

Artificial Artificial Intelligence in Debt Collection

Mehmet Akseki, 13 September 2021

“The Turk, also known as the Mechanical Turk or Automaton Chess Player, was a fake chess-playing machine constructed and unveiled by Wolfgang von Kempelen in the late 18th century. While it was advertised as an automation, The Turk was in fact a mechanical illusion that allowed a human chess master hiding inside it to operate the machine. The mechanism appeared to be able to play a strong game of chess against a human opponent, as well as perform the knight's tour, a puzzle that requires the player to move a knight to occupy every square of a chessboard exactly once. With a skilled operator, the Turk won most of the games it played during its demonstrations around Europe and the Americas for nearly 84 years, playing and defeating many challengers including statesmen such as Napoleon Bonaparte and Benjamin Franklin.”

Two centuries later, we see the ‘Mechanical Turk’ making a comeback as a product of the digital transformation and the C19 pandemic, which paralysed consumer businesses around the globe.

Digitalisation of customer interaction is not a result of C19. The pandemic was merely an accelerant. However, “forced” acceleration of digital transformations and poorly orchestrated consumption of technologies seem to be leading to the creation of several ‘Mechanical Turks’ in customer relationship management (CRM): digital strategies puppeteered by contact centre agents.

Challenges with Omni-channel CRM

CRM is becoming increasingly complex. Ecosystems include marketing, origination, onboarding, account management, transactions, terminations, collections, delinquencies, complaints, support delivered over omni-channel strategies and integrated with back-office functions. Omni-channel is a difficult play. Delivering an omni-channel service requires delivering the same service consistently over multiple channels. Digital transformation requires digital capabilities that can tilt the centre of gravity in customer interactions towards digital channels. This is rarely possible across the board.

Naturally, businesses face realities with their CRMs and need to take an evolutionary approach with their customer journeys. They cannot afford any dramatic changes in the way they interact with their customers that may lead to customer churn. They end-up drip-feeding digitalisation into their customer channels. In many parts of their CRM, their digital delivery is not strong enough to carry a digital transformation. As a result, businesses face risks of long transformation periods, diminishing returns and significant operational complexity.

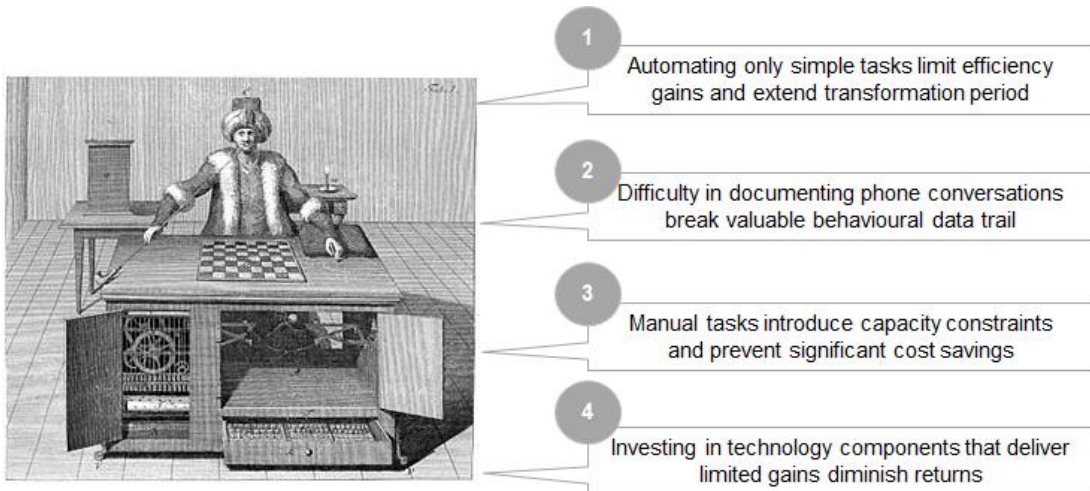
They need to pick their battles and focus on strategic parcels of their CRM chain. They must focus on customer acquisition and retention (sign-up, account management, transactions, payment management, cross-selling/upselling). They have to ensure they develop strong digital assets that can deliver a strong digital CRM across these services and ensure smooth transition of power from analogue customer management strategies. Finally, they must consider outsourcing secondary functions and ensure they partner with progressive service providers.

