on collections and loss mitigation. He has over 25 years' experience in financial services, and has developed deep expertise in strategy, process improvement, operations and loss forecasting, many of the things we're going to touch on today. And then I'll also add that he led aspects of collections and recoveries at Capital One during the recession, so he knows firsthand what many of you guys are experiencing right now.

As a partner for 2OS, he has consulted with several large banks in improving their credit practices, and I really enjoyed getting to know him, and picking his brain with all of his great experience and knowledge.

As for Brian, he's the Managing Director and Partner in BCG's Minneapolis office. He leads BCG's collections topics globally and has worked with 10 plus clients across multiple geographies and asset classes, including consumer and small business lending, leasing, mortgage and telco. His work has often led to large scale impact, including multiple projects producing greater than $100 million in annualized impacts.

So I want to take a second and pause before I go through our other housekeeping items, and say welcome, David and Brian. I'm looking forward to today's discussion.

All right. Before we dive in, I would like to thank our friends at LiveVox for their generous support and sponsorship of this webinar series. I want to share a little bit about them and say that they are leading providers of enterprise cloud contact center solutions, managing 12 plus billion interactions annually. With 15 plus years of pure cloud expertise, they empower effective channels of choice engagement strategies.

Their risk mitigation and security capabilities help clients adapt to changing business environments. So we want to thank LiveVox again. They're really such great partners of ours.

All right, a couple of minor things. Your mics have been muted. However, we do want to hear from you. We will have a Q&A period at the end of today's presentation, so if you want to submit a question via the chat box in your webinar window, please do so at any time and then we'll get to those at the end.

And finally, the information shared in this webinar is not intended to be legal advice and can't be used as legal advice, although we do work to make sure it's as accurate and up to date as possible.

Okay, now that I got all of that out of the way, let's get into some really good discussion. So I'm going to start, Brian, by coming to you, and I want to see if you could just give us the high level of what you're seeing as you're out there talking to clients and colleagues out in the industry for collections.

Brian O'Malley
Absolutely. So the perspective that I'll bring is kind of a generic one. For those of you on the phone don't necessarily recognize yourselves in this, I'll tell you there's a wide range of where people are at right now. So what I'll give you is kind of the mid-point of that rather wide range, but acknowledge that some people are still experiencing some very different things than others in this space. So let me hit on six highlights of what's going on.

First of all, most of you have dealt with the initial influx, or you might say deluge of borrowers that are coming your way or people who owe money that were really affected by COVID during the mass unemployment spike. I know the unemployment returns are still not stabilized, but many of you saw that activity more real time than the unemployment agencies were able to. So we're hearing that in most areas, calls are at least starting to level off, if not decline. But that experience varies between different institutions.

So that's the first thing to think about, is what is your activity level? But at the same time, what we're hearing on activity levels is there is likely going to be another uptick. The reason being, many of you gave deferrals or forbearances as sort of a way out for customers who were hit by COVID and hit hard, under the presumption that we'd have a V-shaped recovery. That V-shaped recovery would kick in within a couple of months and people would be returning to an ability to pay say three months after that first forbearance.

Many of our clients are now looking at that and saying, we're not sure what percentage of people that is for, but that's likely going to be a minority. There's an expectation of a second wave, or kind of a repeat influx that will be coming due, call it in eight weeks or so from now. And that's going to be on top of the fact that levels of activity are still above baseline, and likely will be when that wave hits. So in terms of volumes, I think the volumes are up headline is not only right now, but will continue to be right for at least the foreseeable future.

The second thing that we've heard about is the supply side of things. Obviously, for many of you on this call, that was a major shock when things started to shut down, particularly India, Manila. For those of you that have any kind of sites or vendor sites in those areas, that was a big hit. But even U.S. sites that have been closed as nonessential businesses by some of the various states, or people who voluntarily closed and tried to move to work from home, that process has been very difficult.

I'd say the leading edge folks have got that solved. We've talked to several who have said we are up to 90 or 95 percent of our original capacity. Work from home is working for many of them relatively well. We've heard of productivity levels, the best being as good as they were before people went to work from home. That's kind of one side of the experience.

We've also heard of others who are still saying, I'm actually only at 70 percent capacity, or the productivity I am seeing is not there, or I'm suffering a lot of sickouts. So there's a varied experience in terms of the quality of [supplier] folks.

And there have been some solutions that people have been attempting. So if you had flagged staff, obviously that's already been deployed. But people looking at new sources of capacity, new ways to flex capacity within their companies, that is something that we've heard a lot of in the last two or three weeks. In fact, I have two emails in my inbox this morning from people asking about where can I find additional collections resources?

