

MD Brock Capital Group – Christopher Bene

"Fifty years ago, debt collection agencies relied on annoying phone calls and form letters sent through mail to encourage people to pay their past due accounts.

Today, with the ubiquitous use of smart phones, texting, e-mail and social media, the debt collection industry...

yep – you guessed it....

Still mainly relies on annoying phone calls and form letters....

Disruptors will lead.....

What does
SA's credit
arena look
like?



South African Credit Arena



+ - 6000 Credit Providers



25 Credit Bureaux



+ - 2000 Debt Counsellors



25.46 m Credit active consumers

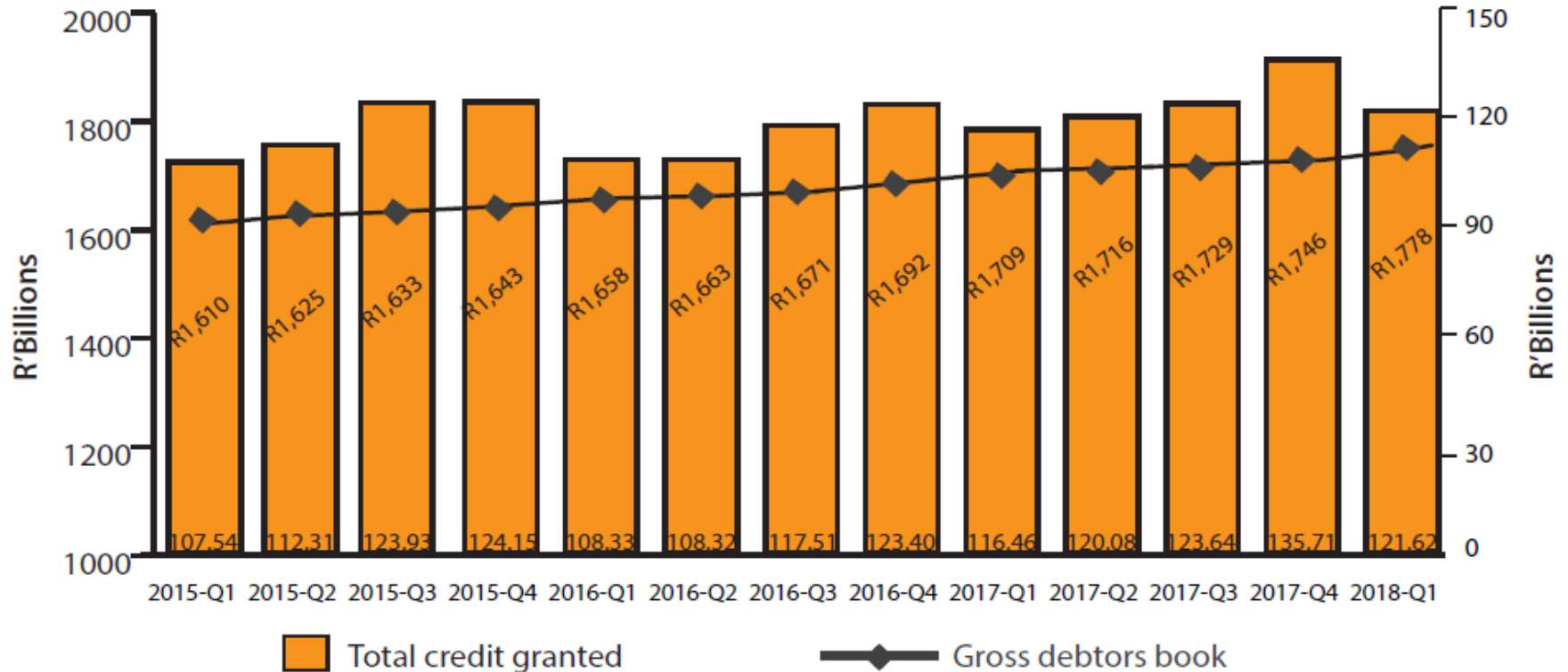


+ - 17 500 Collectors



23 000 attorneys / Collectors?

