



# How Consumer Preference Will Shape the Future of Collections

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The debt collections industry is undergoing dramatic change thanks to a number of converging factors. These include the pandemic-related disruption of the consumer credit market, the introduction of new regulations that restrict outreach in various ways (such as the Consumer Financial Protection Bureau's Regulation F), and major shifts in how consumers prefer to be contacted about outstanding debt.

These shifting preferences, particularly which channels consumers are most engaged with, will have a massive impact on the future of the industry. In an environment that is increasingly defined and regulated by consumer choice, knowing how each individual prefers to be contacted will

significantly affect collection rates — and determine whether collections firms will survive and thrive on this new playing field.

## What Do Consumers Prefer?

Contact with collectors is not a rare experience for American consumers. In recent years, the share of adults with a third-party collections tradeline on their credit file has generally ranged from approximately one-quarter to one-third, according to [CFPB research](#).

For consumers, the collections experience is often unpleasant. Regulatory agencies receive frequent complaints

of harassment and intimidation, or other abusive and deceptive practices. According to the [Federal Trade Commission](#), “Debt collectors generate more fraud reports to the FTC than any other industry.” But even collectors that do everything by the book frequently provide a less-than-stellar experience — a shortcoming that not only alienates consumers but also reduces revenue capture.

One way to improve the consumer experience and boost revenue is to acknowledge and abide by each individual’s contact preferences. Often, individuals who don’t pick up the phone when a collector calls aren’t refusing to pay — most intend to, and are willing to agree to a reasonable payment plan — they just don’t want to be put on the spot and pressured in a phone call. [One study](#), for example, shows a high rate of preference for an email with a link the recipient can click to pay — a convenient option that allows them to avoid a phone confrontation.

While some consumers do still prefer traditional means of contact over the phone, the preference for digital communication will only grow as “digital natives” enter collections. In a study of 1,000 delinquent customers, McKinsey found that digital channels such as emails and texts drove higher repayment action rates among “digital customers” than did traditional channels. For example, traditional outreach methods elicited 18% fewer responses from

digital customers with accounts 30 days past due. And consumers tend to favor collectors that honor their communication preferences with more promises to pay.

Historically, reliable consumer contact preference data hasn’t been available. That is no longer the case, and collections organizations that disregard consumers’ preferences are not only wasting time and effort, but leaving money on the table.

## Regulators Encourage Respect for Consumer Preferences

Lawmakers and regulatory agencies are also pushing collectors to honor consumer preferences regarding debt collection contacts. The CFPB’s Regulation F, for instance, requires collectors to respect consumer requests to stop calls and to not be contacted at certain times or at certain locations; to offer a clear and easy way for consumers to unsubscribe from digital communications such as text messages and emails if they prefer not to be contacted via those channels; and to observe new restrictions on frequency of calls and other forms of contact with consumers.

It is safe to expect additional laws and regulations, such as further safe harbor provisions, that favor collections agencies that put consumer preferences first.

## Rethinking the Relationship with Consumers

In their relationships with brands, consumers have come to expect effective and efficient interactions over multiple channels. These expectations are driving the entire collections industry toward leveraging newly accessible consumer preference data to deliver a customer-service-focused omnichannel approach — one that combines phone calls, texts and emails in a way that caters to each individual.

To be successful in this new landscape, collectors must embrace an individualized approach that starts with accurate, intelligent consumer data to accommodate preferences and then enables connections with consumers via their favored channels at times that are convenient for them. Adopting a customer-service mindset and incorporating a better understanding of consumer preferences can lead to more efficient operations, less compliance risk and more successful collections outcomes.

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