So clearly that a hot and current topic. But because of what we said with demand, we think that topic is going to continue to be relevant. I don't think most people have solved to their full satisfaction the supplier capacity dilemma. And part of that solution is going to have to be not just bringing on additional bodies, but it's going to have to be making those bodies more productive. And it's going to have to be digital, which is something we'll talk about later on in this meeting.

The third thing is loss forecast not working, volume forecasts aren't working. So I have heard people saying, essentially, my model is not quite junk, but it is a step or two above junk at this point. Many people early in the crisis were trying to take low rate models and collections that had worked before and saying, well, what if I just do an adjustment? I can apply an adjustment back. I can start to explain the behavior.

What they're beginning to realize is that might help you to some extent on a macro level, but for most what they're finding is that it does not help you on a micro level or understanding exactly what that inflow is going to look like. And assembling the data set and getting that predictive capability back up and running is something we know a lot of you are focused on. We have not heard of anybody who feels like they are exactly where they were when this started, though we have heard of many who feel like they're in pretty good shape.

The best solution that we've heard about in this spot, which we can talk about later, is for those who have a view into customers' liquidity or transactions. Having a liquidity tool is invaluable. One of my colleagues has built one of these for a couple of different banks, and they found it to be far more accurate than industry overlays or other types of predictive factors that you might think of layering on.

So to the extent that you have access to that data and can build something like it, it is a great tool to have. But for some of you who might be, say, mortgage servicers or insurers, or people who see relatively infrequent transaction data, that's not going to be a solution you necessarily have access to. So finding some kind of better solution than what we had before will become critical.

So that's point three. The fourth thing is, it's actually a great time now for most folks on this call to prep for the next wave and invest. I know that sounds odd given what just happened, but most of us believe that when the forbearance cliff or deferral cliff, whatever you want to call it, hits again, that's when volumes will go spiking and all of the difficulty we dealt with will come back.

So for those of you saying, hey, I need more digital, I need more tools, I need to do things, take the next six to eight weeks to do that. We've heard of some folks who are doing that and making some really productive things. Others we've heard of, offers, analytic segmentation; these are all things that you can use the next six to eight weeks to get in better shape.

Fifth thing I'd just share is, nobody has the full recipe here. Many people who I've talked to, who have talked to myself or talked to the two of us together, said, okay, tell me who out there has this solved and what they're doing. And the answer is, nobody out there has this solved. And even if they had it solved, what this is going to be four or five weeks from now is going to be different.

So the only solution we've seen that works is continued experimentation and continued learning. For most of you, that's going to mean picking up the pace of doing that, not just a little bit, but like three, four, five X the pace of what you had before. And that's going to require all kinds of changes we can talk about later on in the call, from things like coding systems, to getting new campaigns out there, to reading those, to getting your teams and your internal partners to make decisions in ways that just did not happen even three months ago.

And then the final thing we're hearing about is echoes about reputational risk, and thoughts about how we make sure we do right by customers. For those of you who were out in collections during the great recession, you'll know because the fines were handed out. There were many instances where the customer quality of collections that are out there were just not where they needed to be. And that goes in many, many ways and shapes and forms. But it's very clear that this time around, there's the CFPB. There's a lot of eyes on this. There are tools and data analytics that can track performance in ways they could not do, or at least not do easily, nine or 10 years ago.

So for those of us on this call, we need to assume that all eyes are on us. And that what we do will be judged ex-post, with a customer fairness lens and a reputational lens and a compliance lens, as well as a did we do right by our equity investors lens.

So those are just six thoughts just to get us going.

Amy Perkins
That's great. That's the clearest summary I've heard of the impacts yet. So that's really fantastic. And it makes me want to have about five other discussions with you, just to kick those around, but I'll try to stay on track here and keep us focused.

So I think the first thing of those things that you talked about that we want to go a little bit deeper on is segmentation. So Dave, I'm going to kick it over to you and see if you can share with us a little bit more about the pre-COVID approach to modeling, scoring, prioritizing accounts that Brian alluded to. What are you hearing about some of the more tactical things people can do to prepare a response with the changes?

Dave Wasik
Thanks, Amy. And again, Amy, thanks so much for having us. And to the 114 attendees, thanks so much for taking time out of your busy days. As Amy said, I was the head of collections for Capital One during the last recession, and I can tell you that I sleep easier as a consultant than I did when I was running collections. So I applaud all of you guys for everything that you're doing.

Amy, I think one of the things that both BCG and 2nd Order Solutions spend a lot of time on is thinking through modeling and segmentation when it comes to all stages of risk, especially for collection stage risk assessments. And as Brian said, you've got to look at all of your models and segmentations very critically during this time.