Credit Granted vs. Gross Debtors book

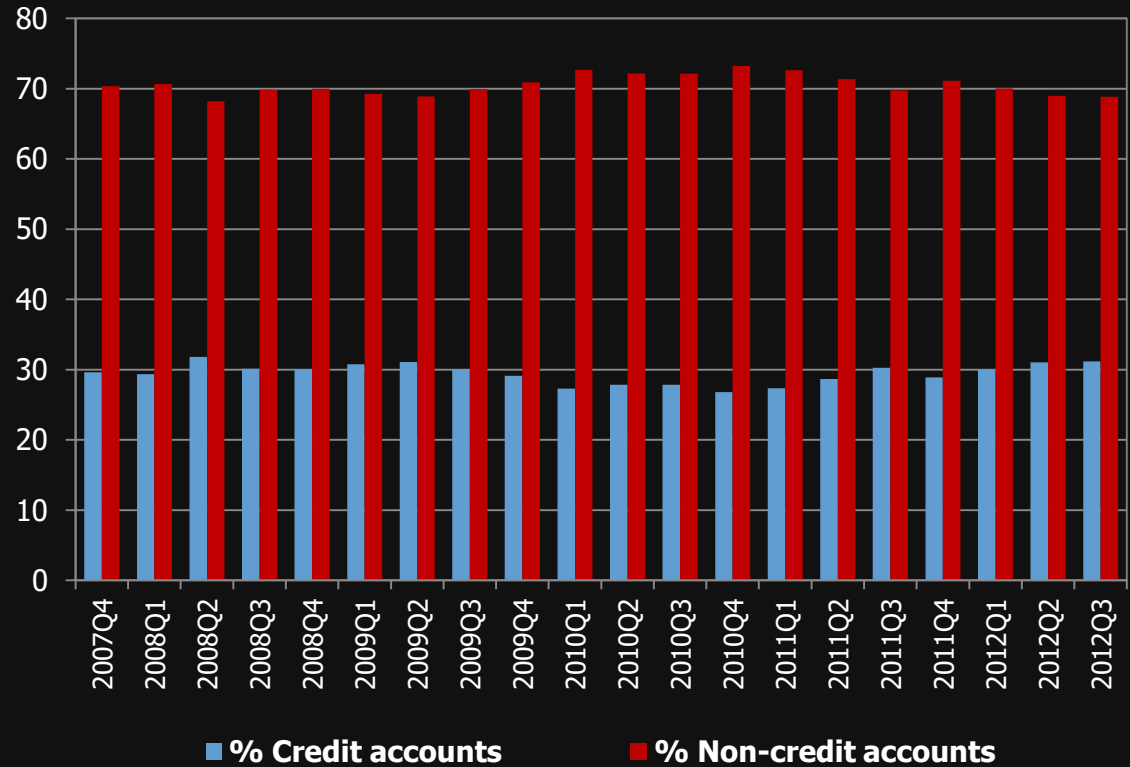


Category	Q end Jun-07	Q end Dec-13	Q end Dec-14	Q end Dec-15	Q end Mar-16	Q end Mar-18
NCA Credit Act Cons	16.78m	20.64m	22.84m	23.74m	23.88m	25.46m
NCA Accounts	52.06m	73.18m	79.42m	83.55m	84.96m	79.08m
NCA Enquiries	104.73m	348,66m	365.76m	376.04m	391.78m	439.69m
NCA New Credit	R 102 370b	R 117 213b	R107 190b	R113.93b	R123.93b	R121.62b
NCA Impaired accs	11.36 m	19.74 m	19.27 m	19.99 m	19.92 m	19.42m
NCA Debt book	R1,02t	R 1,52t	R 1,57t	R1,63t	R1.66t	R1.77t
Municipal Debt	'05 R27b	'10 R56b	'14 R 98b	'15 R113b	'16 R 118b	18 R 135b

Unisa
study



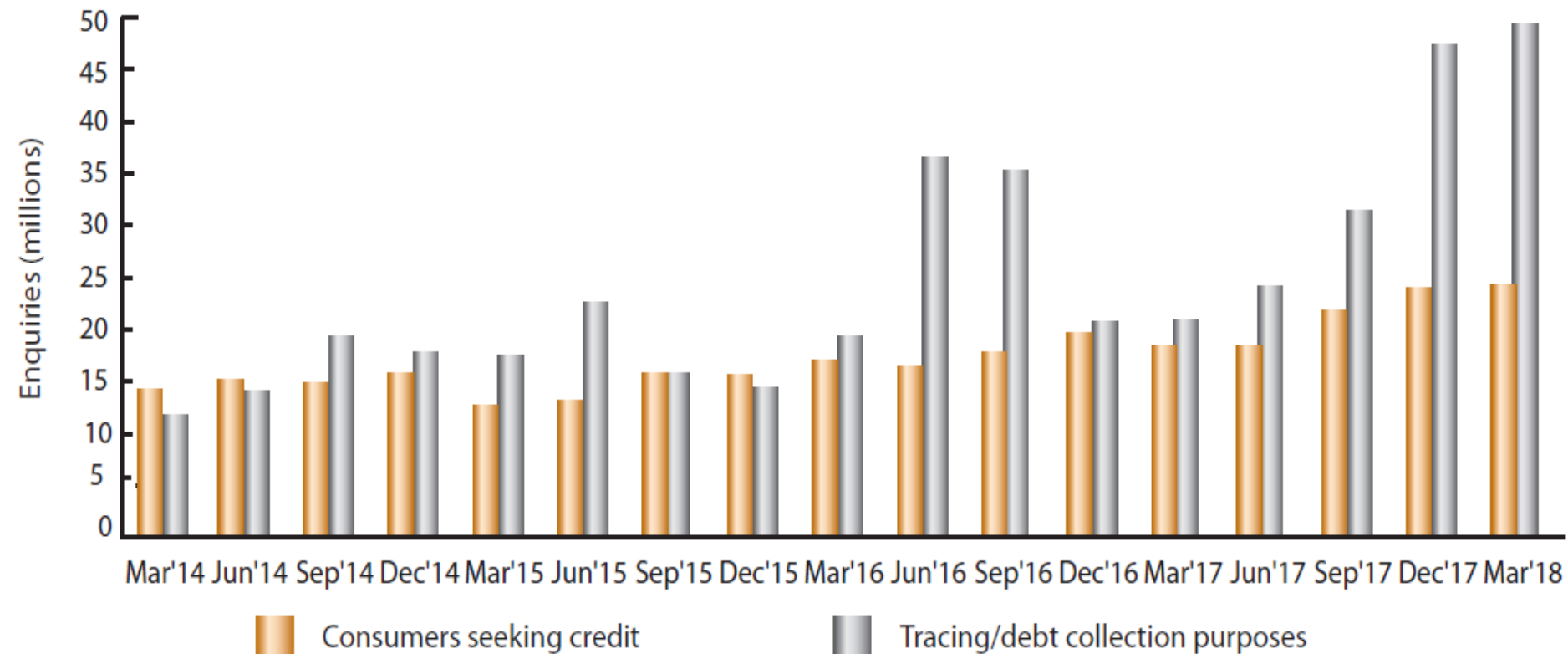
Indebtedness – Credit vs Non credit



Enquiries for consumer credit

Number of enquiries (millions)									
Enquiry purpose:	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Consumers seeking credit	16.99	16.48	17.91	19.66	18.49	18.42	21.93	23.98	24.29
Telecommunication services	0.70	0.67	0.85	1.16	1.05	1.28	1.42	1.58	1.13
Tracing/debt collection purposes	19.32	36.54	35.35	20.83	21.00	24.11	31.46	47.35	49.32
Other	354.77	380.68	399.71	404.79	395.90	436.16	327.49	457.20	364.95
Total	391.78	434.37	453.82	446.44	436.44	479.97	382.29	530.11	439.69

