insideARM
Think Differently: Tim Collins

Transcript of conversation between Stephanie Eidelman, CEO of The iA Institute
and Tim Collins, General Counsel & Chief Compliance Officer of True Accord
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Stephanie Eidelman

Hi. I'm Stephanie Eidelman, CEO of insideARM and the iA Institute. I hope you are all safe and healthy. One of the things I spend a lot of my time on is managing our Innovation Council. Even before the pandemic, organizations in the Innovation Council understood that their ability to survive would depend on thinking differently and being at the forefront of communications, analytics, payments, and compliance technology. Last fall we started an article series called Thinking Differently, to feature thought leadership in these areas by our staff and by members of the Council. We've now expanded this series into video format, as I interview various members of the Council to share with you how they are thinking differently about their businesses, and about the future of the industry. I hope you'll listen in.

[Brief video animation introducing "Think Differently"]

I'm here today with Tim Collins, a man who needs little introduction, but I will at least tell you that he is the general counsel and chief compliance officer of TrueAccord. And the reason Tim and I are together today is to give you the third installment in a series that Tim has written for us in our Think Differently series. This third one is about the collection agency of the future. And we thought it would be great to have this conversation live rather than make you read it. So Tim, I will just open it up and say, how do you see the collection agency of the future?

Tim Collins

Thank you Stephanie. And thank you for saving me from having to write out the article versus just talk about it. But, it's a good question. It's something I've spent a lot of time thinking about. Obviously as I wrote the articles for thinking about where we've been, I've been in this industry now for coming on 27 years. So I've seen a lot of changes in that timeframe and I'm trying to predict where we're going. You know, and I think the pandemic, this Covid-19 has provided an opportunity, it's almost an accelerator, if you will. And so it really makes you stop and think about, okay, where were all my challenges prior to Covid-19. What are my challenges now? And how does this apply to what your organization's going to look like in the future? And I think clearly one of the things that we're seeing is that there's going to be an acceleration towards digital, because it can be very difficult to move, you know, 30 or 40 employees to work from home.

Tim Collins

If you had to move an agency that's 2,000 to work from home, or 3,000 it can still be done. But there's logistical requirements to it, and it becomes a very, very painful process and everything that goes with that afterwards. So companies now should really be thinking and focused on how can I have done this from a digital perspective and it's probably one of the areas of opportunity that organizations should be looking at. They should be looking at all the vendors that they want to be able to use now and get them signed up now. So when they're ready to go, they can quickly pull that trigger. And I think that the future is already here. You know, as we've seen at

TrueAccord, we're talking about, you know, 70-80,000 accounts to one person. And the only way you can do that is with a digital element to it. Machine learning is the biggest piece of that. But even if you didn't have machine learning, you could do stuff digitally that would make it much easier for consumers to self serve or an agent can work maybe two or three web chats at once. So therefore productivity would go up. So less people would be needed. But just the communicating with them in the channel that they want to communicate with is probably the number one thing that would help drive those efficiencies.

Stephanie Eidelman

Yeah, you know what else is really interesting that would be solved by a fully digital engagement is that issue that we've been talking about for years in the Innovation Council, which is the authentication dance of trying to authenticate a consumer before you can tell them anything. And I say, well, thanks for picking up the phone, Tim, but before I can tell you anything, can you confirm that you're Tim Collins by giving me your birthdate or your social security number? And you say, no, I'm not going to do that. But this happens in other ways all over the place in banking relationships and in all kinds of other places you can, you can authenticate digitally, but that's not possible when you've called someone on the phone. And, so I see that huge hurdle being able to be removed.

Tim Collins

Think about it, Stephanie. Imagine how much time it takes. You have to authenticate every single time. So just call it 10 seconds at the best, right? And then you talk to this person numerous times. But if you could do...I called Citibank the other day they asked me if I would give them consent to use my voice as an authenticator going forward. So now I've said yes. So every time I call in alll I have to do is start talking and they will automatically authenticate me. Or, what they did before was they would send you a text and say, we just sent you a text. Can you confirm that? That's you by getting reply. So there's all these digital technologies so you only have to authenticate once with a consumer. And so if they reach out to you and you know, you're driving them to a web portal and they authenticate there, then you could capture voice.

You could capture all this stuff so every time they call in going forward or text or email going forward, you're done with authentication. Efficiency alone would be huge, not to mention that consumer experience, right? And that's really what consumers are looking for. The thing that's amazing, I had a conversation this morning about, it's amazing how we want to treat people that are in debt differently than how we want to be treated, right? So if I told you... Look at it, you have an issue with your credit card, you can't go to a website, you can't get an email. The only way you can resolve it is to call me. This would be an outrage, right? This would be like, uh, you know, ATM fees, you know, that used to be $3 and people are outraged, right? And today that's become the norm. It's the same kind of thing. So if we can figure that piece out for those consumers, it just makes that, it takes, it takes away one little piece of pain, you know, for them. And it makes it that much simpler and easier for us.

