When Generation Z and Millennials miss a payment

What can the U.S. Elections teach you about your Collection Strategy?

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The recent U.S. elections provide insight into something I have been discussing for a while now. Generation Z and Millennials interact differently. They are not likely to talk to pollsters, and as a result, their behavior was not accounted for in any of the pre-election polls. What can collection managers learn from our recent election?

I have been around the collections and recovery business for a long time. I remember the days of collecting off 3x5 cards, and field calling the last week of each month to bring down charge-offs. I remember when management put a PC on my desk as our new tool for collecting. I remember when power dialers were all the rage to improve productivity. A lot has changed since then, even if the primary goals of collections have not. It's still about minimizing your contractual delinquency or optimizing your recovery rates.

But with all the new technology out there, one of the things I do not hear getting discussed is the change in our customer— the one who has found themselves over-leveraged and past due — and more often than not that customer is from Generation Z or a Millennial.

If you are a collection manager with the goal of optimizing your performance and your productivity, what does this new generation of past due customers mean to your strategy?

I think it all depends on your mindset and how advanced your technology is. I see it as an opportunity to positively affect both your portfolio performance and your productivity. Putting all your delinquent accounts into a dialer campaign requires you to have the capacity to complete those campaigns. However, since these two generations prefer mobile and self-service options, you can carve out these customers to a digital omnichannel and save productivity. Let's face it…no past due customer has ever wanted to talk to a bill collector unless it was to vent at them about their financial problems. Now you have two generations that conduct most of their business on their cell phones, and think texting is the same as talking - just ask any parent of a Generation Z or millennial child and find out when they last spoke to them!

You must meet these generations where they are and allow them to do business with you in the channel they want. Keep in mind that they will expect an experience that is simple. If you are going to text them about their past due account, you must be able to allow them to respond without having to call your inbound unit. Ideally, they should be able to self-cure without having to talk to an agent.

For technology providers, this means having technology that is nimble and easy to use for the collection agents and your customers. Most importantly, it must be able to accommodate the varying levels of technological savviness of your customers. This is a challenge for providers because the architecture of their solution is outdated and requires a lot of 'bolt-on' solutions to address the ever-changing environment of customer needs.

As someone who ran both collections and recovery operations in my career, I would be looking for a partner who understands the current environment. I would want a solution built for the 21st century, that is highly configurable, and allows me to execute against my different strategies based on my portfolio mix.

I'd love to hear your thoughts. Send me an email at lynne.labrador@telrock.com and tell me whether you agree or disagree and why.

About the Writer

Lynne has more than 35 years' experience of credit risk management and collections, in both senior operational and technical roles at Bank of America and Citigroup and in collections software and solutions company senior management and executive roles at Mastercard, FICO and Equifax. At Telrock, Lynne is responsible for all aspects of business development in North and South America. Lynne holds a Bachelor of Science (BS) in Business Management & Marketing Concentration.

About Telrock Systems

Telrock Systems is a global technology provider of modern cloud-based collections and recovery software solutions for creditors and 3rd party consumer collections organizations wanting improved functionality and smarter capabilities. Our flagship solution, Optimus, is an enterprise-wide collections and recovery software platform built new from the ground up. It leverages open-source technology, powerful cloud computing, PCI DSS compliance, and more intelligent designs resulting in the broadest and richest collections and recovery Software-as-a-Service (SaaS) offering in the market. We provide our solutions in North America and Latin America (LATAM) from our Atlanta office, and in Europe, Middle East, Africa (EMEA), and Asia Pacific (ASPAC) from our London, UK office.

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