Collection Services Mimic Client Complexity

Collection service providers mimic the ‘Mechanical Turk’ strategies of their clients. This seems natural considering the loosely integrated collection ecosystem. However, in digital transformation, this shouldn’t be the case. Service providers have the advantage of specialisation and should be a pull force in their clients’ transformation efforts, not the other way around. They should aggregate new technologies ahead of their clients, strive to discover experimental limits of digital performance and focus on best implementation options for their clients.

We are sceptical of ‘Mechanical Turk’ strategies in collections. Without minimising human intervention, it is impossible to achieve full cost benefits of a digital strategy and the data footprint it can deliver. Furthermore, it is difficult to meaningfully increase processing capacity without material automation. Asymmetrical omni-channel strategies yield limited efficiency gains. Also, human interaction makes it difficult to collect meaningful behavioural data that may fuel the cognitive tools at their disposal.

The 'Mechanical Turk' Dilemma



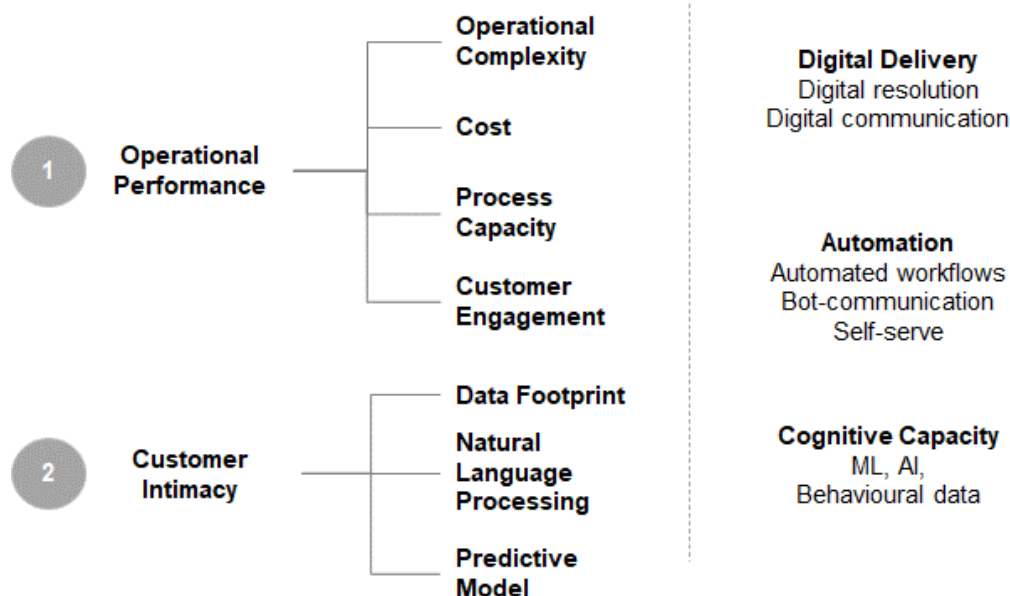
Collection managers talk about machine learning before they establish a healthy digital trail to collect data. They talk about automation before they have meaningful self-serve. They pursue cost targets without meaningful automation targets. They automate simple tasks and complex ones end up with the agents. Almost all journeys start digital but end up analogue. This is 'artificial artificial intelligence'.

Overlaying technologies on top of agent driven processes across the CRM chain of services usually leads to limited benefits and, in certain cases, the costs of implementing digital technologies can exceed the benefits.

Transformation with a Purpose

The objective of a digital transformation is not being digital. Being digital is an instrument, not the goal. If you exclude the cool factor, the 'Mechanical Turk' is no better in chess than a human player. Let us not create chess playing machines that play only as good as the human in them. Primary objectives of a digital transformation in collections should be (1) improving process efficiency and (2) customer intimacy (i.e., better understanding customers' circumstances, leniencies, capacities etc.) All technologies implemented must support the pillars of these objectives.

Digital Transformation Objectives



Targeted Results

Companies need to have clarity about their objectives and their winning formula before investing in collection technologies. Strong digital delivery, deep automation and attention to behavioural data can lead to significant efficiency gains and increase customer satisfaction. Results can be rewarding: a significant reduction in aging receivables, boost in amicable resolution rates, reduction in costs, boost in customer engagement and a substantial increase in contact centre capacity.