Stephanie Eidelman

Yeah, it's a huge point of friction right now. It's painful. It's uncomfortable. It's scary. And it often probably ends the phone call.

Tim Collins

It does. And we have stats for that. Like how many times have you called somebody and you're asking them for the last four digits of their social and they just hang up cause they think it's a scam.

Stephanie Eidelman

Right, because they're taught that that's a scam. That's like the hallmark of a scam. It's also happens to be the hallmark of a debt collector following the law.

Tim Collins

Correct. Correct. Yeah. Absolutely. So, to your point, you know, in three years authentication over the phone, will be very, very limited. It will have already happened. At some point we would have engaged with the consumer where they would have self-served or you would send them a text or you know, some of that two factor authentication. We're going to send you an email. Can you just confirm that you got it? Because that's the email you confirm that you have on file. That's where you signed in. I mean if you think about it, every phone is a thumb print, right? So every phone will tell you if it's an Apple phone, it will tell you how much space is on it, it will tell you where it's calling from. It'll tell you if it's wifi calling, if it's on an IP address. You can use all these different data points to be able to help you authenticate. But the easiest thing to do is to have the consumer go do it themselves in a way that they want to be able to do it. So self authentication over the phone will, in three years, be rare. People will be like, "Hey, they're asking me something and I don't know what to do and this person's never authenticated before. What do I do?" That will be the norm in three to five years.

Stephanie Eidelman

Yeah. So this would represent an enormous change for many in the industry -- operating largely digitally. What do you think the industry will look like in a few years, or whatever time horizon you think it will happen in?

Tim Collins

I think it's going to happen a lot sooner, right? Because this pandemic is causing this tidal wave. If you're looking at a 30 day late pays, 60 day buckets, 90 day buckets, it's not quite happening yet, but you're seeing sort of that tidal wave of accounts that are coming through and there are creditors out there, they're going out to their agencies and say, look at based upon what the numbers are and what we think the projections are, you need to go hire 200 people. But you can't bring them into your office because you don't have a training room big enough because you have to separate people every six feet. Then you have to hope that people aren't getting sick. And then that wipes out a whole training class, and you start from start from scratch, right? So you're going to see all of these challenges that are going to be presented to us. And I was talking to a big bank creditor this morning and I told her, if we stay the same, at best, we'll be able to serve as 5 to 10% of your accounts effectively as an agency, as an industry, as a whole. And that freaked her out a little bit. She goes, what do you mean? Can't you just add people? I go, well we can, but we can't. We can only add people as quickly as we can. And we've got systems that are built to add people into call centers where then you can monitor them, coach them, develop them and do all that other stuff.

So if you don't have a human solution, which I don't think we have anymore, which is in the past, we just throw more humans at it. It's cost effective enough, right? You just rent out a big space,

throw in some cubes, throw in some people, you know, it can be done fairly cheaply, though it's expensive. Payroll is your biggest expense at any company, most companies. And so, but now you don't have that human solution. So now you have no choice but to look at the digital solution. And there's going to be agencies that are not going to be able to make that leap. Like we saw some of that painful experience where they said, well, my phone system is in my building, right? So that means it's sitting on a server somewhere inside their building and there's no access to it.

And you have companies like Livevox whose phones just lit up and said, "Hey, we've got 24 hours to get this on board, Livevox, and go, can you make it happen?" Right? And there were all those companies out there that were scrambled. And so a lot of those companies are gone. And when we talk about in some of the other trade associations, like, which ones are not going to come back, you know, Department of Education work was already on the decline and now it's, it's dead, right? So those are gone. So capacity's even just leaving in that effect. So I think you're going to have those agencies that are right now, for lack of a better term, just freaking out, right? And they're going, okay, we need sophisticated phone systems, better than we've got, that can be remote, anywhere. We need digital solutions for consumers.

So that for the first time this industry is going away from the collector as the best person to take money to -- They may still be the best person to take money, but we don't have enough of them. So how are we going to capture all that overflow? And the only way you're going to capture that is with digital. So if you're not digitally driven, and by that I mean now, right now it's like if you're not figuring out...and let me just put a caveat out there. One-way SMS is not digital. Because you're trying to drive calls into a call center. That's not going to help you because you don't have enough people to handle it. If you talk to some of the agencies now with the stimulus money, they saw it there. They had all these inbound calls.

So I think, if you're not hyper-focused on that digital strategy right now, you're gone in five years. Just gone. And so, because those companies are going to be digitally driven, right? And what they're going to find out is that the most profitable payment you can take in debt collection is one that doesn't involve a debt collector. Pure and simple. And they will then continue to invest in technology. It becomes that cycle of progression and growth. It's like, Oh, digital worked. I'm now going to enhance my digital capability. It works even more. I'm going to enhance my digital capability more, then more, then more.