I think it's safe to say that customers that you thought were high risk pre-COVID are at least those high risk now as you thought they were coming in. But of course, what you now have is you have tens of millions of households who you might well have though were relatively low risk pre-COVID, who are now in various forms of distress. And I think the key question is, well, what do you do?

I don't think that you need to just kind of junk your model and segmentations entirely. But I would suggest a couple of things. One is, one of the clearest signs that customers are in distress is when they're calling you and telling you that they're in distress. What we're seeing overall is a shift in activity away from the traditional outbound calling model, and you're having more and more customers call in to either customer service or collections and basically raising their hands and saying, I'm in trouble. How can you help me?

So in a way, the customers are making our jobs easier by self-identifying that they're having financial difficulties, and are arriving at your doorstep in order to have the conversation to help them out.

We'll talk later on about the tradeoffs between outbound dialing and staffing up to receive inbound calls. But suffice it to say that your customers are already telling you quite a lot.

So they had this conversation three weeks ago. At that point it was almost too early to get even any leading indicators on what the real effect was in terms of delinquencies and forbearance volumes, because we were in such early days. But we're now at a point where we are starting to get very early delinquency reads. Of course, we're starting to get a sense, both in an aggregate level, but also at a product level and at a segment level, what volume of customers are calling in requesting short term payment assistance and forbearance.

I would also look at very rapid cycle indicators like of the customers that you have that are on auto pay or direct debit. What percentage of customers are calling in to proactively cancel those, as well as what percentage of the auto pays are failing? That's also a good indicator of both an aggregate and at a segmented level, where you're seeing customers in difficulty that could most use some assistance through the offers that we'll talk a bit more about later.

One of the things that we lack as an industry is great real time data on job and employment and income information. And so I think that's unfortunately something that many of us can't bring to bear externally. But as Brian said, there are some internal ways that many of you would like to be able to mine some of your internal data that can help you make these kind of more refreshed risk assessments to help you navigate through COVID-19.

Amy Perkins

That's great. You touched a few there, and Brian touched on a few in his summary. But are there any other sources of data, nontraditional or traditional, that you think will be added into the mix to help differentiate the consumers, since this is all consumers? Although impacted to a different degree, those who are impacted have all been impacted by the same thing. So have you guys discovered, other than the ones you mentioned, any additional data points we should be thinking about using in the models?

Dave Wasik
It's a great point. I'd say a couple of things. The first is on external data sources, meaning data sources that are outside of your institution. And then on the other hand, I'll talk a bit more about internal proprietary data sources that many of you will have.

The first thing I'd suggest asking a lot of questions on is, on the external data sources, how frequently are you pulling your own data, pulling LexisNexis data? Oftentimes during benign economic periods, oftentimes collections is run with an eye towards expense minimization. And one of the easy ways to reduce expenses is, I'm not going to pull credit bureaus on delinquent customers every month. I'm going to wait every three months. I'm going to look to reduce the frequency on getting refreshed information from these bureaus or other external data sources.

And I'd say now is the time to invest more deeply in at least monthly calls, and then for data sources that refresh more frequently than monthly, how you get access to as rapid cycle data as possible.

One of our rallying cries for collections leaders is, yours is the growth business right now within your bank, and the growth business should be the ones getting the resources. And so boldly go to your CIO or whomever and ask for much more frequent external data pulls than what you've been getting, so that you're getting as rapid a refresh as possible.

I think the more interesting thing, though, is on the internal data sources. This is where, whether it's card issuers or full service banks, that you have a lot of interesting transaction data at your disposal. No one else has it. And I think that might also be a way that customers are raising their hands, indicating that they're in difficulty. Or perhaps they're not in difficulty. Using deposit transactions in a checking account, can you simulate what it looks like for a customer to be getting a twice a month paycheck, versus they were getting a periodic paycheck, but now they're not.

Another would be on the credit card side. If a customer had been either inactive or very lightly active on your card, and now all of a sudden they're ramping up their balance, they're ramping up their spending, they're reactivating their card in a way that might be posing significant risks to the institution.

Even where customers are using their card, what merchants, what sectors, etc.? If you can identify patterns that would indicate either signs of financial stability or not, those would be great sources of data to again, better help you identify customers that need your assistance most urgently.

Amy Perkins
Yeah, that's great. I was thinking about, I know, Dave, you and I were sharing stories about the fact that we both strategy leaders during the last recession, and we're a little bit relieved, maybe, that we're here providing this kind of content and support in helping those leaders, versus maybe being directly in their shoes.

