

RYAN
STRATEGIC
ADVISORY

HOW iSON XPERIENCES IS TRANSFORMING GLOBAL DEBT COLLECTION



iSON
xperiences

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INTRODUCTION

Debt collection is often the most painstaking part of lending money. Late payments entail penalties, making the burden on debts harder to pay. In extreme cases, repossession of assets can occur. For troubled borrowers, debt collection is stressful and humiliating; for lenders, the process is time-consuming and costly. To rid themselves of the hassle, many lenders prefer to outsource debt collections.

Outsourcing may help with debt collection. But even so, the lender faces problems. It's hardly surprising that somewhere along the way borrowers often report poor customer service.¹ Brands routinely lose customers through clumsy collection methods. "Brute-forcing calling is the norm," McKinsey & Company lamented about standard debt collection practices, leading the consultancy to urge "smarter and more effective collections operations."²

A more holistic view of the process is needed, one that views debt collections through the lens of credit lifecycle management (CLM). Handled properly, CLM can increase collections and rehabilitate accounts in arrears. In so doing, valuable customers can be retained, allowing for increased revenue through cross-selling of products and services.

Yet, effective CLM can be hard to achieve. Be it a bank, fintech, microlender or outsourcer, the servicer must offer expertise in debt collection and a broad suite of financial services. Meanwhile, behind the scenes, advanced technology must be used, including predictive analytics and artificial intelligence (AI) to diagnose spending trends, accurately forecast debt and repayment patterns, and inform agents with the data they need to make sound decisions. For all these reasons, a true specialist is required.

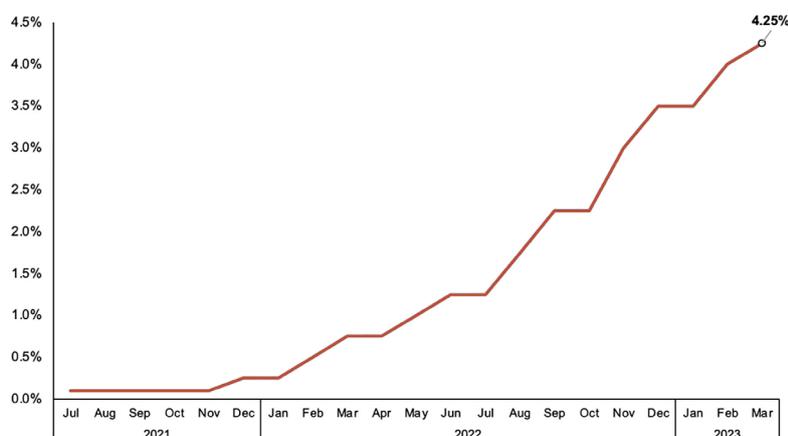
¹ Consumer Financial Protection Bureau (US), *Consumer Experiences with Debt Collection*, Jan 2017: https://files.consumerfinance.gov/f/documents/201701_cfpb_Debt-Collection-Survey-Report.pdf

² McKinsey & Company, "The Seven Pillars of (Collections) Wisdom," 23 April 2018: <https://www.mckinsey.com/capabilities/risk-and-resilience/our-insights/the-seven-pillars-of-collections-wisdom>

DEBT DURING DOWNTURNS

Since mid-2022, economies around the world have slowed. At root is a concerted effort by central banks to raise benchmark lending rates in a bid to slay high inflation. While the full effects of these counter-cyclical measures remain unknown, several consequences are already clear.

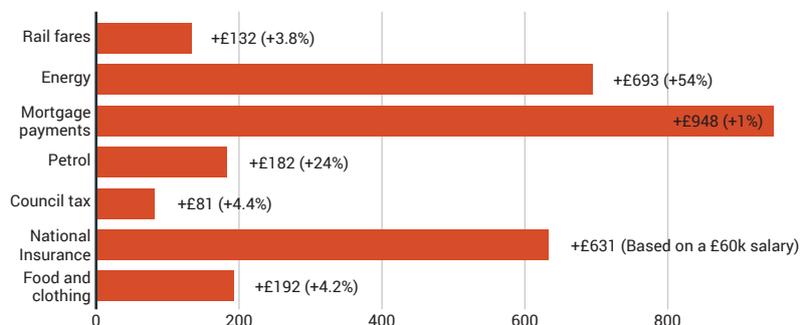
Benchmark Lending Rates in the United Kingdom



Source: Bank of England.