Digital First Collection Targets



Source: McKinsey, Trueaccord, Ceverine.

While benchmark results are enticing, gains are directly correlated by the CRM profile of the company and its digital commitment. Unless technologies are integrated to support necessary pillars, collection managers risk creating their own 'Mechanical Turks' and compromising results. When investing in new infrastructure, the only thing certain is cost. Sometimes, costs exceed benefits.

Don't Be Afraid to Outsource

While businesses focus investments on key segments of their CRM, they can team up with outsourcing partners to bring secondary CRM functions up to date so that transformation speed is maintained across the CRM chain, while management focus is where it needs to be.

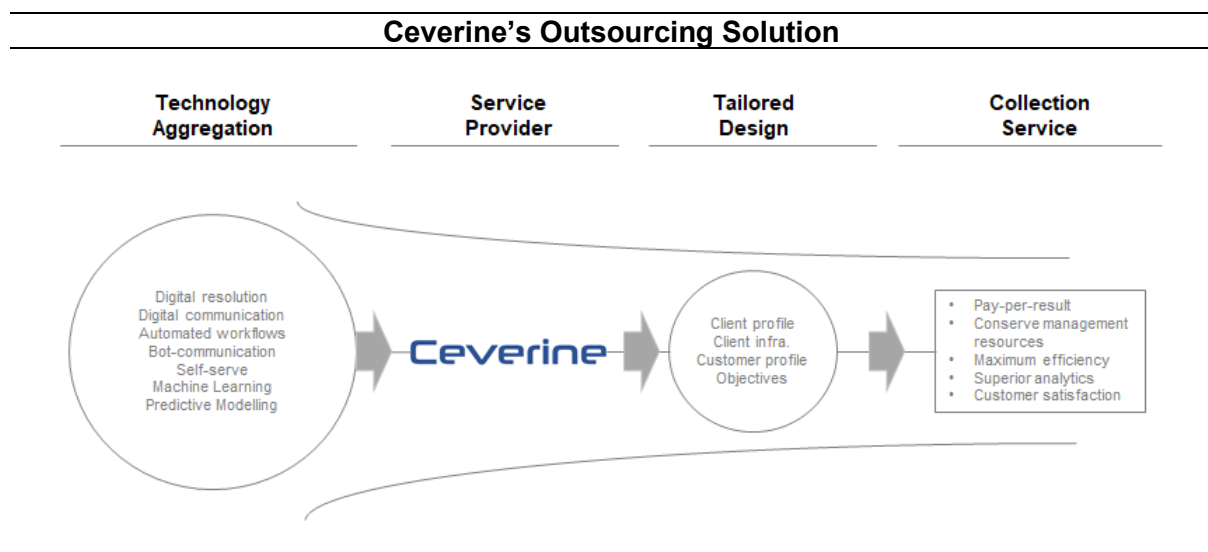
As businesses invest in digital transformation and ensure strong digital delivery in key CRM parcels, they should also aim at creating a digital CRM platform that outsourced services can plug into. They should partner with digital service providers that aggregate key technologies and deliver digital collection services that sync with the client's digitalisation pace.

A digital outsource partner can plug into upstream communication to ensure behavioural data is tracked across the entire stream, apply specialised cognitive capabilities over the data path for precision segmentation, deliver a high degree automation automate deliver tailored.

Companies must lay the foundations of digital CRM upstream so that partnered service providers downstream can find meaningful contact patch to deliver an effective digital service without creating 'Mechanical Turks'. They must sever the customers' addiction to reach for the phone, lay the path to digital communication at origination, get necessary consents for communication via email and text, and ensure contact information is collected and regularly refreshed. They have to ensure that customers are exposed to digital communication and self-serve options throughout the CRM service chain. Self-serve and behavioural data are gifts of digital, but their benefits are directly correlated with the bandwidth of the digital highways they operate on.

Ceverine as Your Next Generation Outsourcing Partner

Ceverine integrates and harmonises cutting edge customer contact technologies and cognitive capabilities so that our clients don't have to invest in the infrastructure where they don't need to and allocate valuable resources to where they must.



We deliver a revolutionary collection service, tailored to ensure perfect fit for our clients. We target better collection results, lower costs, increased customer satisfaction and operational simplicity.

Ceverine Revolution

Changing Debt Collection with Socially Responsible and ML-driven Digital Strategies