But that being said, I know I would have really appreciated, if I was still in my prior role, all of what you just said. Because I think with segmentation and modeling, we tend to—although we reevaluate it as analysts on an ongoing basis, I mean, this is really calling for probably the most transformational change in segmentation that at least I've seen probably in my career. Even with the last great recession, segmentation wasn't the first thing we were thinking about.

But now when you're trying to creatively come up with new loss forecasts, and Brian said, and new ways to differentiate the severity of the risk, I think it's pretty cool to start thinking about some of those nontraditional data elements that we haven't really considered to be part of the mix now. So that's really great insight.

So I know the next thing we want to cover is offers, and you set us up a little bit on this, Dave. I've been thinking a lot about, I've heard varying views on what different companies are doing around offers. I know I've heard that as many as 70 percent of companies are proactively reaching out to consumers to offer help, either verbally or with some type of solution. You know, some type of offer of deferment.

So Brian, I'm going to kick this question to you. What are you hearing about more specifically what it is companies are doing to offer support to consumers during the crisis?

Brian O'Malley
Sure. I would divide this discussion into two parts. One is deferrals and forbearances and the other is literally everything else. And I think for most of you, the deferral forbearance part of the conversation has been really the dominate one, but we will be coming to a spot where that clearly can't be the only thing we're talking about.

So let's first cover what we're hearing in the deferral space. So number one, when deferrals got started out, many of you were going for short term deferrals. We heard even one month deferrals being offered on credit cards, for instance, month to month. Three months is probably the most common length across all of the different products we've heard about. But the idea was to keep checking in with us. Once you've kind of figured things out with COVID, come back. We'll talk in a couple of months.

Now the reality of that is most folks are starting to see that come back to us will start to hit pretty soon. So I'm seeing a couple of different approaches or hearing of a couple of different approaches to that.

One is, more proactive outreach, in the sense that some of you have noticed we're still having people who are going past due on bills, even though they're getting offered forbearance. We're not talking about sloppy payers. We're talking about people who are two weeks or more past due. And so there's a question that's coming up about how proactive should we be with forbearance?

We've heard of a very small set of people who are saying, we're going to give this to everybody automatically. That has by no means been the default answer, but I've heard of at least a few thinking in that direction.

What we've heard more about is people saying, can I offer a longer forbearance? For those of you who are in banking, TDR implications come into play. But people have been saying, should I go for a four month or a six month or even longer forbearance for those who might need it?

And then also we're starting to hear some talk about auto rolling the forbearance forward, which is not something I heard about until really a week or two ago. So the idea becoming, if you had an expiring forbearance, you're not able to pay, we're going to assume the forbearance needs to extend without you needing to actually contact us. It's partly a volume management tool.

Amy Perkins
Okay, so people will be able to auto renew them, basically.

Brian O'Malley
That is right, yes. So that's one thing that we're seeing. And the other thing we're seeing is people saying, you know what? This is not going to work in and of itself just to have a forbearance strategy. Let's start reexamining our other offers and what we might do in that space.

And the particular piece that I've heard most about outside of forbearance is fairly aggressive settlement strategies. So you have obviously a set of customers who were delinquent already on whatever product it was before this got started. It's difficult to say if you were 60 days past due that COVID was truly the cause of your hardship. Obviously, it complicated your hardship, but it was not the only thing going on.

So we've heard of a lot of folks who are trying to settle aggressively with those more deeply delinquent customers. Obviously, now is reputationally a very difficult time to pursue a legal strategy with anyone. It's something that you need to think about very thoughtfully before you go into that. So that's bringing settlement to the forefront.

But we think there should be a lot of innovation around payment plans, either shorter or longer term. If you're seeing mortgage, a modification, and those types of things over the next several weeks. We're just going to see that forbearance alone is not going to get the trick done for a lot of these folks.

Amy Perkins
Yeah. That's interesting. I hadn't thought of those consumers—I mean, I've thought a lot about the consumers who were in this cycle before this all happened, and this is just making their situation even worse. But I really hadn't thought about how creditors and lenders might be thinking about the treatment or the support of those consumers who are already late before this started, versus those who may be first time defaults ever, or just now coming into the system after getting reformed and back on their feet.

So I'd love to hear, and this is totally in the fly. I'd love to hear anything more that you're hearing about beyond differentiating those consumers, which is pretty easy to do, is it just settlement? Or are some being creative about saying, hey, we're going to revisit what qualifies you for forbearance or a deferment, and consider consumers that might just be, this is just making their hard situation even harder.

Brian O'Malley
So we have heard of some deferral for folks that are in delinquency. I wouldn't say it's been the norm of what we've heard so far. What we have heard of is some kind of good faith attempt to help those folks out. And often what that leaves is a lower floor for a settlement in the sense of, we know you're struggling. We'll kind of help you get out of this one.