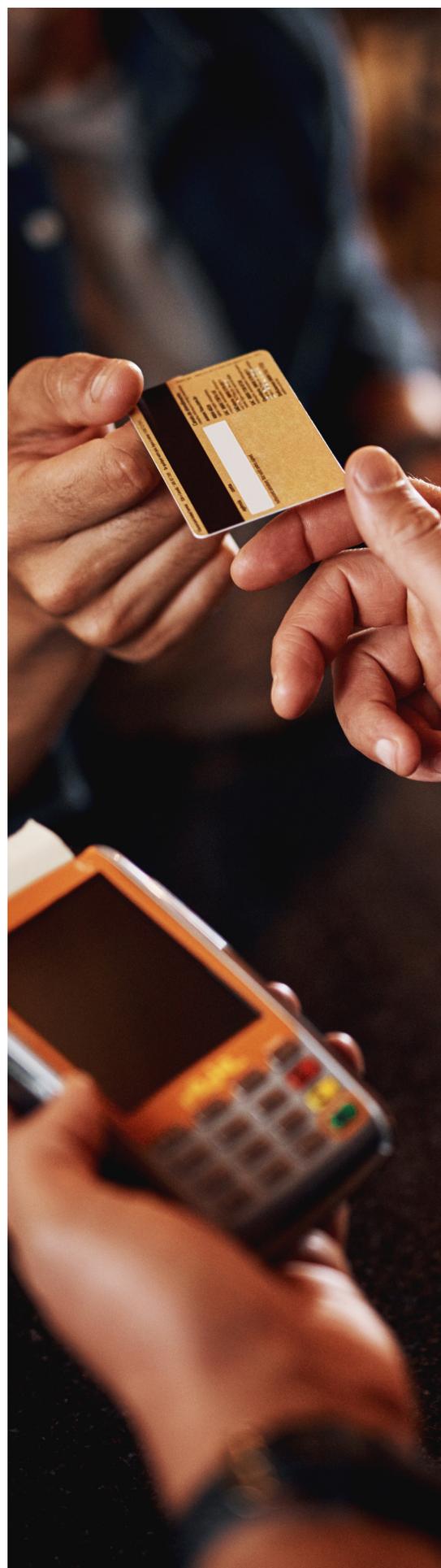
Cost of Living Crunch

Households are under pressure from soaring bills



Costs calculated for an average household | SOURCE: TELEGRAPH ANALYSIS OF FIGURES FROM ONS, AA, OFGEM

Source: Telegraph (London), FICO



Consumers around the world are getting squeezed by rising costs. Household debt is at record highs across dozens of countries. In the United Kingdom, household debt eclipsed £2 trillion for the first time in 1Q2023, amounting to 131% of income.³

Swelling balances on credit cards—balances that accumulate at higher interest rates—are combining with persistently elevated costs of basic goods and services. Debt portfolios are coming under stress as a result. Delinquency and severe delinquency rates are at record levels in many advanced nations.⁴ Millions of Brits and others in Europe face the trade-off between ‘heat or eat.’

Across the developing world the situation is more precarious. Lenders in Africa are warning of knock-on effects as credit conditions tighten.⁵ In South Africa, for example, new-loan origination has skewed recently toward subprime borrowers. Bracing for a rise in defaults, credit reporting agency TransUnion has urged lenders to “remain vigilant in monitoring credit quality.” At the end of 2022, TransUnion reported that more than 30% of personal loans in South Africa were delinquent for 90 days or more—just one of many worrying metrics of coming financial distress.⁶



Credit Metrics: South Africa 4Q2022

Account Type	Average Balance (Rand)	Delinquency Rate (90 or more days overdue)
Credit Card	22,021	12.6%
Personal		
• Bank	47,424	30.9%
• Non-Bank	13,987	36.4%
Auto Loans	224,600	4.7%
Retail		
• Clothing	2,274	28.7%
• Revolving	6,399	15.5%
• Installment	9,039	31.5%

Source: Based on data from TransUnion.

