TP

White Paper

Intelligent debt collection
for today's digital world

Navigating debt in a recovering economy

Global events such as the pandemic can cause economic trunoil with supply and demand disruptions. Labor shortages, reduced productivity, layoffs, income loss, and economic uncertainties leading to decreased spending and investments. Consumers, businesses, and governments have to adapt rapidly, affecting sectors like lending and collections worldwide.

The global consumer credit market reached a value of $10.8 billion in 2023 and is projected to expand at a compound annual growth rate (CAGR) of 4.8% until 2029 when it is expected to reach $14.2 billion.[1] In the U.S., the consumer marketplace lending sector has seen substantial growth and progress in recent years. By 2024, it is projected to reach $26.7 billion.[2] This is likely due to American consumers' strong preference for marketplace lending platforms for their convenience, accessibility, and competitive interest rates. Online loan applications and quick fund disbursement contribute to the popularity of these platforms over traditional banks. This trend is driven by the ease and speed of accessing funds.

Although the percentage of delinquencies declined in most consumer debt markets, thanks to loan forbearance, grants, and job protection schemes provided by governments worldwide, easing the financial burden of the pandemic for both businesses and their consumers, many stimulus packages have already started to wind down, forcing more borrowers to face up to mounting debt burdens, including difficulties in paying for household expenses.

Collection agencies can benefit from the opportunity to recover debts, but they must comply with debt recovery regulations. In the U.S., the Fair Debt Collection Practices Act (FDCPA) safeguards debtors' rights, imposing restrictions on collection practices such as call frequency and timing. This can pose challenges and raise costs, ultimately impacting profit margins.

With households increasing their already all-time high debt levels and collection agencies facing restrictions, how should debt collection be approached in the recovering economy, and what does the current landscape mean for credit providers and their clients going forward?

Adapting collection strategies for today's challenges

The health crisis remains a debt crisis
Healthcare loans, split into hospital and non-hospital, are in high demand for debt recovery services due to rising healthcare costs in the U.S. Healthcare spending is projected to increase by 5.1% in 2023, reaching $4.2 trillion.[3] High medical bills often lead to debt as individuals resort to credit cards or loans, increasing default rates. Future healthcare spending is expected to boost borrowing and debt collection needs.

Rising consumer credit
Bad debts will drive market progress as loans overdue for over 90 days become non-performing assets. Lenders treat these as bad debts and involve debt recovery agents. Usually, they contact borrowers internally for recovery. Outsourced agencies charge a percentage of the total recovered amount, making it an expensive option.

Average American debt
In the U.S., the typical amount owed is $103,358, encompassing various types of debts such as mortgage loans, home equity lines of credit, auto loans, credit card debt, student loan debt, and personal loans.[4]

Debt type	Average balance (2023, Q3)	Total balance (2023, Q4)
Mortgage debt (excluding HELOCs)	$244.498	$12.25 trillion
HELOCs	$42.139	$360 billion
Auto loan	$23.792	$1.61 trillion
Credit card debt	$6.501	$1.13 trillion
Student loan debt	$38.787	$1.6 trillion
Total debt	$104.215	$17.50 trillion

(Source: https://www.experian.com/blogs/ask-experian/research/consumer-debt-study/)

Average American household debt

U.S. household debt hit a record high, increasing by 4.8% from Q3 2022 to Q3 2023. The Federal Reserve Bank of New York reported the surge, covering various debts like mortgages, auto loans, and student loans. Total debt reached $17.3 trillion in 2024, marking a new peak.[5]