What we heard people trying to avoid is debt sales. Because across all different types of products, uncollected debt is dropping in price, and we expect it will probably drop further. So for those of you who were selling deeply delinquent debt or charged off debt to sellers, the question for you becomes, what else can you do, assuming that's not going to be a fruitful avenue for you? And also, just thinking about the customer experience and the reputational risk of things going on right now.

Dave Wasik
If I can jump in, one thing I've heard about with small business lenders is just some level of creativity around trying to allow the customer to preserve some spending power even as the majority of their balance is in some flavor of forbearance.

And so it may look something like, if you make a $2,000 payment I will give you $500 of open line. So especially for a line of credit, that's kind of the life blood of the small business right now. They're not getting completely cut off as they go in and ask for forbearance and payment assistance.

And so there are some kind of creative versions of this which I think is great. And I think that's a great example of how the bank can both protect itself from a loss litigation perspective, but also just understand who your customers are, and helping them out at the same time.

Amy Perkins
Yeah. That's great. I'm really hoping, just given the commonality of this problem across all the banks, that it does initiate some collective creative solutions that are outside of everyone's typical box. Because the rules we all follow were made under different circumstances. And I'm glad to hear, and you didn't go into it in depth there, but I think throughout this conversation and through others I've had, it

definitely sounds like everyone is willing to try and think creatively, but within the realm of what is right.

For the banks, in terms of their reporting and all the things that Brian touched on a little bit. But then also for the consumers, just because it's so different. So it's kind of neat to see that that's starting to take place.

Okay, I know we did want to go through, and I think you've both touched on the common types of relief offered to distressed customers as sort of part of that answer. But I guess I'll just, before we move off of offers, I'd just ask either of you if you have anything else to add for the audience.

Brian O'Malley
The only thing that I might add is just, it's not just the types of offer you have, it's also the terms of those offers. And this is something that we're seeing. People saying, oh, well, I already have payment plans. But the question is, if you look at where your customers are right now, how many of them are really able to benefit from those payment plans? How applicable are those going to be?

And one of the ways you can check that, even if you don't have great data on where your customers sit financially, is can we go in and figure out what our latest take rates are, and the completion rates, kind of vintage by vintage, for those offers. If what we see is a nosedive, then that's something we've got to jump in on.

And by the way, I talk about completion rates not just for ones you're issuing now, but ones that you have out there. Because one of my biggest worries is that you're actually going to see a bunch of people reentering collections that you thought you'd given some kind of accommodation to. Not a forbearance, but this is February or earlier you had done something, and lo and behold, they're coming back in. They need a COVID forbearance.

So taking a look at what the structure is and how things are working or not, it's not going to be like a one-time event. You're going to have to do this on a regular basis throughout the crisis.

Amy Perkins
Yeah, absolutely. And that's another place where I think a lot of the old rules can work against those who have already gone through some programs. It puts pressure on their eligibility to qualify for a new program, and that's a whole different level of complexity, I know, for lenders who are solving that exact problem.

Okay, so let's move to contact channels. So you guys did an amazing job with your white paper. I personally read that word for word and got so much out of it, I asked you guys if we could get that out into the universe on our side, which we did.

But Brain, you led with the fact that capacity—I mean, there's just going to be such a demand for more collection staff coming up with all the delinquency. And we all know, as strategists, you're looking to always have levers that you can pull. Not just for optimization sake, but for times like this, when you know you need to alleviate some of that pressure, and hiring pressure, by pulling one of your levers until things start to calm back down.

Contact channels is obviously one of them. What I think is, again, unique about this COVID situation is, we all know there's a lot of guidance about, is it okay to be calling right now? Should we be calling? Do companies feel like that's the right thing for them to do?

And in all cases, or in most cases at least, people I've talked to, if it hasn't stopped calling, it has significantly slowed down calling. So I guess, David, I would love to come to you with the question of, how are you seeing the mix of contact channels change since this has all started to evolve?

Dave Wasik
Sure, yeah, of course. I mean, if we'd all take a step back, the sector is on a 20 or 30 year journey from being exclusively phone-based collections to what we know someday will be a predominantly digital approach, both in terms of the channels we use to reach out to customers and contact them, as well as the channels that customer use to service their accounts and fulfill on them.

We're on that journey, but not quite there. And one of the really silver linings in all of this from a collections perspective is that a lot of the big capabilities and moves that you would most want to be doing right now, not only will pay dividends in the immediate term in helping manage through the Coronavirus, but they're also the right things to be doing longer term.

And so digital channels is a great example of that, where just based on the large and small institutions that Brian and I work with, people are really all over the map in terms of digital outreach capabilities.