³ City AM, “Household Debt Swells Past £2 Trillion for First Time Ever,” 27 Mar 2023:

[https://www.cityam.com/uk-household-debt-swells-past-2-trillion-for-first-time-ever/#:~:text=Family%20debt%20has%20swelled%20past,new%20research%20out%20today%20reveals;House of Commons \(UK\), “Household Debt: Key Economic Indicators,” https://commonslibrary.parliament.uk/research-briefings/sn02885/](https://www.cityam.com/uk-household-debt-swells-past-2-trillion-for-first-time-ever/#:~:text=Family%20debt%20has%20swelled%20past,new%20research%20out%20today%20reveals;House%20of%20Commons%20(UK),%20%20Household%20Debt:%20Key%20Economic%20Indicators,%20https://commonslibrary.parliament.uk/research-briefings/sn02885/)

⁴ OECD Data, Household Debt, (2021 or latest available data): <https://data.oecd.org/hha/household-debt.htm>

⁵ The Economist, “Africa Faces a Mounting Debt Crisis,” 16 May 2023:

<https://www.economist.com/middle-east-and-africa/2023/05/16/africa-faces-a-mounting-debt-crisis>

⁶ TransUnion, Quarterly Overview of Consumer Credit Trends: 4Q2022, pp. 5-6.

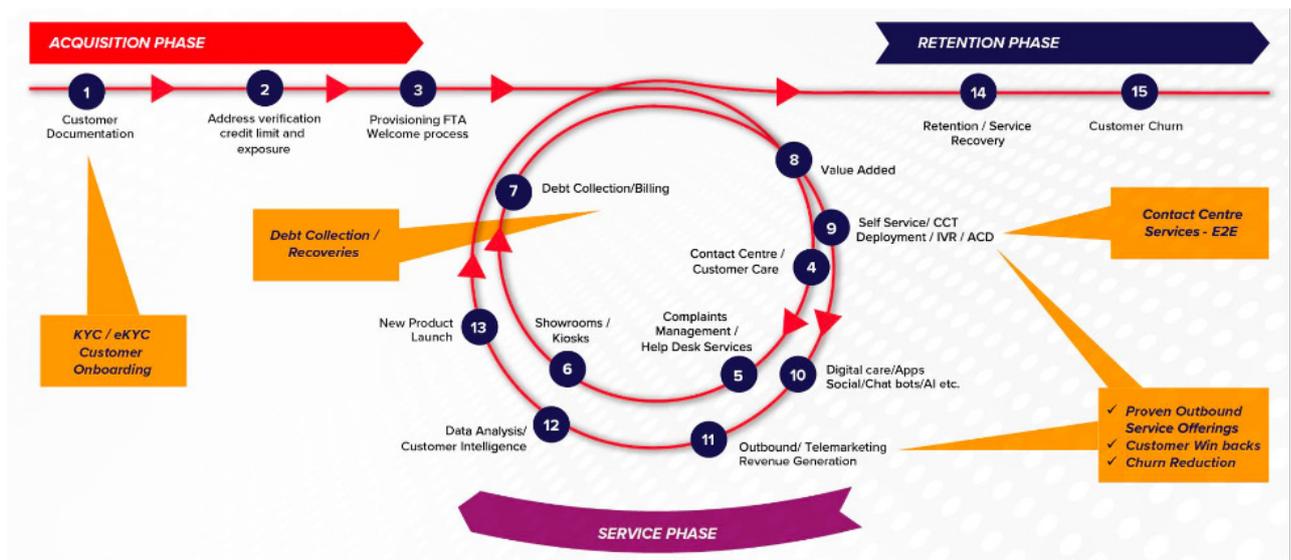
Debt and delinquency are different during downturns. As one would expect, more consumers experience debt problems and fail to make timely payments. But they also seek more credit in a bid to stay afloat financially.⁷ In general, this is *not* because these consumers habitually mismanage their finances.⁸ Rather, unusual events like unemployment or seasonal spikes in utility bills tend to deplete their savings. Such circumstances demand specific consideration of repayment options. Accordingly, collections require a different approach.