Total debt balance
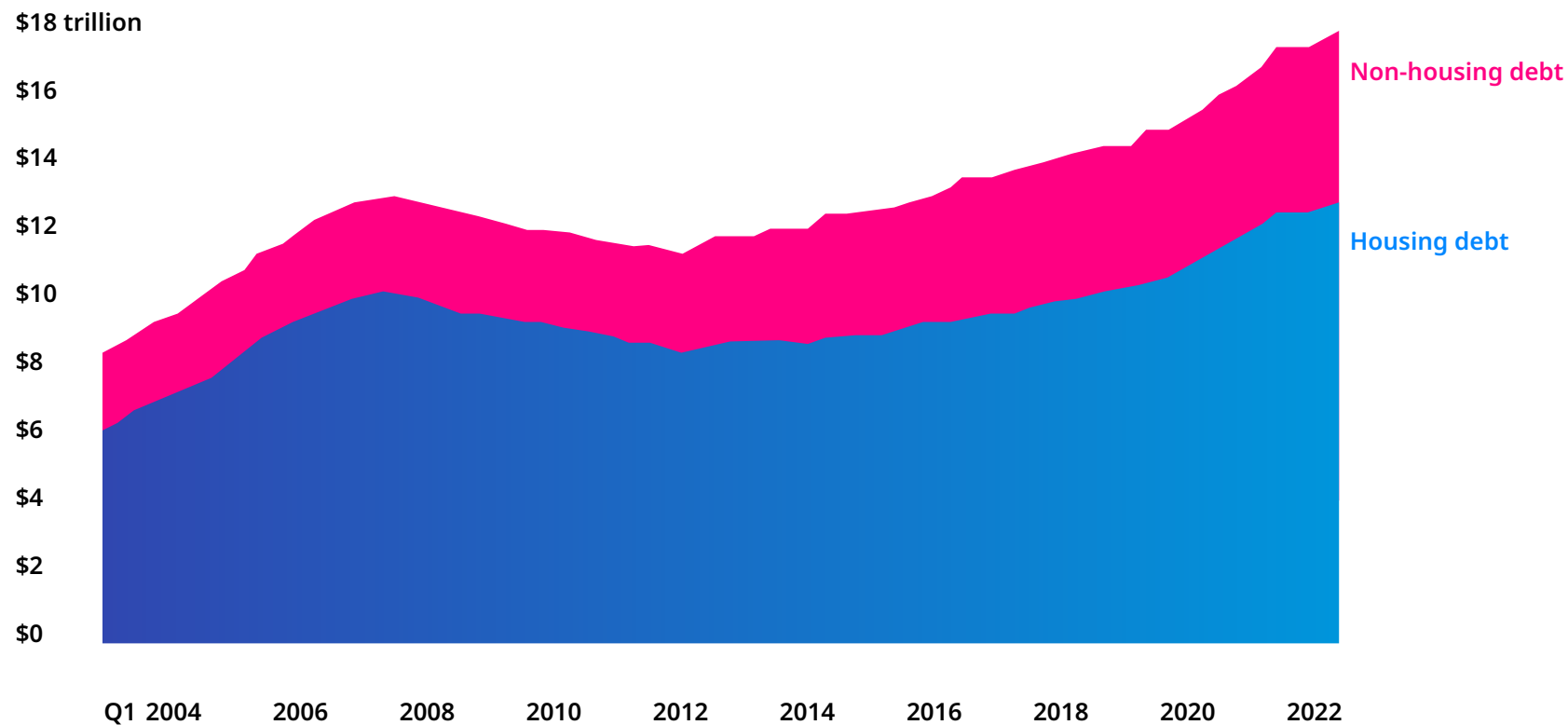
Meanwhile, the European Union household debt reached $7,361.2 billion in December 2023, accounting for 47.0% of its nominal GDP. It is slightly lower than the previous quarter's ratio of 47.7 %.[6]