And like I said before, collections is the growth business at your bank. So go ask your friends in marketing what they're up to right now, and have them start working on your collections; emails, letters, SMS, etc. I think the sequence of events in terms of what's happening is you're seeing a rapid surge in demand for collections call centers, where customers are calling in by the tens of thousands asking for forbearance, delinquent accounts. Entering collections are also starting to pick up.

So the demand side is rising. But then at the same time, the supply side is impaired, where you've got, again, entire countries' call center infrastructure being shut down. A lot of banks are figuring out literally on the fly how to make work from home functioning at scale.

So you've got demand rising and supply falling. And I know lots of collections professionals on this call had previously built recession preparedness plans for collections which were all predicated on I've got a thousand agents today. If I needed to get to two thousand, three thousand, how would I do it? That's where what we're actually facing is the scarier version of that question, which is I need two thousand. But instead of having one thousand, I've got five hundred. And wow, like I'm really struggling.

So anyway, a lot of the call center model is very much impaired at the moment. So I think what I would suggest is a three step process.

One is, answer the inbound calls that customers are making to you. These are customers who are in need. And again, it's the most efficient conversation you're ever going to have, because you don't have to battle through hang ups and wrong numbers in order to get in touch with them. So job one should be answering the inbound calls.

Step two I would suggest is ramp up your digital outreach. Ramp up to email. Ramp up to SMS. Go old school and ramp up letters. All of which will either drive traffic to your website, or they will drive additional inbound volume. Which again, are all calls that you should be using your most likely constrained call center capacity to answer.

The third step would be see what you've got left from a call center capacity perspective. You should absolutely be using as much creativity and hard work as possible to increase the supply of call center agents. But what you can then do is say, I started with a thousand agents. I now, after I answer all the inbound calls, have three hundred less for outbound.

And that's where you'll want to take your dialing strategy and basically triage that dialing capacity based on how many agents you have. That might be that you're only able to make one pass through the dialer each day, not three. It might mean that based on the segmentation that you're using, you might be able to have zero, one or two phone calls per day as opposed to some larger number.

But it's good to be differentiated in your outbound dialing strategy because you're unlikely to be able to do as much outbound dialing as you'd like. And so again, I would think about shifting your model from a predominantly outbound model to a predominantly inbound model. I think that's where the bang for the buck is going to be. That's where you're going to be making sure that you're speaking to the customers who are in need.

So yeah, Amy, that's kind of the three step process that I would take.

Amy Perkins
Okay, that's great. Thank you. I want to save some time for Q&A, so I'm going to jump, if you guys don't mind, to Brian and just ask if there are any best practices related to digital channels that you would recommend for the group?

Brian O'Malley
Yeah, let me just say a couple of things that I think are less common than at least I would like them to be.

Number one is inbound digital. People think of digital as outbound. Can I email you? Can I text you? Can I do whatever to you? But having an ability for customers to respond digitally is a great way to take heat off the call center. Dave was talking about just all the capacity problems that we're having. So think about inbound digital as a priority.

And find a lightweight way to set it up if you don't have it already. What I mean by that is, it doesn't have to do everything. What it does have to do is some of the most common functions that people might want to get. So for instance, having a digital way to secure forbearance is a great way to start. You don't necessarily need the full offer suite up there for it to make a difference.

The second thing is, people forget about the value of contact information. Digital channels are only as good as the number of people you can use them with. I had one client that only has email for 30 percent of their customers. That doesn't really do a whole lot for them in terms of a channel, and so their actual best bang for the buck in digital is a digital information collection campaign, rather than actually sending stuff out.

I think all of you know this, but messaging quality actually does matter. We've seen good messages versus okay messages generate a 30 percent higher response rate. That's critical for you in this kind of a time. And most people think it's fine just to send out an email. But if you send something that looks like spammer material, it may actually backfire on you. You're not necessarily going to get the response rate you want it, or a spam text, it could be the same thing.

And then the final thing is, think about digital later on in delinquency. Or even before delinquency starts if you have high risk customers that haven't het missed a bill. Everybody assumes the digital is sort of a tool that you use for the first 30 to 60 days. But it can be even better to engage people who aren't yet delinquent, or people who are deeply delinquent. So don't limit where you're using those channels. Think about them more broadly.

Amy Perkins
Yeah, I think that proactive coverage is more important in this situation than ever. I know we waffled on that back in the day under entirely different circumstances about if we wanted proactive outreach to be more preventative. Now I think about it and I'm like, I wish we were sitting have that conversation these days. But now we're talking about outreach proactively for a whole different reason. So it's great to hear you recommend that. That is worth the time and effort for people in this circumstance, just given the nature of what we're going through.