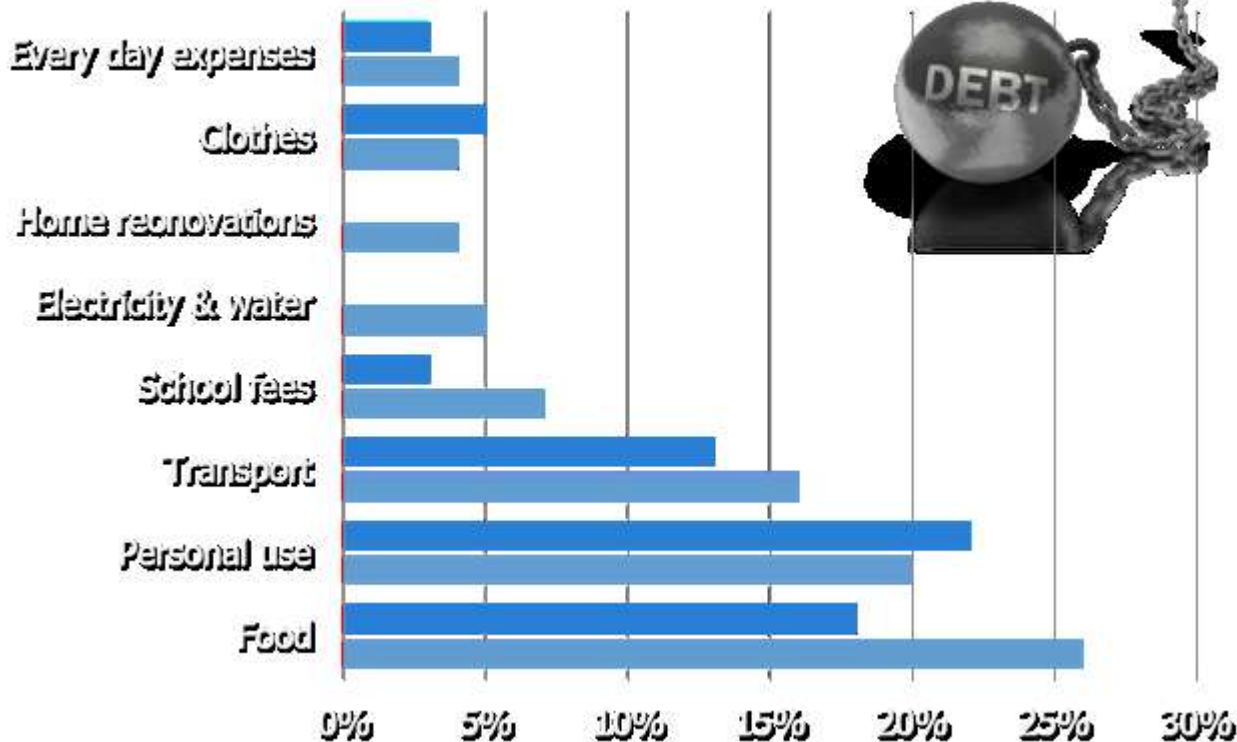
Credit vs Collection / Tracing Enquiries



Why do consumers borrow money?



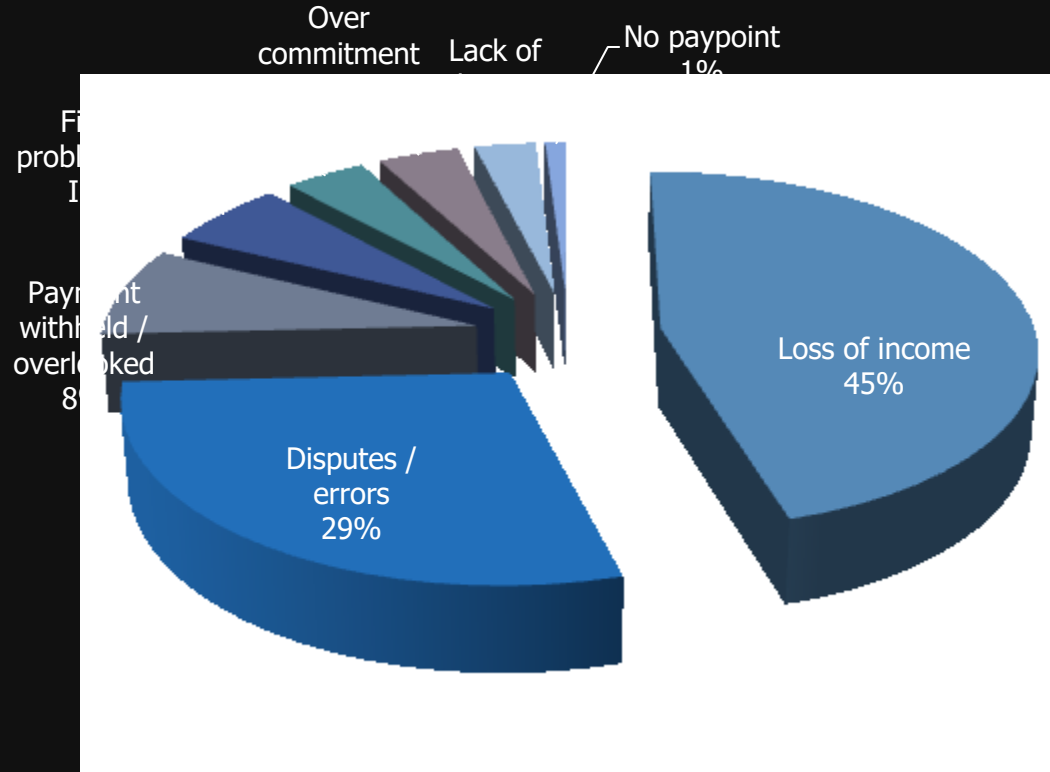
Top reasons for borrowing money



Why does
consumers
not pay their
debt?