Household debt: % of Nominal GDP: Euro Area
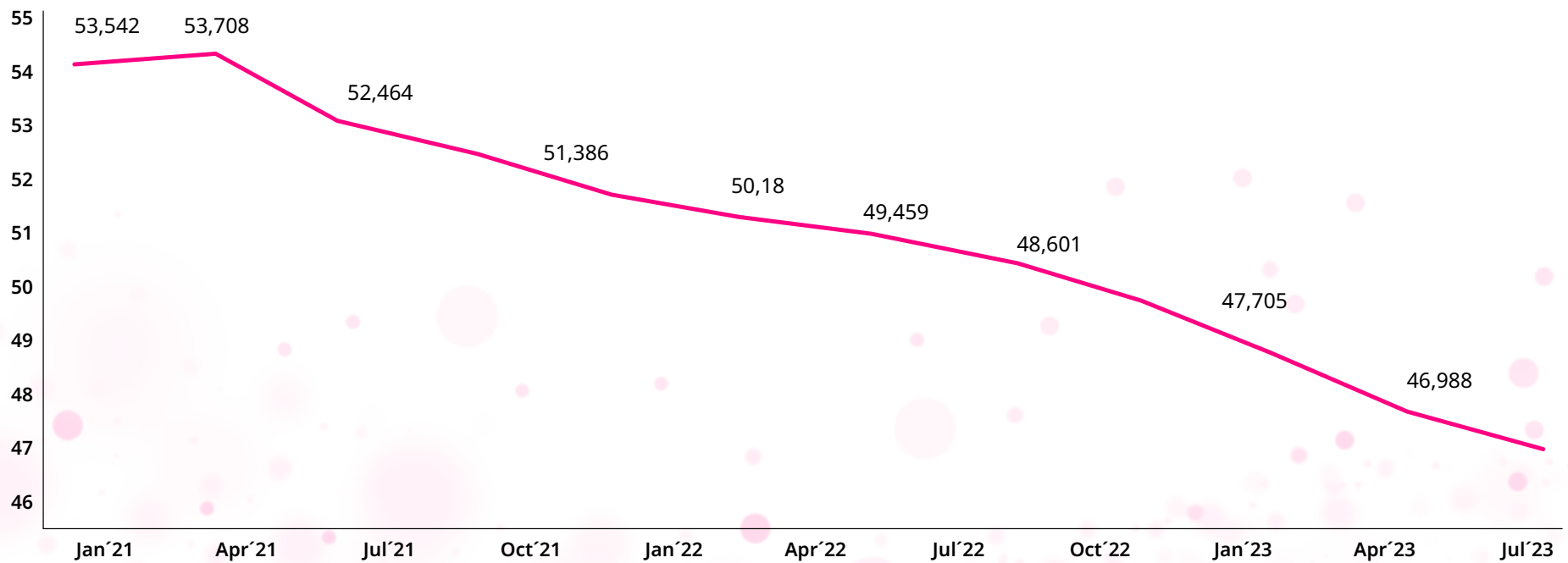
Debt servicing capacity
While the rise of bankruptcy filings is yet to be seen, a sense of foreboding lingers as many government programs that financially assisted consumers and businesses through the pandemic are drawing to a close. For instance, the $2.2 trillion CARES Act,[7] which effectively dampened the early impacts of the crisis on distressed US sectors, is nearly completely spent.

If another round of government aid does not materialize, debt servicing capacity will be further challenged, especially now that pandemic-related restrictions to collections (moratoriums, court closures, prohibitions on garnishment, etc.) have mostly subsided and regular collections have essentially resumed.

For greater debt sustainability and to balance the interests of debtors and creditors, several laws and regulations remain, which govern topics as diverse as telephone communications and furnishing information to credit reporting agencies. Debt collectors are also subject to provisions against unfair, deceptive, or abusive acts and practices. Just recently, new reforms were adopted by the current U.S administration to lessen the burden of medical debt and increase consumer protection, i.e., holding medical providers and debt collectors accountable, improving government underwriting practices, supporting veterans in financial hardships, and informing consumers of their rights.

A period of re-innovation and customer-centricity
Initially in survival mode, debt collectors altered their work practices in response to the pandemic to comply with government orders and reduce their employees' risk of infection. While most entities continue to use hybrid work models, which combine remote and on-site work, other workplace changes were also embraced, such as the implementation of remote call monitoring tools and modifications to telework policies. But as we enter a period of recovery, with increasing deficits and debt accumulation, the business imperative has shifted from business continuity and survival mindset to delivering more holistic customer support and debt resolution schemes.

Figuring out how to respond to the post-pandemic distressed customer is key. The accelerated digital migration of customers now requires a sharper focus on automation and overall digital transformation — how to use data alongside transactional insights to identify customer affordability and vulnerability and drive more effective engagement and outreach. The rising importance of customers and the need for lenders and collectors to find a better, more empathetic way to communicate with them is the driving force in adopting new technologies, such as artificial-intelligence-enhanced chatbots and SMS messaging apps. Since this endeavor requires significant resource allocation, a strategic alternative to costly in-house infrastructure and operations would be to work with a trusted partner that has the experience and expertise in adapting operating models to ensure customer engagement, the technological capabilities to build a resilient debt collection ecosystem, and a high level of empathy to create meaningful interactions.