THE ADVANTAGES OF TECHNOLOGY-EMPOWERED CLM

CLM promises an end-to-end solution for borrowers and lenders. Doing so actually precedes debt origination. CLM then extends through the customer experience pipeline to debt management. If necessary, it includes late payment management and customer rehabilitation. And finally, it stretches into monitoring and follow-up product sales.

Best practice: Credit Lifecycle Management



Source: iSON Xperience.

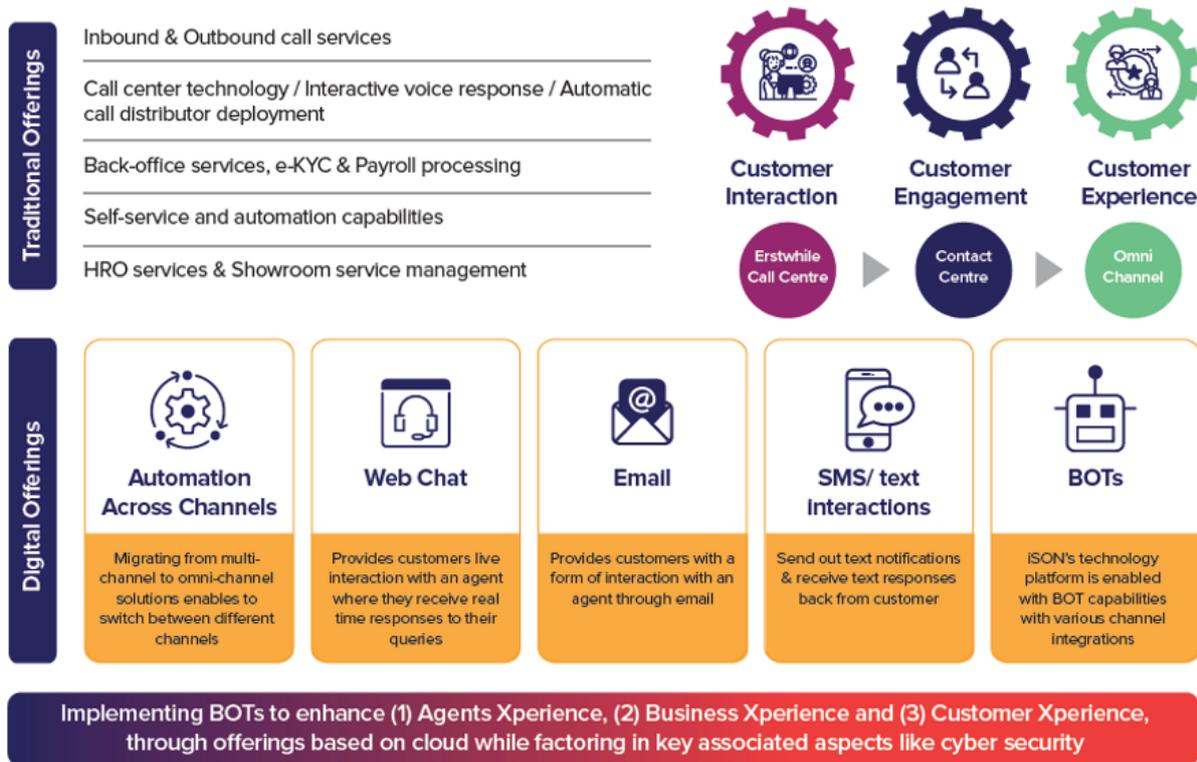
⁷ International Monetary Fund, "Reading the Tea Leaves on Household Debt," Dec. 2022: <https://www.imf.org/en/Publications/fandd/issues/2022/12/cafe-econ-reading-the-tea-leaves-on-household-debt-medas>
⁸ FICO, "8 Success Tips for Debt Collection in the Pandemic," 3 March 2022: <https://www.fico.com/blogs/8-success-tips-debt-collection-pandemic>

Amid this process, CLM shares a common practice with traditional debt collections: agents speak to borrowers on the phone. Given this, the agent’s knowledge of a consumer’s debt profile is vital. Personality traits, such as empathy and a degree of flexibility in applying rules to particular circumstances, matter a lot. By treating the consumer with dignity, an effective agent can turn the borrower into an ally. Ultimately, this helps secure repayment and retain the consumer as a future customer.