Reasons for non-payment



How does
different
sectors
compare for
non
payment?



Different sectors non payment reasons

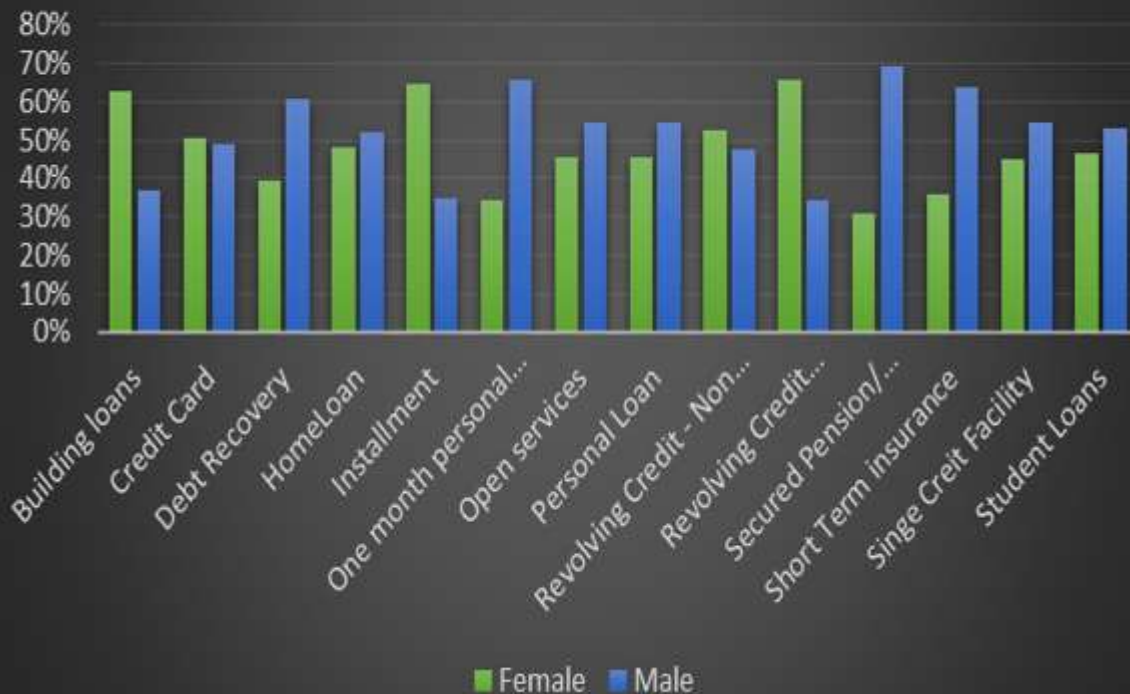
Sector	Loss of income	Withheld payment	Query/ disputes	Financial problem / overcom mitted
Financial services	47%	6%	19%	15%
Public Sector	9%	45%	36%	9%
Retail Sector	44%	8%	15%	15%
Telecommunications	17%	0%		



Accounts Gender Split



Credit Account type split on Gender





Evolution of Debt Collection Process



For many organisations the collections process is still a labour-intensive and manual process.

Compare Manual vs Automated



Compare
Manual vs
Automated

STEP 1
Start contacting
debtors based on
to-do list that was
generated over night.



STEP 2
360 degree view of
customer available
during call /
communication.



STEP 3
While on the call
update notes and
schedule follow up
tasks.



STEP 4
Nightly batch job
sends follow up
messages e.g. emails,
letters, SMS, instant
messages.