Brian O'Malley
And do it even if you don't have a delinquent customer, by the way, or even high risk. So getting people used to seeing emails or texts from you can make it easier if you have to send one about a difficult situation. If it's sort of radio silence followed by the equivalent three phone call a day blast, you're going to see the kind of effectiveness you'd see with the three phone call a day blast.

So think about what you can do to have ongoing digital engagement, even if there's not a payment related reason to do it.

Amy Perkins
Yes, it's building a digital relationship before you either need each other. And in this regard, that's pretty smart.

Dave Wasik
If I can just add one point. One thing, if you think about collections through a marketing lens is, one of the conventional norms that in prior lives I used to fall back on was, when it comes to communicating the availability of collection offers, better to be generic and nonspecific rather than specific about I have this specific kind of plan for you.

And I think there's something to be said for a more consultative approach that says, hey look, call us. We're here to help. You know, along those lines. But we're all getting COVID-19 emails from every single business we've ever done business with. Like my dentist, my shoe store, let alone my banks.

And so I think there's got to be some creativity applied to how to make your emails cut through the COVID-19 related clutter. I think there's a danger that an email channel becomes as saturated and overwrought as the outbound phone channel has become for a lot of customers.

So one of the levers that we have is to be more specific about particular categories of offers. Or if you can figure it out by credit policy-wise, can you be specific about this particular forbearance plan, or this particular settlement strategy? Which I think will help to, again, make your outbound campaigns stand out at a time when customers are struggling on all of their lending relationships, not just yours.

Amy Perkins
Yeah. Absolutely. That's good. It looks like we have a couple of questions in the queue. Mike, I'm going to kick it over to you to see if you can field some of those for Brian and Dave.

Mike Bevel
So the first question is, are you seeing small businesses and individuals using their stimulus checks to pay outstanding balances like these? Is that a customer behavior we should expect to see over the next couple of months?

Dave Wasik
I'll take that one, or I'll take the first shot at it. So again, if you separate consumer stimulus from PPP funds, the explicit purpose of the PPP funds are to keep the

business open and to pay employees, not to pay down loans. Now I think we could all argue, look, is my psychology going to be different when it comes down to repaying my bills when I've now got a big float of money in the bank, quite possibly?

But I would counsel banks against explicitly stating anything about PPP funds either over the phone or essentially through letters or emails, even though I do think that that will help.

I think on the stimulus side, I think that there's certainly reputation risk associated with that. We all know what consumers in many cases are using that stimulus money for, and we've got to make sure that we're not suggesting that repaying our loans goes above some of those essential purchases. But even in the days immediately following the distribution of a lot of the consumer stimulus payments, we did see a pickup in payments with some of our clients. We saw even a pickup in applications for new loans, especially some point of sale products.

And so I think customers are definitely behaving that way. You just want to kind of stay above the fray from a reputation risk perspective.

Mike Bevel
Brian, would you add anything to that?

Brian O'Malley
I think Dave covered that very well.

Mike Bevel
Has Talks altered their hits to ensure that the hits are active employees? What manual skip tracing companies are the best bang for the buck for POE? Are there CBR products that are strictly based on current repayment models?

Brian O'Malley
So I'll start with this last one. So are there CBR products that are based on current repayments models?

There are information feeds that they can give you that would certainly be useful for that. You should talk to individual bureaus about what they have available. I talked to one about a week and a half ago and they're able to get things like size of largest deposit, or the types of things that would help you get a sense of what the current state of someone's finances are. So certainly there are products that I think are very relevant for today's situation.

For manual skip, I won't get into specific recommendations in this forum. And in terms of the active employees, I will tell you I don't know the latest there, but I would verify your date of active and the meaning of active. Because we've heard of a number of data sources where the date of that data actually matters significantly. So I'd just be careful with any source in terms of whether it's truly current or not, and as of when.

Dave Wasik
I'll just add that one of the longer term consequences of the COVID-19 crisis is that credit bureau data will look weird for years to come, just because you have so many more customers in some form of forbearance or some non-aging status than we've ever had before. Again, it's just unprecedented.

And so I know that's one of the things that the bureaus are very actively trying to get their arms around, because as you can imagine, not all banks report the presence and type of forbearance to the bureaus in exactly the same way. So you can imagine from the bureaus' perspective, you're trying to receive a bunch of messy, inconsistent input, and then trying your best, but imperfectly, to generate a consistent, usable output. And as you can imagine, it's a losing battle at the moment.

