



A Different View

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I'm a man who likes a lunch. I could try and persuade you that my belly is genetic and has evolved over the centuries to hide my stumps from incoming bowlers but I'd be lying – nobody else in my family has played cricket – so I have to put it down to too many lunches. In fact, come to think of it, I like breakfast, mid-morning toast, afternoon tea, dinner and supper as well, but I like lunch the best.

I say "let's do lunch" a lot when I'm at work and since I last entertained you in this column I have had lunch with a wide variety of people from a wide variety of backgrounds. A quick glance at the diary (over my belly) reveals that the guest list has included a Baron (yes a real one!), people who want to employ me, people I want to employ, people who want me to employ them, solicitors, PR people, credit managers, collection managers, a retired investment banker from Oxford who now collects pullovers, a strawberry blonde George Michael impersonator, and a bricklayer from Romford. The discussions we have had have ranged from Basel 2 to the cash for honours scandal and, amazingly, somebody seeking my advice on which implants to have when they get their boobs done – before you ask, that wasn't the Baron!

The two most common themes have been the link between collections and credit scoring and whether collection centres should be managed in the same way as call centres; the bricklayer had very firm views on this one!

I'm sure this will come up again at lunch over the next three months so I thought it was time to go on the record with my thoughts around these areas.

The rise in impairment losses inevitably means that there is a conflict between risk and collections. The discussion usually goes along the lines of collections blaming risk for poor scorecards and risk blaming collections for poor collections performance. The reality is that the responsibility has to be shared. There are a couple of important points to remember here:

- Scorecards are usually based on historical data. Yes, there can be an element of behavioural scoring and the use of proxies such as indebtedness indicators but, broadly speaking, its empirical data that is used.
- There are certain assumptions implied here, namely that collections quality remains constant and that the macro economic climate and/or the 'attitudinal climate' remain the same.

A collections call is very different from a call giving a balance on a savings account.

Therefore scoring can only be used to guide collections activity; collections managers must remain vigilant and adapt strategies for the moment to ensure that their activities remain dynamic and effective. They must also ensure that their risk colleagues understand what they are doing and why. In effect it has to be a partnership and not a war.

If you manage a collections operation and your senior people blame risk, I suggest that you challenge them on what they are doing to adapt. If they are doing nothing, you need to change them!

My view around the relationship between call centre management and collections team management are quite clear and are driven by the simple question: "Do losses reduce based on the volume of activity, or the amount of money you collect and quality arrangements you make?"

If you think about it in this way you will quickly come to the conclusion that while activity management is important what is more important is the quality of that activity and the outputs from it. A collections call is very different from a call giving a balance on a savings account.

When reviewing the effectiveness of your collections operation look at cash collected per hour, not the number of calls made, then look at arrangements

that are paying, not those that have been set; look also at the relationship between the average arrears that was available to collect and how much was actually collected.

If these are not acceptable then look at the quality of the call before you look at the activity levels; more calls and shorter wrap times will not automatically lead to lower losses.

Collections in the UK has suffered a huge skills erosion over the last 10 years as the good old fashioned principles of 'one touch collections' (being one contact, one quality solution) has got buried beneath the debate around dialler strategies, lettering volumes and wrap times. Call centre managers cannot necessarily run collection teams – collections has to be an outputs - not an inputs - environment.

I'm off to lunch now ... (see you at the pub Garry- Ed)
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