AUTOMATED COLLECTIONS PROCESS



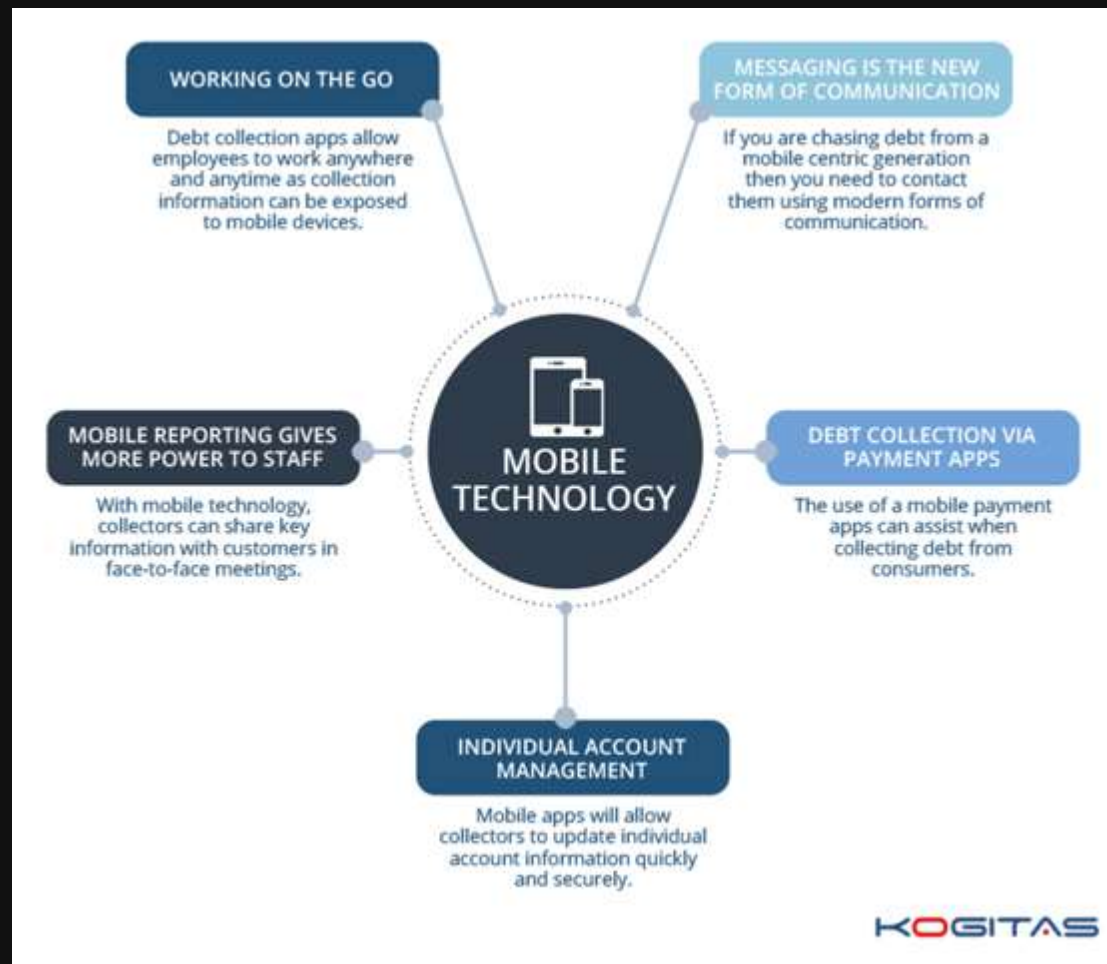
Mobile Technology



Block-chain



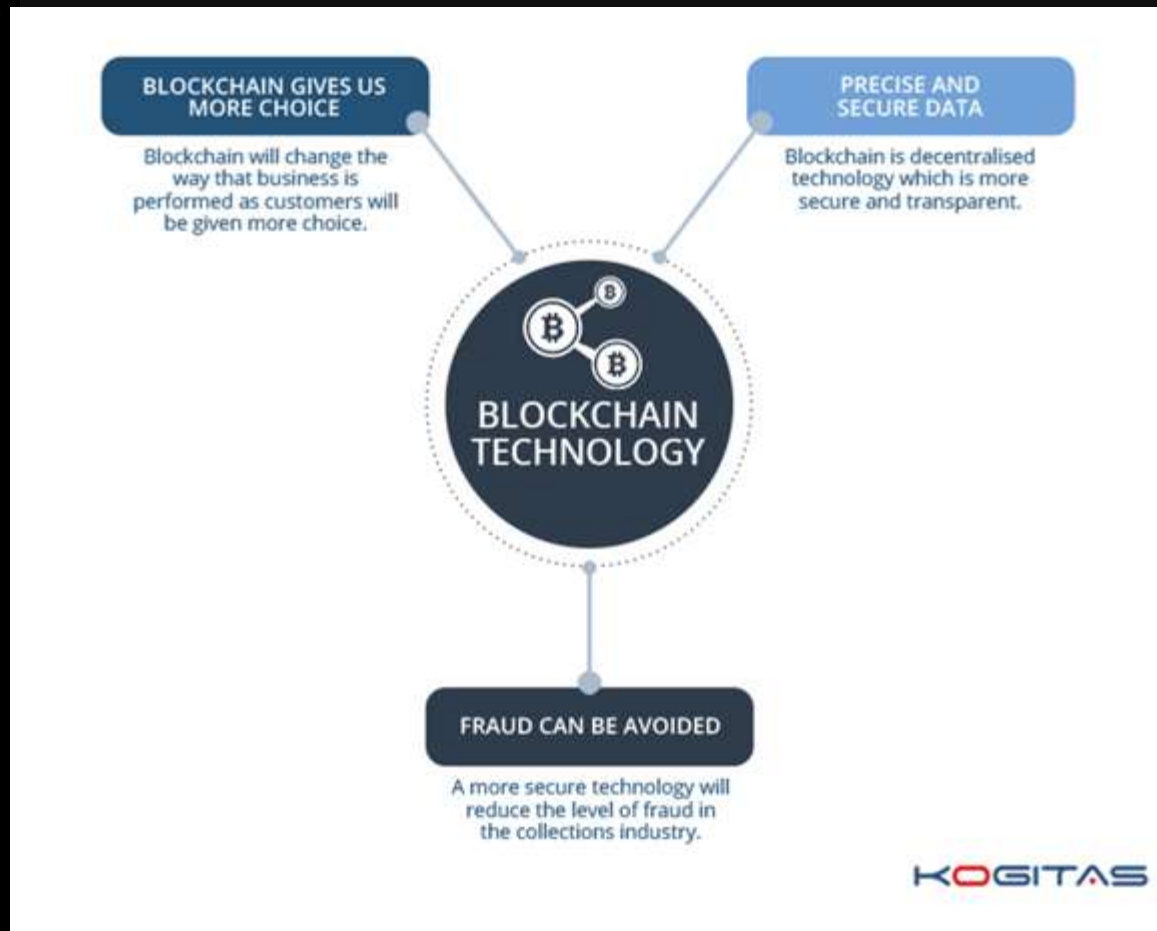
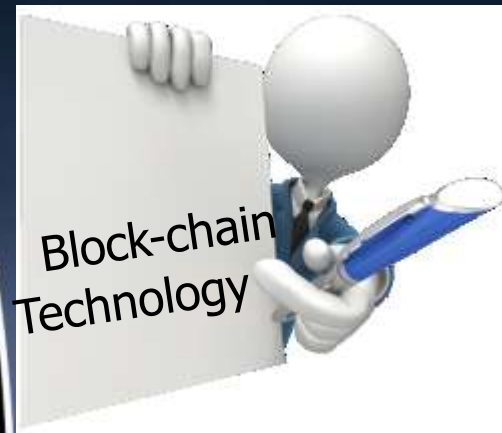
Artificial Intelligence