Still, agents alone can only achieve so much. To be highly effective, an agent must enjoy a digital view of the borrower’s financial history, their capacity to manage debt (in the present and over time), and the products and resources that may benefit them as consumers. Achieving such a comprehensive view of a customer’s credit profile would take a huge amount of the agent’s time.

Best practice: Credit Lifecycle Management

Omnichannel Solution Offerings



Note: For illustrative purposes only.

For this reason, robust CLM must incorporate a range of technologies. A full omnichannel offering is needed so that borrowers can interact with lenders through their preferred channel, be it voice, email or web chat. Moving between digital options seamlessly makes repayment as simple and user-friendly as possible. Meanwhile, chatbots are necessary to handle a range of routine inquiries, thus freeing-up agents to focus on more complex, emotionally involved cases.

All the contact points between the borrower and lender help create relevant data for CLM. Yet, to be actionable the data must be synthesized and pooled with other pertinent information. The net result can be real-time reporting on a borrower’s credit standing. Although such data-driven snapshots are still not the norm, it is vital to guiding sound decisions on debt and product offerings.

A hand is pointing at a laptop keyboard. A futuristic digital overlay, consisting of a semi-transparent white rectangle with glowing white lines and a grid pattern, is positioned over the keyboard. The background is a blurred image of a laptop keyboard and a hand. The text is contained within a dark grey rectangular box on the right side of the image.

Enter AI. Based on machine learning, AI offers an unrivaled ability to recognize patterns in data sets and generate probability-based outcomes. Obviously, this offers lenders the ability to gauge how likely someone is to repay a loan based on their credit score and other variables. On a deeper level though, it can factor for consumption patterns and credit card transaction history, offering important insights into a consumer's ability to repay a loan, on what terms, and when other financial products or promotions may be suitable. With the proper use of AI in debt collection, a case study by Amazon Web Services reports that only 5-10% of consumer credit accounts may enter collections, even as customer satisfaction reaches 4 out of 5 stars.⁹

AI can also provide online or app-based options for repayment or a channel for repayment negotiation. Notices based on changes in a consumer's credit standing can be automatically generated, including both warnings on late payments but also offers that relate to improved credit scores and new credit eligibility.

When AI is intelligently integrated into CLM, agents are equipped with data that enables more informed and subtle decisions.

⁹Amazon Web Services, "Rethink Debt Collection: How Machine Learning Improves Your Receivables Management," 26 June 2020:

<https://aws.amazon.com/blogs/startups/how-machine-learning-improves-our-receivables-management/#A%20Fresh%20Opportunity%20to%20Vastly%20Improve%20Debt%20Recovery%20Rates>

A GLIMPSE INTO iSON XPERIENCES' WORLD OF CLM

iSON Xperiences entered the outsourcing world in 2011. Since then, it has grown out of one office in Kenya to establish a footprint that includes more than 18,000 employees in 37 centers throughout Africa. As a dedicated outsourcer of customer experience and credit lifecycle management, the company shows how agents can harness technology to drive optimal results for both borrowers and lenders.

A thorough commitment to CLM ensures that iSON Xperiences begins with a complete know-your-customer profile, including digitization of relevant documents and address verification for borrowers. Once a loan is taken out, the outsourcer offers omnichannel care to borrowers.



Naturally, collections remain a central component of CLM. For this reason, iSON Xperiences has devised a toolbox that marshals information from distinct sources into a suite of data visuals that easily show a borrower's credit profile and history. Events from external sources like credit bureaus and banks are incorporated alongside the firm's own data. All this empowers agents to serve not only as credit monitors and enforcers for ensuring timely repayment but also as financial counselors, if need be.