Ensuring uninterrupted collections
Persistent indebtedness, encumbered borrowers with increasing vulnerabilities, and the accelerated shift to digital channels make it difficult for lenders to enforce claims cost-effectively while offering sufficient breathing space.

For these reasons, Teleperformance, widely recognized in the collections space, remains committed to helping clients frame their responses and adjust their collections strategy to keep up with the pace of change and ensure sustainable growth.

Leveraging technology for effective debt collection

Empowering people with compassion and innovation

At the heart of Teleperformance's strategy is a commitment to empowering people with compassion and innovation. By prioritizing empathy in customer interactions, businesses can retain customers and enhance support.

Through the integration of data analytics, companies gain valuable insights into customer behavior, enabling them to tailor their approach with a human touch. By combining technology with a focus on empathy, businesses elevate service quality and build stronger relationships with their customers.

Process optimization for compliance and efficiency

Efficiency and compliance are paramount in debt collection. Teleperformance's approach emphasizes process optimization through integrated data and streamlined communication. By integrating compliance management into all processes, businesses ensure adherence to regulations while maximizing efficiency.

Automation, particularly through robotic process automation (RPA), reduces manual tasks, minimizes errors, and accelerates the debt collection process. This not only improves operational efficiency but also enhances accuracy and reduces costs.

Technology as a catalyst for transformation

By leveraging advanced analytics and predictive modelling, businesses can segment debts effectively, prioritize accounts, and tailor approach to each customer.

Digital payment solutions streamline transactions, making it easier for customers to settle their debts promptly. Integrating compliance management into all processes ensures that legal requirements are met seamlessly, mitigating risks and enhancing trust.

Data analytics	Automation	Digital payment solutions	Compliance
Data analytics enhances risk assessment and segmentation, while predictive analytics optimize collection strategies, resulting in better decision-making and increased recovery rates.	RPA boosts operational efficiency through task automation and error reduction, optimizing human resources, seamlessly blending workflow, and enabling scalability.	Digital payment solutions, such as diverse channels enhance debtor convenience, integrated payment processors allow real-time transactions, and secure gateways ensure data security and compliance.	Integrating compliance management into all processes, such as staff recruitment and training, ensures consumer information accuracy and minimizes risks effectively.

Leverage best-in-class collections solutions

Teleperformance digital and analytics capabilities

TP Recommender
An artificial-intelligence-based analytics platform that provides propensity to pay and omnichannel-segmentation-based collections models and strategies

TP Cube
A collections-specific workflow and dialer platform that can incorporate collections strategies and predictive dialing models

TP Interact
A service offering that applies the latest interaction analytics technology, analyzing data from multiple channels, including calls, emails, surveys, and social media to provide accurate actionable insights in key areas like risk and compliance, customer experience (CX), performance management, and operational efficiency and effectiveness.

Voice Bot
A multilingual, conversational, artificial intelligence platform that triggers intuitive workflows without human intervention

Our results

Collections increased by 5% of gross outstanding revenue

33% reduction in unpaid balances

16% to 29% increase in online payment conversion

Initiated text messages, saving calling costs by 18%

Maintain positive reputation

Improve processes and ensure compliance

Case studies

The following use cases illustrate Teleperformance's capabilities in addressing today's key business challenges.

5% *revenue boost* by contacting the right people

The client
A leading retail bank

Business challenges
- Over 150K cases per month
- More than 200K contacts to be made as per the defined timeframe
- No strategy for prioritization is available to target customers with a higher propensity to pay

The solution
TP Recommender, an AI-based analytics platform that provides propensity-to-pay and omnichannel segmentation-based collections models and strategies

While all organizations keep track of the number of days accounts are delinquent, more effective collections operations prioritize customers by value at risk. Collections-specific models are designed to predict the probability of customers defaulting or remaining longer in delinquency,
including their receptivity to contact.