Mobile Technology Benefits

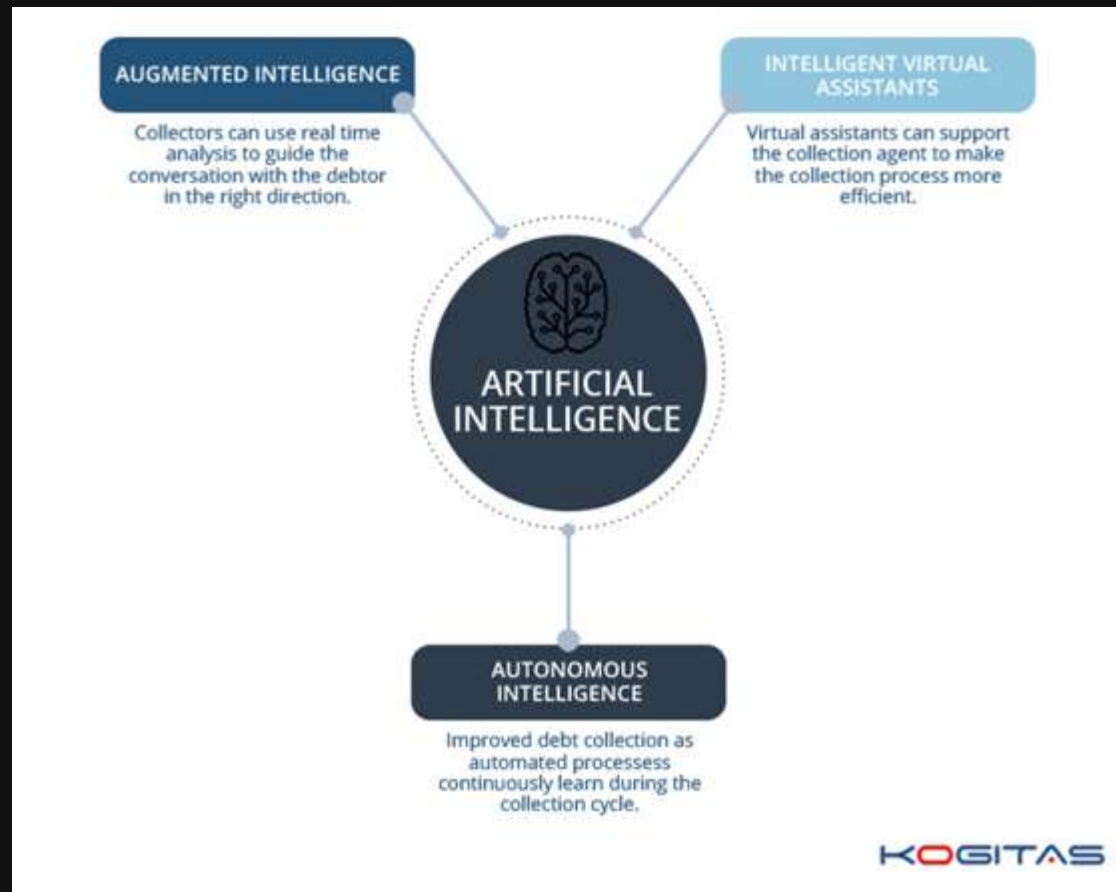
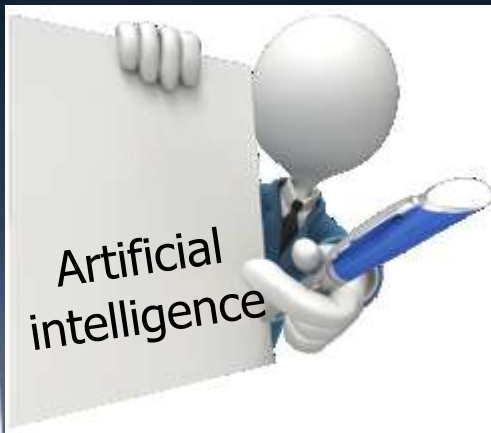
- Working on the go – phones and tablets
- Mobile reporting – example Sisense reporting live on collection stats
- Debt collection via payment apps
- Messaging is new form of communications





Block-chain Technology

- Rise of cryptocurrencies – have dominated financial headlines.
- Underpinning the various digital currencies, is block-chain technology.
- How can Block-chain be applied to Collection process?
 - Precise and secure data
 - Lots of recent data breaches
 - Fraud can be avoided
 - Block-chain gives us more choices





Artificial Intelligence

- Machines are developed to learn things that will empower humans and businesses all over the world.
- AI term was first coined in 1956, but has become more popular today
 - Increased data volumes
 - Advanced algorithms
 - Improvements in computing power and storage



How to leverage new technology to fix and old industry

- Assisted Intelligence
- Augmented Intelligence
- Autonomous Intelligence



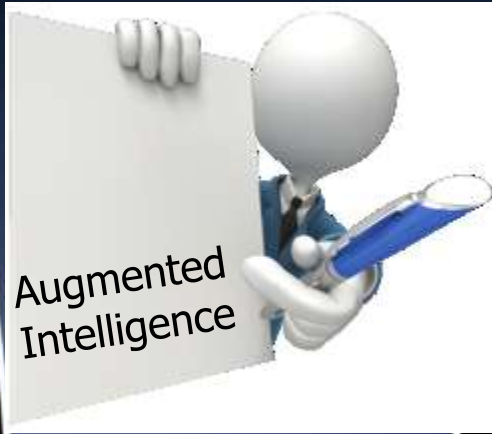
Assisted Intelligence

- Focus on improving human processes with clearly defined rules
- System is trained to carry out tasks that humans can achieve in a faster and more efficient manner
- Example – sorting emails in outlook
- Potential in Debt Collection not yet maximised
- Could be employed to automate customization and delivery of various communications to reach debtors faster and in shorter time
- Schedulers could be created – for instance Section 21 letters , no payment within 21 days, listing to bureau, automated sms etc
- Purpose is to optimise time and effort spent on debt recovery process



