TDX Group insight

On our blog (www.tdxgroup.blogspot.co.uk) we discuss many topical matters for the debt industry. Here's a selection of our recent posts.

Can voice recognition technology really help in the traditional world of debt collection?

Tommy Mortberg, Solution Designer, TDX Group

Extract from 9 March post

Nowadays most of us are used to voice assistants, such as Apple's Siri, Microsoft's Cortana or Google's Assistant in our handsets. And I doubt that many people, at least here in the UK, managed to avoid Amazon's home solution Echo, with the integrated assistant 'Alexa' in the lead up to Christmas.

With these applications becoming more commonplace, many people in the tech industry are talking about voice becoming the next big user interface … You might well argue that it won't impact our industry, after all how much did smartphones really change the way we collect overdue debt? It is true that we as an industry haven't done much to embrace innovation in the smartphone space but it has had quite a large impact indirectly.

The truth is that the biggest benefits to collections through voice are already being implemented across the world through the use of speech/voice analytics. This technology uses software to transcribe full phone calls with ease and pick up key themes and words. It can also identify tones and trends from voices and an array of other data. Voice recognition is already helping our industry in core areas, such as compliance and call centre management, and with further investment the usefulness and power of it will grow further.

Beware the headlines: are pensioners really better off?

Kirsty Macpherson, Head of Marketing, TDX Group

Extract from 22 March 2017 post

Last month there were some interesting reports about the state of the finances of those in retirement. On the face of it, they looked contradictory.

One Monday in February, working families learned that in spite of their hard graft to make ends meet, those in retirement were better off than they were. On the same day, the BBC's deconstruction of this same report highlighted that pensioners are better off *only* when you have accounted for housing costs. But, by Friday of the same week, we learned the burden of debt (debt which, surely, will just never get paid off) is growing for those in old age.

Looking at the data we hold at TDX Group on the demographics of those entering personal insolvency (those in the most desperate financial troubles) I found out:

- More pensioners are finding themselves in financial difficulty.
- Pensioners' income isn't growing – they are just exposed to less economic volatility than those of working age.
- Pensioners in financial difficulty owe more than those of working age.

Looking at all the headlines and our own data at TDX Group, I'm left with two overriding feelings. Firstly, it feels wrong that pensioners (who have fewer options to get themselves out of financial difficulty than those of us of working age) are increasingly finding themselves struggling with debt. Then, thinking more broadly, my overall conclusion is that it just goes to show how careful you have to be to understand someone's financial circumstances in the round.

The business cycle is very much alive

Stuart Bungay, Group Product and Marketing Director

Extract from 21 April 2017 post

As we look at the economy in 2017, stock markets are back at record highs, housing markets are rallying, lending continues to rise and many of the underlying structural issues that caused the 2007 crash remain unchanged. On the public sector side, government debts are spiralling and student loans have reached record levels. To be blunt, the warning signs are everywhere and once again we find ourselves in a credit fuelled bubble that will, like all bubbles, inevitably pop.

The activities of one of our clients in the year leading up to the financial crisis perhaps gives us all a lesson or two we can learn in the current situation. Accepting that the economy was overheated our client embarked on a strategy that encompassed two key elements:

1: Fix the collections and recoveries process

To ensure the process in collections and recoveries was truly fit for purpose and scalable, they invested, up-front, in this capability to ensure that when volumes did start to increase they were ready to respond.

2: Clear out all warehouse and legacy debt.

This client also embarked on an ambitious programme with us to divest all outstanding warehouse debt that resulted in the sale of around £1-2 billion of assets. The programme was so successful that as the crisis hit at the end of 2007, non-performing loans on the balance sheet were at an all-time low almost to the extent that there were no post default accounts.

Hindsight truly is a wonderful thing, but I think there is logic in really looking at the economic evidence around you and, using history as a guide, being prepared for what lies ahead.

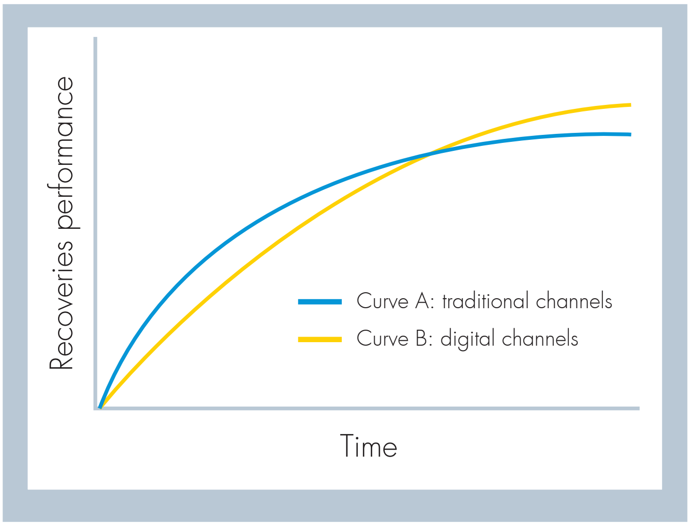
Read the full versions of all these blog posts at www.tdxgroup.com/blogspot.co.uk

The future is digital – right?

When it comes to debt recovery, is digital really all it's cracked up to be?