Solution highlights:
- Built null hypothesis and testing
- Built model and cluster analysis
- Probability score of defaulting for each customer
- Referral grid based on customer segmentation

    a. Model building using techniques: Logistic LASSO, XG-Boost, Random Forest (RF), and "choose the best" for prediction
    b. Calculation of customer-wise probability of default using XG-Boost
    c. Customer segmentation using K-means: (Low-risk, medium-risk, and high-risk)
    d. Segmentation of customers based on their payment behavior

Real results

- **Help the client prioritize their customers for calling, increasing contact by 4%**
- **Increase collections by 5% of gross outstanding revenue**
- **Save 18% on calling costs by initiating text messages instead of calling**
- **Customer segmentation, with 82% accuracy**

33% *reduction in unpaid* balances with compliance and cost mitigation

The client
A multinational banking and financial services company — the third-largest public sector bank in India

Loan types
Home, education, personal, auto, mortgage, advance receivables, traders and loan against securities

Operational overview
- Outbound collections calling for retail/MSME and cash credit and overdraft (CCOD) customers
- Allocation received from the client for overdue accounts

Services
Tele-calling, field collections, skip tracing/welcome calling, dunning letter

Business challenges
- Lack of seamless communication between the collectors and debtors
- Time-consuming processes frustrating both parties, making coming to terms less likely
- Lack of processes that implement efficient ways to match debts and debtors
- Reduce the number of collection calls and stop unnecessary undertakings
- Increase collection rates

The solution
TP Cube, a collections-specific workflow and dialer platform that can incorporate collections strategies and predictive dialing models

Service highlights
- Collected overdue amounts on the loans taken by customers across various products
- Worked allocation and outbound calling using TP Cube
- Visited fields to increase collection efficiency

Real results
- **Resolved accounts by collecting/making customers pay the overdue amount**
- **16% to 29% increase in online payment conversion**
- **33% reduction in unpaid balances**
- **Managed ~1.4M dispositions per month**

Today's technological tools are key to creating a more efficient collections process. A more customer-centric approach to debt collection is a more profitable way for debt collectors to conduct business.

242% *revenue growth* **with predictive analytics**

The client
A leading full-service financial company in Colombia

Business challenges
With consumers and businesses experiencing financial strain due to the aftermath of the global crisis, our client faces the challenge of recovering delinquent funds. Additionally, as economic growth post-pandemic drives up loan acquisitions, there's a demand for efficient debt collection strategies to meet the increased volume.

- Manage a portfolio of over 75,000 clients in various stages of collection.
- Handle $800 million in recoverable obligations.
- Achieve a 55% recovery rate amidst economic challenges.
- Develop effective strategies to enhance debt collection efficiency.

The solution
TP recommender, Teleperformance's proprietary TP recommender is an intelligent tool that offers a human-plus-cognitive solution suite based on advanced analytics and conversational AI.

It was created to provide predictive strategies for each collection stage (e.g., early, late, and recovery), variety of delinquency types, and spectrum of customer profiles.

Solution highlights
- Deep customer segmentation via a combination of probabilities for 100% of customers based on contact and payment probabilities
- Strategy by business segment according to the client's portfolio
- Modeling and agent training using logistic regression based on payment behavior tracking
- Contact timing aligned with customer's salary cycles to optimize repayment probability
- Agent segmentation to provide optimal customer-agent match based on effectiveness trends, age, gender, and contact curves
- Predictive P.O.P. modeling

Real results

- **68% payment prediction accuracy**
- **142% wallet share growth**
- **242% revenue growth**
- **51% gross margin growth (up 13.6%)**

During tough financial and economic times, customer-centric companies must be able to offe customers and clients personalized repayment solutions undergirded by human empathy and compassion to help with their debt recovery goals.

€2.1 *million additional* value collected with voice bot

The client
A leading private sector bank

Business challenges
Persistent difficulty in establishing customer contact, exacerbated by the customer's monumental shift to digital

Customer sensitivity to debt collection discussions and least and intolerance to of handoffs in a time of crisis

Skyrocketing debt levels leading to increased number of debt collection calls

The solution

TP Voice Bot
A multilingual, conversational, artificial intelligence platform that triggers intuitive workflows without human intervention

TP Recommender
An artificial-intelligence-based analytics platform that provides propensity to pay and omnichannel-segmentation-based collections models and strategies

Service highlights

Data cleaning
- Data received for 573,373 customers
- Performed extract, transform, and load (ETL) and data cleaning to bring data to the same level
- Performed exploratory data analysis (EDA) to investigate the data and discover patterns, and spot anomalies with the help of statistics and graphical representation
- Split 36 months of data into train and test sets and built model