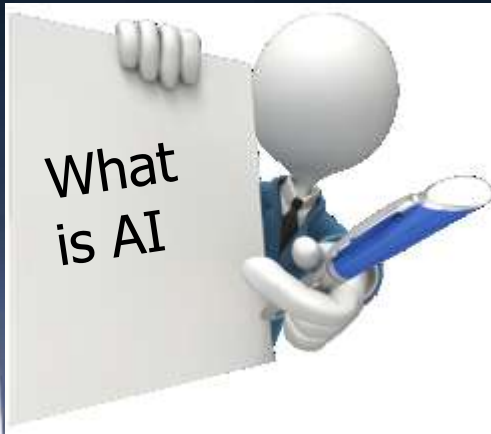
Autonomous Intelligence

- Still under development
- Aims to have machines act on their own without human intervention
- Example self driving cars
- This would not be replacement for Debt collations
- Debt Collection process often involves negotiation and AI cannot yet provide the required degree of empathy and sensitivity
- Ultimately this will work best if it requires a feedback loop with human intervention.



Augmented intelligence

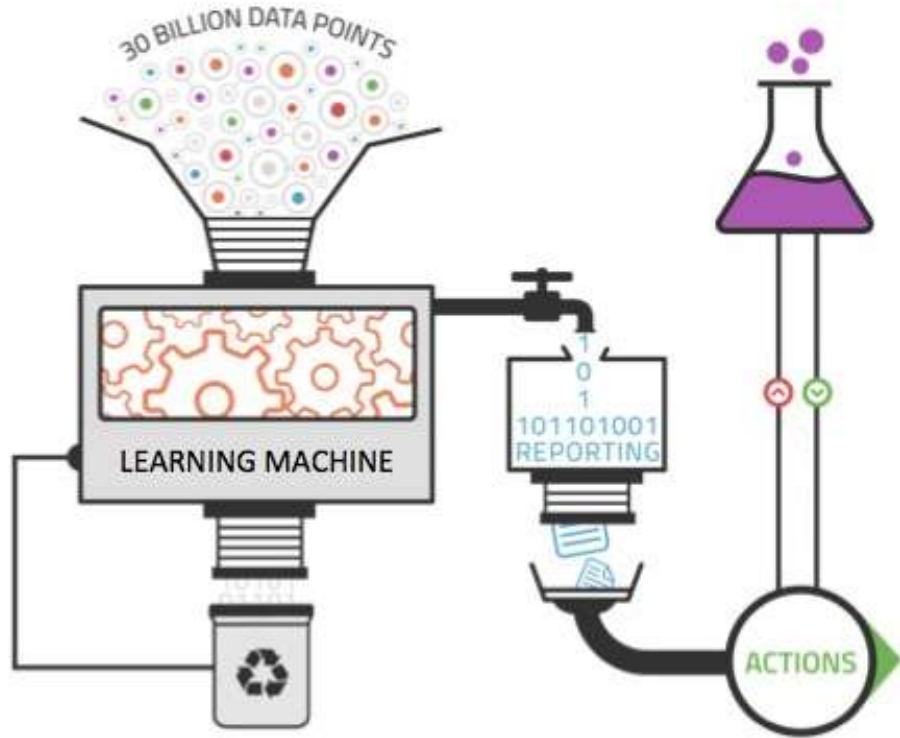
- Focuses on carrying out tasks that are impossible for humans
- Example Netflix Content suggestion feature
- Debt Collection - system like Dialogue Tech that uses machine learning algorithms to analyse phone calls and caller behaviour to predict outcome of customer calls.
- Purpose is not to eradicate human factor but to use technology to improve human interaction and customer services
- Ranking of debtors book by chance of returns could be used
- Predictive models can be developed to optimise decision-making process of debt collection agents
- Lots of opportunities for disruptive conventions



What is Artificial Intelligence?

- System that recognises patterns in the environment and acts
- based on self-learning mechanism
- with the ultimate goal to constantly maximise the result of the task

What
is AI





How can AI be used to solve collection problems?

- Identify who will most probably pay
 - Prioritising targeted segment
 - Contactability
 - Ability to pay
 - Willingness to pay
 - Unique identifiers
 - Reduction in collection cost
 - Average call centre seat cost R38 000 pm
 - Less staff, less interactions
 - Target right people, right time with right approach/channel
 - Personalise individual communication
 - RPC plummeting
 - Understand best practises per consumer



- Free up agents to focus on specialised issues
 - Remove decisioning like when and what number to call
 - Focus on negotiation skills
- Increase compliance
 - Human decisioning minimised
 - Easy to force compliance via automated workflows
- Improve service levels
 - Less mistakes
 - Focus on service delivery