On the Talks question, it's a great one. As bankers, you guys are likely to get a faster answers to questions to them than consultants are, because you're actually buying stuff. But I know that going back to the point around, gosh, if we only had a really rapid cycle way of getting employment and income information, Talks is about the best we've got. And so the question is, given that we've got millions of customers declaring unemployment every week, is it a rapid enough feedback cycle in order to be useful for you?

And that's something that I think we're all trying to get our arms around at the moment.

Mike Bevel
So it's not a catalyst like an alien from a show I won't watch. It's Talks?

Dave Wasik
It's Talks. Like T-a-l-k-s.

Mike Bevel
I learned something and that makes a good day. So thank you.

Can we have a glimpse into the type of conversations being had by collection agencies and consumers during this time? Are folks just generally nervous to let go of their cash because of uncertainty? Or are they more open to making plans for repayments? So this is a tough one because—well, not a tough one. What I'm saying is, if you want to share, you in the audience, if you want to share some of your experiences with the conversations you've had that have touched on—not on purpose, especially where it's prohibited. I'm not your lawyer. But what are the conversations that you're having, and what do you guys see?

Brian O'Malley
So I can add some thoughts, and then, Dave, I'll kick it back to you. But one of the things we're actually seeing is not so much people talking about can I pay you or not, but there's been a lot of questions about forbearance, and what does forbearance mean, or deferral mean, for specific products?

So one of the lenders I spoke with said that 50 percent of the people who called in asking for forbearance actually left the phone not wanting a forbearance once they figure out what forbearance actually meant. So I think far and away, that has been the biggest trend I'm hearing about in conversation, is there's a lot of misinformation on what types of offers are available and what those offers actually mean financially for a consumer or small business when you go into them, and more importantly, when you come out of them.

So there are rumors out there that forbearance means there's no interest. There are rumors out there that forbearance means you never have to pay the money back. So there's a lot of conflating of things among your customer base, and we're hearing a lot of calls where that action needs to get sorted out.

Dave Wasik
Yeah, one of the risks of having a collections related conversation focused on nerdy things like segmentation and marketing and email is that you blur the incredible amount of difficulty that's going on out there. And I haven't done as much call listening during this downturn as I did when I was leading collections during the last one, but it's a heartbreaking situation, right? Whether you're leading an agency or leading an internal collections center, to hear call after call of customers, many of whom have never been in financial distress before, just all of a

sudden just being in an awful position. It requires just a lot of empathy and a lot of flexibility on behalf of management as well as people making credit and segmentation decisions.

It's, again, just unprecedented, at least in my lifetime, in terms of the speed with which this has come on. And certainly it's a place where we all need to keep that as a critical priority in the midst of all the talk of loss mitigation.

Amy Perkins
That's great. I think right now compassion and education are probably the bulk of those conversations. Then it's, okay, now what? And where do go? I think that's great.

And I would say, David, you mentioned that you used to listen in on calls. For the strategy leaders who are on the phone, and I was a strategy exec, my entire team, front line analysts all the way around, recording analysts, everybody, we listened to calls together as a group every single month, because I wanted us to be in touch with how our strategies were playing out for the consumers. And also to help identify if there were process improvement opportunities that we could improve on the backend in response to what's happening day to day on those phone conversations. Because that's really where it's at, right?

And so I would close this question by recommending that really anyone on the phone who leads strategists who aren't normally customer facing, that you introduce a routine like that now more than ever. Because I think that would be pretty smart.

Brian O'Malley
Absolutely. And if I could throw in one other recommendation it would be, read your complaints and read them often. Because as the customer bases' situation changes, it will really help you to understand where people might be coming out on the wrong side of things in ways that didn't even matter to that same customer base two months earlier.

So if you have a quarterly review of your CFPD complaints, it's time to make that a more frequent process.

Amy Perkins
Really good point. Okay, I think we are at time. I want to conclude by saying thank you to Dave and Brian for sharing your experience and knowledge with all of us.

And thank you for spending the afternoon with us. Also, to our participants, we appreciate you attending.

A few things I will say. Dave and Brian are going to continue this show for us at our Strategy In Tech digital conference that's coming up July 21st through 23rd. Also, for those of you who would like to share this webinar with others in your network, we are going to be offering the replay on our website and pushing that out as well to all of our subscribers. So it will be there, and I'd ask that you share it if you gained some great insight like I did.

And again, I just want to thank LiveVox for sponsoring the series of innovative and thought leadership webinars. Their partnership and others like them help produce some of this quality content that I think helps so many in the industry. So we appreciate it.

Finally, I'll say you can reach me at amy@insidearm.com. If you have any other questions along these lines I'll be happy to answer them or source answers for you. I think that about does it. We hope to see you all next time, and thanks again, Dave and Brian. Take care.