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
- 2000 Debt Counsellors
- 17 500 Debt Collectors
- 25 Credit Bureaux
- 25.46 m Credit active consumers
- 23 000 attorneys / Collectors?
Credit Granted vs. Gross Debtors book

<table>
<thead>
<tr>
<th>Year</th>
<th>Total credit granted</th>
<th>Gross debtors book</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-Q1</td>
<td>1,075.42</td>
<td>1,123.21</td>
</tr>
<tr>
<td>2015-Q2</td>
<td>1,125.33</td>
<td>1,133.90</td>
</tr>
<tr>
<td>2015-Q3</td>
<td>1,143.21</td>
<td>1,143.93</td>
</tr>
<tr>
<td>2015-Q4</td>
<td>1,128.33</td>
<td>1,109.51</td>
</tr>
<tr>
<td>2016-Q1</td>
<td>1,083.32</td>
<td>1,117.51</td>
</tr>
<tr>
<td>2016-Q2</td>
<td>1,083.40</td>
<td>1,123.40</td>
</tr>
<tr>
<td>2016-Q3</td>
<td>1,106.40</td>
<td>1,123.70</td>
</tr>
<tr>
<td>2016-Q4</td>
<td>1,106.46</td>
<td>1,120.08</td>
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<tr>
<td>2017-Q1</td>
<td>1,129.70</td>
<td>1,123.64</td>
</tr>
<tr>
<td>2017-Q2</td>
<td>1,129.71</td>
<td>1,135.71</td>
</tr>
<tr>
<td>2017-Q3</td>
<td>1,129.70</td>
<td>1,121.62</td>
</tr>
<tr>
<td>2017-Q4</td>
<td>1,129.70</td>
<td>1,135.71</td>
</tr>
<tr>
<td>2018-Q1</td>
<td>1,129.71</td>
<td>1,121.62</td>
</tr>
<tr>
<td>Category</td>
<td>Q end Jun-07</td>
<td>Q end Dec-13</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------</td>
<td>--------------</td>
</tr>
<tr>
<td>NCA Credit Act Cons</td>
<td>16.78m</td>
<td>20.64m</td>
</tr>
<tr>
<td>NCA Accounts</td>
<td>52.06m</td>
<td>73.18m</td>
</tr>
<tr>
<td>NCA Enquiries</td>
<td>104.73m</td>
<td>348.66m</td>
</tr>
<tr>
<td>NCA New Credit</td>
<td>R 102 370b</td>
<td>R 117 213b</td>
</tr>
<tr>
<td>NCA Impaired accs</td>
<td>11.36 m</td>
<td>19.74 m</td>
</tr>
<tr>
<td>NCA Debt book</td>
<td>R1,02t</td>
<td>R 1,52t</td>
</tr>
<tr>
<td>Municipal Debt</td>
<td>'05 R27b</td>
<td>'10 R56b</td>
</tr>
</tbody>
</table>

**Overview**
Indebtedness – Credit vs Non credit

% Credit accounts
% Non-credit accounts
## Enquiries for consumer credit

<table>
<thead>
<tr>
<th>Enquiry purpose:</th>
<th>Mar 16</th>
<th>Jun 16</th>
<th>Sep 16</th>
<th>Dec 16</th>
<th>Mar 17</th>
<th>Jun 17</th>
<th>Sep 17</th>
<th>Dec 17</th>
<th>Mar 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunication services</td>
<td>0.70</td>
<td>0.67</td>
<td>0.85</td>
<td>1.16</td>
<td>1.05</td>
<td>1.28</td>
<td>1.42</td>
<td>1.58</td>
<td>1.13</td>
</tr>
<tr>
<td>Tracing/debt collection purposes</td>
<td>19.32</td>
<td>36.54</td>
<td>35.35</td>
<td>20.83</td>
<td>21.00</td>
<td>24.11</td>
<td>31.46</td>
<td>47.35</td>
<td>49.32</td>
</tr>
<tr>
<td>Other</td>
<td>354.77</td>
<td>380.68</td>
<td>399.71</td>
<td>404.79</td>
<td>395.90</td>
<td>436.16</td>
<td>327.49</td>
<td>457.20</td>
<td>364.95</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>391.78</td>
<td>434.37</td>
<td>453.82</td>
<td>446.44</td>
<td>436.44</td>
<td>479.97</td>
<td>382.29</td>
<td>530.11</td>
<td>439.69</td>
</tr>
</tbody>
</table>
Why do consumers borrow money?

Top reasons for borrowing money

- Food: 25%
- Personal use: 20%
- Transport: 15%
- School fees: 10%
- Electricity & water: 5%
- Home renovations: 5%
- Clothes: 5%
- Every day expenses: 0%
Why does consumers not pay their debt?