Granted, not all borrowers want to speak to an agent. Some distressed borrowers may feel embarrassed; others are simply digital natives who prefer online remedies. For this reason, iSON Xperiences deploys self-help platforms like CreditClear. It allows borrowers to make payments, view credit status, and "self-cure" outstanding balances. Overall, 37% of payments that iSON Xperiences collects come from its suite of autopay and auto-managed options—no human agent is involved.



Regardless of whether interactions involve an agent or rely on self-help, iSON Xperiences has been at the forefront of AI use in CLM. Much of the AI-generated data is funneled through an app developed by the company and known as Three60CRM. Three60CRM summons AI to deliver the following benefits:

- Cloud-based data can be shared to an unlimited number of users in an organization.
- Data is synthesized in a PowerBI platform to produce a useful snapshot of a user's loan and credit status.
- Three60 CRM functions equally well across devices, enabling field representatives using a mobile phone and WFH agents alike to utilize the system.
- Throughout all levels of an organization, agents and employees can view the continuously updated metrics to make quick and accurate decisions.
- Data can be quickly extracted for internal review or to generate reports specific to client needs.

As an end-to-end provider of CLM, iSON Xperiences' offerings are capable of all variety of resolutions. Timely repayment may be the goal, but in extreme cases of non-payment repossession is required. In a world where most outsourcers provide debt collection services or legal enforcement, iSON Xperiences occupies a unique place because it is capable of both. Agents on the ground in 19 countries across Africa oversee the repossession of assets like cars, as well as auctions. In so doing, they are equipped with up-to-the-minute data on legal judgments, assets, and a borrower's credit standing. This capability is further enhanced by the outsourcer's membership in TCM Group International, a global legal network to facilitate the execution of judgments across borders.

And holistic CLM is not a one-way process. Erroneous credit updates can mar a borrower's financial standing, making them ineligible for loans and forcing them to pay higher interest rates. Unfortunately, errors in reports generated by major credit bureaus are all too common.¹⁰ But, thanks to iSON Xperiences' data-driven vantage, it can help diagnose errors in credit reporting, accompanying borrowers along the journey toward credit rehabilitation. Borrowers benefit—and with their credit repaired, they can more easily take out new loans and increase existing credit lines.

¹⁰ See, for instance, CNBC, "A Third of Americans Find Credit Report Errors," 11 June 2021:

<https://www.cnbc.com/2021/06/11/how-to-fix-those-mistakes-on-your-credit-report.html>

CONCLUSIONS

Lower growth and stubbornly elevated inflation have squeezed consumers across the UK, South Africa, and numerous countries in between. Prices are rising. Interest rates are rising. Buying power is declining. As credit conditions tighten, debt collection must be modernized.

The core challenge in doing so involves reconceptualizing debt collection as part of overall credit lifecycle management. But transitioning to CLM demands that an enterprise harness a range of technologies—including predictive analytics and AI— alongside agents with specialized skills. Many enterprises simply don't have the capacity to deliver effective CLM in-house.

Given both manpower and budgetary constraints, outsourcing debt collections offers a viable solution. Experienced outsourcers can offer higher collection rates and, in some cases, deliver this alongside lowering costs for the enterprise. In this way, debt collections can be transformed from a loss generator to a profit center.

Few third-party specialists have proven a track record of delivering CLM with higher collections and lower costs as iSON Xperiences. At iSON Xperiences, decision-making on credit repayment terms is bolstered by AI, PowerBI, and proprietary apps. And its solutions are scalable, currently encompassing over 50 million transactions a month and over 500 million borrowers globally. With iSON Xperiences as a partner, lenders can skillfully navigate the choppy waters of downturns as well as the smooth sailing of normal economic cycles.

The logo for RYAN STRATEGIC ADVISORY is centered within a large, empty rectangular frame. The text is arranged in three lines: "RYAN" on the top line, "STRATEGIC" on the middle line, and "ADVISORY" on the bottom line. Each line of text is flanked by a solid orange square on both the left and right sides, creating a symmetrical, blocky design.