

## I D C T E C H N O L O G Y S P O T L I G H T

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### **Small Balance Collections and the Credit Crunch: A Timely Opportunity**

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**Sponsored by Sitel**

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*A turnkey collections product that increases company savings and cash flow is of considerable strategic value in the context of today's economy. The credit crunch that is hobbling so many organizations is also helping to generate demand for a new "small balance collections" option. To meet the clear and present market demand, Sitel has introduced a hosted solution that blends technology with agent-assisted services and years of collections expertise. The reported results have been reduced roll rates, a decrease in days sales outstanding (DSO), and a lift in total dollars collected by Sitel. Specifically developed to address these issues, this Technology Spotlight focuses on the following areas:*

- *An economic environment that is driving the need to collect as the credit crisis creates additional delinquencies*
- *Technology advances that provide flexibility and lower cost*
- *Integration of all touch points for a single customer view/interaction*
- *"Service extension": A collections solution complementary to the core business*

#### **Introduction**

Sitel is a global business process outsourcing (BPO) provider specializing in customer care services that include customer service, technical support, sales, retention, back-office services, and account receivables management. It is privately held, with headquarters in the United States.

#### **Highlights**

- Headquartered in Nashville, Tennessee
- David Garner, President and Chief Executive Officer
- 60,000 associates in 27 countries
- Provides solutions from onshore, nearshore, and offshore locations from 155+ facilities throughout North America; South America; Europe, the Middle East, and Africa (EMEA); and Asia/Pacific
- Service delivery from Europe is the largest of Sitel's global delivery portfolio, followed by North America
- Wireless customers account for the largest percentage of revenue, followed by ISPs, and then the technology space and financial services

## **Solutions**

- Receivables management
- Customer service
- Product support (technical support, help desk, etc.)
- Sales and marketing
- Back office/transaction processing
- Service automation

## **Company Strategy**

Within Sitel's Risk Management portfolio, the Small Balance Collections strategy (focused on monthly account balances of \$25 to \$200 and average monthly receivables of \$25 to \$500) helps companies that are looking for a single vendor to deliver a comprehensive hosted solution that combines the following to maximize return with a low-cost solution that makes going after these small balances an affordable option:

- Agent-led collections
- Technology-enabled collections
- First- and third-party collections
- Multichannel outbound customer messaging/notifications

Sitel targets companies with subscription/annuity-based customers. Sitel's interactive notifications encourage the customer to pay, renew, or purchase during the call, leveraging technology as the primary channel and using agents working within a "skill-driver" framework.

Sitel also introduces highly efficient interactive outbound calling, which attempts to collect the amount owed during the call in a fully automated environment. The company provides a full spectrum of collections — first party and third party. As a result of this solution, customers receive a richer and more productive experience. Additionally, these strategies yield a significant reduction of overall notification and first-party collections expenses while reducing days sales outstanding.

## **Benefits**

**In essence, Sitel's Small Balance Collections services aim to collect money earlier in the process and more effectively.** The integrated collections solution is optimized to profitably collect small balances early in the process, utilizing the best of Sitel's live interaction, interactive voice services, and collections expertise.

The solution combines Sitel's global technology platform, interactive services, and agent-assisted support to deliver improvements in clients' return on customer investment (RoCI). It also leverages locations across the globe to source the best agent talent and relevant skills.

The specific value proposition includes the following:

- **High ROI.** Proven collections strategies have increased clients' ROI through reduced roll rates as well as increased dollars collected and accounts cured. The customized collections programs consistently outperform client targets.

- **A preventive approach.** Solutions are optimized to collect money earlier in the process using the least expensive methods, generating higher value.
- **Blended low-cost solution.** Sitel manages hosted collections solutions via inbound, outbound, or blended call environment, utilizing either the clients' collections system or Sitel's own CT Vision, IVR, and Dialer platforms.
- **Global footprint.** Sitel can leverage locations across the globe to source the best agent talent. Sitel manages over 3 million interactions a day.
- **Low cost.** Voice automation systems supplement agent interaction, producing a unique blend of agents, knowledge, and advanced technologies.

## Trends

More and more companies seek additional savings amid the current economic downturn; therefore, there is considerable opportunity for Sitel's unique Small Balance Collections solution. As the company's experience demonstrates, even modest engagements can produce real savings. Consider the following client's case, where Sitel deployed this product:

By leveraging automation to reduce the number of FTEs and the cost of notifications, Sitel reportedly saved a client the equivalent of \$400,000 a year. As for first-party collections, that same engagement carried through to even bigger numbers. Reducing DSO and delinquency led to an improvement of \$2.1 million in bad debt per year, and replacing direct mail with more effective interactive calls resulted in a savings of \$1.3 million per year.

Regarding third-party collections, for this same client, Sitel achieved a 4% increase in liquidation rate and a total of \$2.9 million more in collections in one year. The total annual cash flow improved by a solid 8.5%; total improved return on customer investment amounted to \$6.7 million.

As the credit crisis drives additional delinquencies, today's economy is driving the need to collect. At the same time, this trend fits well into the overall care business ("service extension," particularly through notifications) that is Sitel's focus. Indeed, several of Sitel's current clients and prospects handle collections in-house and are in need of such a solution.

## Technology/Product Profile

Sitel's Interactive Collections provides an automated resolution system that contacts, interacts with, and resolves customer collections issues consistently. It pursues a positive customer experience by using a "nonjudgmental" approach to debt collections by offering multiple payment capture options (pay now, promise to pay, ACH, already paid).

The system is enabled by the following technology components:

- **Global networking.** Sitel provides network redundancy, business continuity, and flexibility for expansion through its MPLS-based Global Private Network.
- **Sitel interactive.** Partners include SoundBite, Prairie Interactive Messaging, and VeCommerce.
- **Telephony/IVR solutions.** Solutions include a hosted Avaya ACD, AT&T carrier services with advanced features, and an interactive suite that provides an array of automated solutions. Both CTI and speech recognition technologies are leveraged.
- **Multichannel communications.** Communications include the ability to support voice, email, SMS, direct mail, and Web.

- **Web based.** Web-based tools provide immediate access to call results.
- **Collections platforms.** Inbound/outbound automated voice solutions (Interactive Collections); Ontario Systems' CT Vision and FACS application systems; and Ontario Systems' Guaranteed Contacts predictive dialing platform (includes support for up to 1,100 agents with full inbound/outbound blending capability) can also support the extension of client-based applications into Sitel's secure network environment.

### ***Considerations/Challenges***

The market for customer care and finance and accounting services as facilitated through the contact center is competitive. When it comes to gaining new customers for its Small Balance Collections business, Sitel will be vying with several other similarly opportunistic players.

### **Conclusion**

Few providers in the collections community currently offer a solution focused on small balances or a solution that is fully integrated. The following advantages of such an initiative seem clear:

- Reduced days sales outstanding
- Reduced bad debt and write-offs through preventive notification and first-party strategies
- Increased cash flow by focusing on current payment technologies and interactive communication with customers
- Higher liquidation of delinquent debt utilizing effective collections strategies to increase portfolio performance
- A seamless and consistent customer experience
- Reduced IVR maintenance costs, agent-handled volume, and agent handle time

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