Stephanie Eidelman

And, if this is the trend then what do you think is the changing dynamic between outsourced third party work and will that be needed as much? Could creditors handle that digital work on their own?

Tim Collins

I think historically creditors have not wanted to manage the people. So you start to take that factor out. As an example, the second you get charged off at your bank, it's like, you no longer exist in that bank. So you can't go use the app and make a payment. Even if you're charged off and you still want to pay. You can't go out and make that payment. Why is that? Imagine if all the banks turn that on, which I'm not recommending that they do. But imagine if they did? All those accounts that could, would self-serve. And they can continue to send emails saying, "Hey look, we've charged off. But that doesn't mean we don't want a relationship with you. You can still make payments, a payment, any payments on our website." You turn on that capability,

those accounts don't go out. Now, start to enhance that capability. Start creating sophisticated email campaigns. An email campaign is just a marketing. Banks are marketing machines. You take what they have right now, what they do very, very well, and you focus it on the charged-off portfolios, and you're driving them back to your web portal. The pot shrinks even further, and further. Now start layering on machine learning so that you don't need people. So you have self-serve, and then you have machine learning that can... I mean some of the stuff that's coming on with voice bots. It's amazing how that technology is growing.

I signed up this weekend for text messages from a merchant because all they did was say, click this button on my mobile device. Which by the way, if you think computer consumers are interacting with you on a computer, you have missed it. They're now on mobile devices. So all I had to do was click this button. You know what that button did? It opened up a text message that was prepopulated that said, I give merchant permission to text message me. And all I had to do was hit send. I mean, how slick is that? Imagine if we could do that in this space. Then you can be text messaging consumers.

But it's gotta be a two way communication and you can automate it. What are you texting me back? Stop? No problem. That's already automated, but how do we do payments? How do we do cease and desist? How do we do disputes, requests for information? All that stuff can be automated and the more and more that can be automated, Stephanie, to your question, the less and less you need people and then therefore the attraction that most creditors have is they don't want to manage a bunch of people. It goes away.

Stephanie Eidelman

That goes away. All you need is knowledgeable compliance people to design the process in the right way and not say the wrong thing in marketing messages or that sort of thing, but you have much greater control of the process because you don't have the human factor.

Tim Collins

Yes absolutely. Then you can rehabilitate that consumer, right? So now they get charged off and now they start to pay their debt off. Then you have opportunities to offer them new products, get them back onto a credit card and you basically close that loop. Where today is to be charged off, it's like some banks treat you like you're done, done, done. They don't necessarily want you back until some magical event happens in the future, like seven years goes by or something, you know, whatever that timeframe is. So I think a number of agencies out there are going to shrink. And they're not going to be these massive conglomerates because they're the ones that are going to survive or not going to have a lot of human capital in there. There's still always going to be some human capital because you have edge cases.

But imagine an agent that is actually…their number one job is to teach the machine to respond. And so they help create the content and then they help test the content. And you know, with compliance and legal approval, this is not done in a vacuum or any of that stuff. So they're going to have to have that level of expertise and now they've solved for that edge case. Where that one consumer that called us or the machine couldn't answer this or couldn't figure this out because it was using slang or terminology that it wasn't familiar with. And now the machine knows, and now they're onto the next one to make it better and better. So you go from, you know, 250,000 accounts per agent to, why not a million accounts per agent? I don't see where that would even top out.

We've done it one way for so long and it's been profitable for so long that it's hard to get away from them. The Kodak example that we talk about. Film was a was far better product and it was way more profitable than anything digital was ever going to be. And that's what took down Kodak, right? Patents. We kept them around because they invented the darn thing. But that's going to be the same here. I think the things that keep me up at night are, you know, maybe there's a big agency out there that figures it out and has a ton of resources that they can throw at it, but Innovator's Dilemma, the book tells me that that's highly unlikely.

What's really concerning to me is that you get a bunch of really smart people together. And some have debt collection experience, but the majority do not. Maybe grab somebody from marketing, email marketing at scale and you get them together and they buy systems that are all cloud based and now they've got, you know, machine learning compliance is out there that's looking at real time monitoring all this stuff and now they start to get their first clients on board and they're collecting, you know, 250 or 300,000 accounts to one. Now that becomes your competitor, and it's easier to do today. It gets easier and easier to do. AWS is now selling machine learning platforms for $12,000 a year. You still need the tech people. That's going to be the big issue. But it's becoming more and more of a commodity. One of our members is using IBM's Watson. That's exciting but also scary because that machine learning is an exponential growth machine.

Stephanie Eidelman

Well, lots of great thoughts. This is definitely the epitome of thinking differently. And, [head exploding gesture] you know, if you follow it all the way through. So Tim, this has been super fun and, I hope we can continue because I think there's probably a lot more we could talk about, but I want to leave it at that for today. So I hope you'll join me again.

Tim Collins

For sure, Stephanie, thank you for having me. This has been a great experience.

Stephanie Eidelman

All right, terrific. Thank you so much.