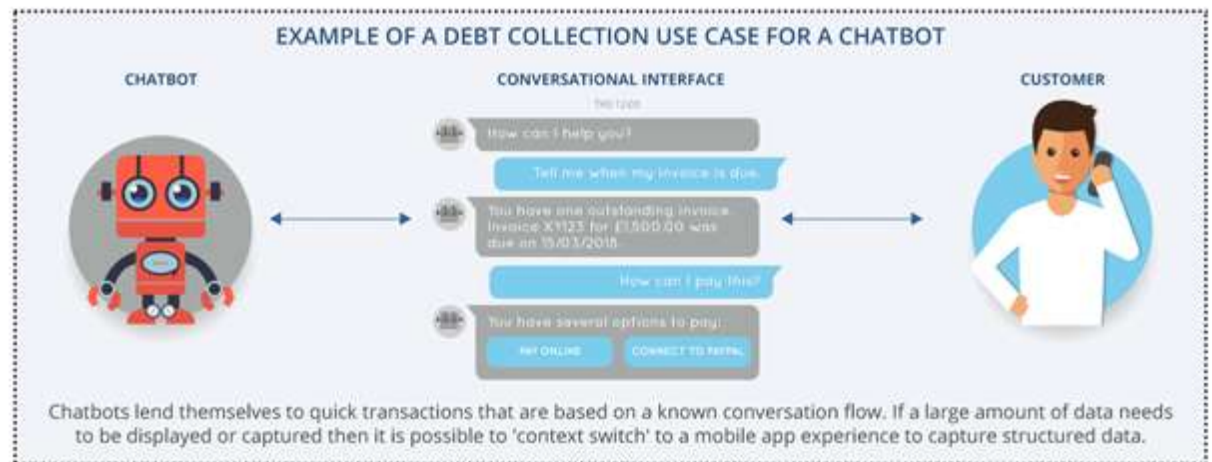


- Mobile App
 - Mimic services available on Computers
- Chatbot
 - Computer program that simulates human conversation through voice commands , text chats or both
 - Chatterbot (Chatbot) is AI feature that can be embedded and used through major messaging application
- Virtual assistant
 - Amazon Alexa, Apple's Siri
 - Overlap with Chatbots – voice conversation is channel for chatbot
- Wearable Devices
 - Worn by customers – often include tracking information and movements.
- Smartwatches

Mobile app vs Chatbot



MOBILE APP VS CHATBOT? THE DEBT COLLECTION USE CASE WILL DETERMINE THE APPROPRIATE TECHNOLOGY DECISION



Mobile app vs Chatbot



EXAMPLE OF A DEBT COLLECTION USE CASE FOR A MOBILE APP



Mobile apps allow ad hoc queries to be performed and large data sets to be displayed. A debt collection app could be used by the collector during face-to-face customer meetings, to update information while 'on the go', or by the customer to 'self service' their debt.

KOGITAS



- International results with implementing new technology like Messenger, Whatsapp, Facebook Messenger, Viber in top of SMS
- Key learnings:
 - Staffing requirement levels and skills very different to agents that supply telephonic contact – typing skills
 - Up to 50% of people - who you fail to make contact with today, will engage with you using SMS conversations
 - Up to 75% of the above cohort will successful move to telephone conversation with an agent where needed like affordability calculations



- Key Learnings cont.
 - Customer engagement rate will differ 2% - 16% depending on age of debt and time into collection stage
 - Agent efficiency in handling conversations
 - increase in first 3 months from 10 messages an hour in week 1 to 45- 50 messages an hour in month 3.
 - Number of conversations an agent can handle concurrently successfully is up to 15 – this is due to asynchronous nature of sms conversation.



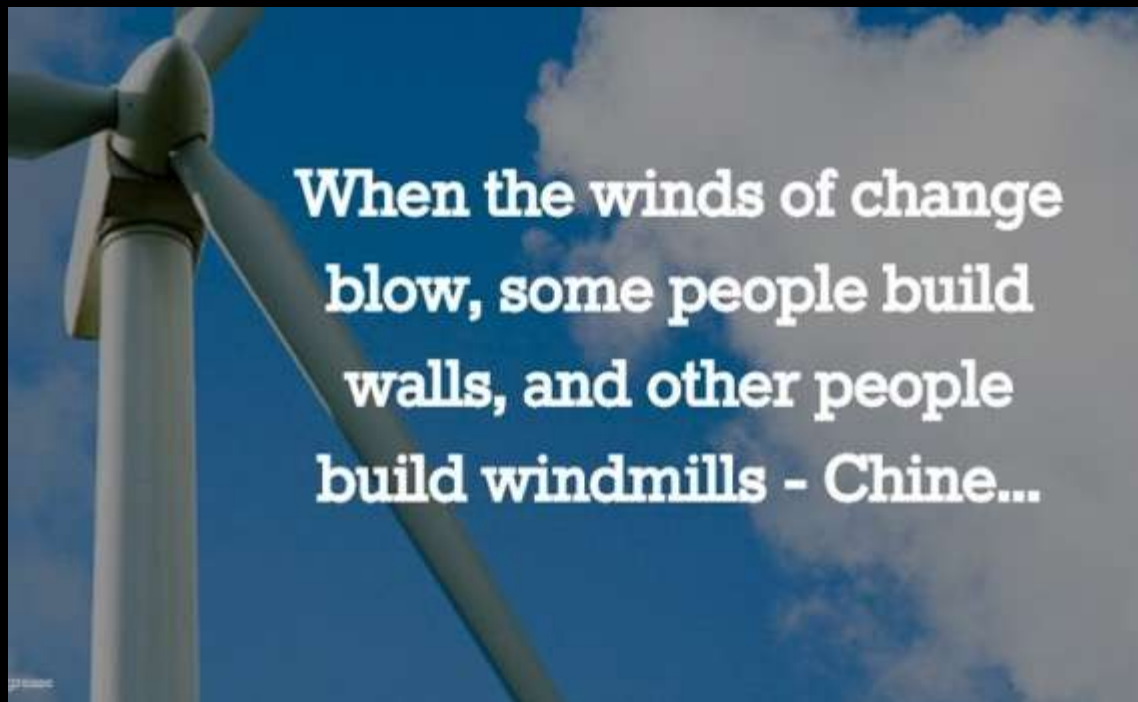


Lots of new technologies

- Adaption slow in certain industries
- Labour intensive processes are becoming automated
- Customers are expecting more transparency and security
- Most people expect to be able to work on the go
- Customers/ consumers are becoming more educated and prefer digital communications

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**When the winds of change
blow, some people build
walls, and other people
build windmills - Chine...**