Reasons for non-payment

- Loss of income: 45%
- Disputes / errors: 29%
- Payment withheld / overlooked: 8%
- Financial problems / low income: 6%
- Over commitment: 4%
- Lack of education: 3%
- No paypoint: 1%
- Other: 4%
How does different sectors compare for non payment?

### Different sectors non payment reasons

<table>
<thead>
<tr>
<th>Sector</th>
<th>Loss of income</th>
<th>Withheld payment</th>
<th>Query/disputes</th>
<th>Financial problem / overcommitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
<td>47%</td>
<td>6%</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Public Sector</td>
<td>9%</td>
<td>45%</td>
<td>36%</td>
<td>9%</td>
</tr>
<tr>
<td>Retail Sector</td>
<td>44%</td>
<td>8%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>17%</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Accounts Gender Split

Credit Account type split on Gender

- Building loans
- Credit Card
- Debt Recovery
- Home Loan
- Installment
- One month personal
- Open services
- Personal Loan
- Revolving Credit - Non...
- Revolving Credit...
- Secured Pension/...
- Short Term Insurance
- Single Credit Facility
- Student Loans

Female  Male
For many organisations the collections process is still a labour-intensive and manual process.
Compare Manual vs Automated

**MANUAL COLLECTIONS PROCESS**

**STEP 1**
Running aging report and exporting to excel.

**STEP 2**
Reviewing report to identify customers who need to be contacted.

**STEP 3**
Putting together daily to-do lists for each collector.

**STEP 4**
Collating all necessary documentation prior to making contact.

**STEP 5**
Start contacting debtors.

**STEP 6**
Writing follow up email to send requested documents to debtor.

**STEP 7**
Add reminder to calendar for any future actions e.g., payment to promise, follow up communication.
Compare Manual vs Automated

**AUTOMATED COLLECTIONS PROCESS**

**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.

CPB
CONSUMER PROFILE BUREAU
Mobile Technology

Block-chain

Artificial Intelligence
Mobile Technology

- Mobile Technology
- Artificial Intelligence
- Blockchain Technology

WORKING ON THE GO
Debt collection apps allow employees to work anywhere and anytime as collection information can be exposed to mobile devices.

MESSAGING IS THE NEW FORM OF COMMUNICATION
If you are chasing debt from a mobile-centric generation then you need to contact them using modern forms of communication.

MOBILE REPORTING GIVES MORE POWER TO STAFF
With mobile technology, collectors can share key information with customers in face-to-face meetings.

DEBT COLLECTION VIA PAYMENT APPS
The use of a mobile payment apps can assist when collecting debt from consumers.

INDIVIDUAL ACCOUNT MANAGEMENT
Mobile apps will allow collectors to update individual account information quickly and securely.
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
Blockchain gives us more choice

Blockchain will change the way that business is performed as customers will be given more choice.

Precise and secure data

Blockchain is decentralised technology which is more secure and transparent.

Fraud can be avoided

A more secure technology will reduce the level of fraud in the collections industry.
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

AUGMENTED INTELLIGENCE
Collectors can use real time analysis to guide the conversation with the debtor in the right direction.

INTELLIGENT VIRTUAL ASSISTANTS
Virtual assistants can support the collection agent to make the collection process more efficient.

ARTIFICIAL INTELLIGENCE

AUTONOMOUS INTELLIGENCE
Improved debt collection as automated processes continuously learn during the collection cycle.
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 Technology
• 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?**

**The Debt Collection Use Case Will Determine the Appropriate Technology Decision**

**Example of a Debt Collection Use Case for a Chatbot**

<table>
<thead>
<tr>
<th>CHATBOT</th>
<th>CONVERSATIONAL INTERFACE</th>
<th>CUSTOMER</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Text</strong></td>
<td><strong>Text</strong></td>
<td><strong>Text</strong></td>
</tr>
<tr>
<td>How can I help you?</td>
<td><strong>Tell me when my invoice is due.</strong></td>
<td><strong>How can I pay this?</strong></td>
</tr>
<tr>
<td>You have one outstanding invoice Invoice X123 for £1,500.00 was due on 15.03.2018</td>
<td><strong>How can I pay this?</strong></td>
<td><strong>How can I pay this?</strong></td>
</tr>
<tr>
<td>You have several options to pay.</td>
<td><strong>Pay Online</strong></td>
<td><strong>Connect to Retail</strong></td>
</tr>
</tbody>
</table>

Chatbots lend themselves to quick transactions that are based on a known conversation flow. If a large amount of data needs to be displayed or captured then it is possible to ‘context switch’ to a mobile app experience to capture structured data.
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.
• 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.
Results of Mobile Implementation

- 82% Response rates from unresponsive customers
- 35% Increase in late stage debt collections
- 25% Increase in collections
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
When the winds of change blow, some people build walls, and other people build windmills - Chine...