Everyone knows digital is a massive part of how we manage our lives. Not surprisingly, internet companies now dominate the leader board when it comes to global market capitalisation, making up 40% of the top 20 companies, and 100% of the top five[1]. And, consumer demand continues to grow; when it comes to customer service, the first 'ask' of most (60%) of consumers is easier access to online support channels[2]. However, when it comes debt recovery, is it really all it's cracked up to be? It might be a low cost channel for organisations and as consumers we might like socialising and shopping online but does that inevitably mean that it is effective for debt recovery?

Interestingly we've discovered, on a 'like for like' random account sample test, it performs a bit like this:



Both recoveries curves start steeply then taper off over time. Initially, traditional channels (curve A) continue to out-perform digital (curve B) – but as time progresses, digital overtakes traditional. The use of digital, even with this rather simplistic approach can still be valid; as a low cost channel you can still get good returns – but proceed with caution – for those most suited, we've seen digital collections paths generate an uplift of ~130%, whilst those most misaligned to digital activity can see a negative return, compared to a traditional collections route.

To unlock the real value (both in returns and positive customer experience) the key is, firstly, finding the actions you need to take to close the gap between the channels at the start of the recoveries process. We have found that, unsurprisingly, it's all about using the right communication channel for the right person. Whilst generally there is broad adoption of digital channels, your personal preference and engagement is likely to be somewhat predictable and indicated by a number of factors. These include obvious things, such as your stated contact channel preferences, but also more broad elements such as whether you opened the account online, whether you downloaded the app to manage your account, through to your age (whilst digital is being embraced by all ages there is still a greater level of usage from those that have grown up with email and smartphones). So, in the initial stages, it's critical to pinpoint those who will be receptive to digital collections strategies and target only them, contacting others via more traditional routes. However, later in the process, broadening out the usage of lower cost digital channels through early recycling of the digital accounts can help to sustain net performance. This carefully blended approach of traditional and digital can create a new experience and positive results.

In summary, digital contact channels don't work for everyone and a blanket approach will lead to negative returns compared to more traditional activity for certain groups of customers. What is a given, however, is that agencies are still only scratching the surface of what digital can do and the proportion of consumers where digital collection strategies will be more effective is only set to grow. Now is the time to make the investment in being able to align customers with the right contact channels in order to optimise customer engagement, ultimately leading to the right outcome in terms of both customer experience and financial return.

Matt Wallis
Lead Solution Designer

[1] Mary Meeker, 2017 Internet Trends

[2] Ovum Get It Right: Deliver the Omni-Channel Support Customers Want. Survey of consumers ages 18-80 in Australia, Europe, New Zealand, and USA.

COMPANY NEWS

January | February | March | April | May | June

April 2017
Personal insolvencies set to rise by as much as 30% in 2017

Our latest Insolvency Market Trends data highlights that new Individual Voluntary Arrangement (IVA) and Trust Deed (TD) applications continue to rise and volumes could increase by as much as 30% by the end of the year.

Richard Haymes, Head of Financial Difficulties at TDX Group, said: "When we look at the number of IVAs and Trust Deeds recorded, the year-on-year figures are quite startling. We saw a 45% increase in January 2017 versus the same month in 2016 and an increase of almost 20% in February 2017 against 2016 levels."

January 2017
Level of unemployed Brits with serious debt issues has tripled since the credit crisis

- Those in rented accommodation account for 76% of IVAs, compared to 49% in 2008.
- Individuals with an IVA have seen a 6.3% fall in monthly income but expenditure has risen by 4.0%.

Analysis from The Insolvency Exchange, part of TDX Group, reveals that 17% of people who hold an individual voluntary arrangement (IVA) are unemployed, compared to just 5% in 2008. The proportion of benefits income for those with an IVA has also more than doubled, up from 10% in 2008 to 25% in 2016.

"Since the credit crunch in 2008 the profile of the typical consumer in serious financial difficulty has altered significantly, reflecting changing attitudes to borrowing and the squeeze on incomes resulting from economic uncertainty."

May 2017
Award wins: Nottingham Post 'Contribution to the Community' and Credit Strategy 'Best company to work for in Collections'

We are delighted to announce that we won the Nottingham Post Business Award for 'Contribution to the Community' – thanks to the phenomenal efforts of our employees who, in 2016, raised more than £97,000 for charities in and around the East Midlands.

This win comes off the back of another tremendous accolade we received earlier in the month at the Credit Awards where we were awarded 'Best Company to Work for in Collections'.

Children's Bereavement Centre

Inspire Nottingham

MAKE THE CONNECTION
Everybody wins.
www.tdxgroup.com/csr

Are you up for the challenge?
TDX Group 12 hour cycling challenge

This year we've set ourselves a new cycling challenge and would like you to join us.

- Ride 250 km back to TDX Group's Nottingham office (start points to be allocated).
- Start at 6am on Friday 08 September.
- Teams of five but one must be driving the support vehicle.
- Two cyclists must be out on the road at all time.

We would love you to get involved. If your organisation would like to enter a team we'd be delighted! But if you don't have enough people to form a team of five – still get in contact!

We are asking for a £250 donation per team, plus a commitment to raise a minimum of £250 per team for our charities (any money raised above this would be greatly appreciated, however we understand that you may have another charity in mind that you would like to support). Your organisation's logo will feature on all of the cyclists' shirts.

Email MakeTheConnection@tdxgroup.com for more detail.