Model building
- Gradient boosting machine (GBM):
  - Model accuracy: 78%
  - Model precision: 91%
- K-means clustering to segment customer population into different personas based on their propensity to pay and connect percentage (reachability)

Model output
- Segmentation of customer population into different personas based on their propensity to pay:
  - Low-risk
  - Absentminded
  - Dialer-based
  - True high-touch
  - Unable to cure

Voice bots as debt collectors have shown remarkable effectiveness. Using TP Voice Bot, thousands of debt collection calls can be made, boosting efficiency and cutting costs. By combining TP Recommender's customer segmentation with an interactive and user-friendly TP Voice Bot, collections from the client's retail division were optimized, reducing costs.

Real results*

- **€2.1 million additional value collected**
- **6.33% increase in collection amount**

  * over four months

Prioritization of efforts across personas:

Persona	Propensity to pay	Increase in resolution
Low-risk	High	4.70%
Absentminded	High	5.68%
Dialer-based	Medium	4.84%
True high-touch	Low	3.10%
Unable to cure	Low	4.23%

While debt collection is an extremely delicate subject for customers, it remains an important aspect of any business. That's why it is critical to engage customers in their preferred method and channel while ensuring a low cost of mass process handling, scalability, and seamless interaction.

A robust recovery is in sight

The current economic health of the consumer is characterized by reduced savings rate, high inflation, increasing revolving credit, and rising interest rates. Despite those headwinds, consumer spending appears to be holding up, making up for lost time, traveling, shopping, and dining out. This strong continuation of payment and spending trends suggests that more customers are returning to the office and resuming more in-person activities. Further supporting consumer spending will be the significant amount of pent-up demand for vehicles and housing, as disruptions to supply chains and a dearth of workers resulted in inventory collapse. So, even if the economic impact of COVID-19 will be far-reaching and long-term, people are slowly returning to old spending habits.

There are three ways for collections agencies to take advantage of this opportunity: 1. Engaging with customers on their preferred digital channels; 2. Improving process and cost-efficiencies through automation, artificial intelligence, and other emerging technologies; and 3. Understanding what customers want and what the industry climate demands. Those with operational sophistication and the willingness to think outside the box when it comes to innovations will yield the best debt collection outcomes.

At Teleperformance, our vast knowledge of various markets, wide range of interaction channels, and full suite of Technology, Analytics, and Process Excellence (T.A.P.™) tools and solutions enable us to build collections programs that help businesses ensure regulatory compliance, manage risks, reduce expenses, improve processes, and boost revenue. We have an infrastructure of operational sites around centers of excellence, specializing in specific market areas and portfolio segments. We are fully equipped to provide both first- and third-party services, incorporating cost and service options that take full advantage of domestic and international labor markets. Our workforce of over 10,000 interaction experts delivers programs ranging from outbound calling campaigns to inbound call answering and fulfilment services across 16 countries and more than nine industries. Leveraging our high-tech, high-touch approach, optimized by Lean Six Sigma methodologies, we focus on digital transformation strategies that allow us to drive compliance and quality, customer experience, cost management, and revenue, spurred on by agent skill set and digital and analytics capabilities.

Better collections
Count on us.

You need your payments collected. We're specialists in that. But you tell us that's not all you want.

You want a partner that knows which approach will deliver the best outcome. For everyone. That's a leader, invests in innovation and moves at the pace of change. With the unrivalled scale, reach and knowledge, to be trusted with your brand, customers and reputation.

And if you want all that, at Teleperformance, it's on us.

Contact Teleperformance today to learn more about our collections services.

[1] https://www.researchandmarkets.com/reports/5938521/consumer-credit-market-global-industry-size

[2] https://www.statista.com/outlook/fmo/capital-raising/digital-capital-raising/marketplace-lending-consumer/united-states#analyst-opinion

[3] https://www.businessinsider.com/personal-finance/average-american-debt

[4] https://www.businessinsider.com/personal-finance/average-american-debt

[5] https://www.newyorkfed.org/microeconomics/hhdc

[6] https://www.ceicdata.com/en/indicator/european-union/household-debt--of-nominal-gdp

[7] https://www.investopedia.com/coronavirus-aid-relief-and-economic-security-cares-act-4800707