CHECKING EVERY BOX:

HOW AUTOMATED MULTICHANNEL CONVERSATIONS CAN FIX YOUR COLLECTIONS

EXPLORING HOW CONVERSATIONAL AI BOOSTS COLLECTIONS

VOICE

EMAIL

SMS

CHAT

Boost Collections with
Skit.ai's Multichannel Conversational AI

Third-party | First-party | Creditors | Early-out Collections
Auto finance | Healthcare RCM | Banking and Fintech

Now in Spanish

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Key Takeaways

The current state of the debt collection industry

> Understanding consumer demographics and behavior

> The relevance of Multichannel Conversational AI in collections

> How Skit.ai is transforming the accounts receivables industry

The Current State of the
Debt Collection Industry

The low interest rates available post-pandemic incentivized borrowers to take higher-balance loans. However, the steep rise in the Fed's interest rates, coupled with high inflation rates, have positioned the economy in a uniquely challenging position. Rising net charge-offs (NCOs) and delinquency ratios are impacting creditors across the board.

Auto Finance

3.2% Delinquency Ratio

The highest in a decade

Banks (Credit Cards)

+45% YoY Jump in Net Loss Rate

30-days-plus delinquency ratio at pre-pandemic levels

Credit Unions

0.77% Net Charge-Off Ratio

The highest since 2012; delinquent loan ratio is the highest in the last 9 years

Source: S&P Global Market Intelligence

Regulators closely monitor banks' and creditors' liquidity; banks, in turn, sacrifice net interest margins to attract consumers with high-interest certificates of deposits or savings accounts. Bearing the net charge-offs and the thinning of net interest margins has hit creditors' profit margins.

While the rising trends may stabilize later in 2024 with the expected rate cuts, delinquencies and charge-offs seem to be on track to remain high until the latter part of 2025. Both creditors and collectors need help with a higher cost of human resources in their call centers, along with issues of agent attrition, training, hiring, and staffing costs.

To address the rising number of delinquent and charged-off accounts and the inflationary staffing costs, the collections industry needs a scalable, cost-effective solution that can be deployed at various stages of the borrowing and recovery cycles.

Conversational AI is a solution that checks all the boxes. With LLM models fine-tuned for the debt collection industry, Generative AI can help with the following:

Engage thousands of consumers simultaneously in a two-way, human-like conversation.

Deploy machine learning (ML) models for use cases at different stages of the debt cycle.

Reduce collection costs by automating consumer verification and payments.

Understanding Current Consumer
Demographic and Behavioral Patterns

> 💬 **Millennials, followed by Gen Z, have the fastest-growing credit card balances. These mobile-friendly generations increasingly demand non-intrusive, self-serve options to manage bills and resolve queries.**

While Conversational AI does address all the pain points, creditors and collection agencies must be prepared for the fluctuations typical of the collection space. Understanding the underlying changes in consumer demographics and behaviors in a post-pandemic economy is helpful.

A recent Experian report on credit card debt shows that millennials, followed by Gen Z, have the fastest-growing credit card balances. Creditors are increasing Gen Z's credit limits, incentivizing spending in younger generations. Gen Z has the highest share of delinquent accounts, with millennials exceeding pre-pandemic debt levels. The trend indicates that a large share of NCOs and delinquencies can be attributed to these demographics. Therefore, it's critical to engage with this demographic segment effectively.

Gen Z and millennials are mobile-friendly generations. Most use banking apps and online services to manage bills and resolve queries. They are increasingly demanding non-intrusive, self-serve options. Traditional call centers rely on phone calls for customer outreach and tend to have limited engagement. 75% of Americans do not answer phone calls from unknown numbers. With applicable norms on third-party disclosure that prevent creditors and collectors from divulging any information on voicemails, it becomes difficult to contextualize the reason for the communication. Therefore, creditors and collection agencies must think beyond traditional call centers to achieve effective consumer engagement and increase collections.

The Relevance of

Multichannel Conversational AI in Collections

Multichannel strategies, a brainchild of the retail industry, have been effective at engaging with these demographics. Empowering the consumer to follow their shopping preferences through e-commerce, telemarketing, or brick-and-mortar stores has positively impacted the revenue growth of the retail industry. To effectively engage with Gen Z and millennial consumers, the collections industry must empower them to self-serve and choose their preferred engagement channels.

While phone calls remain relevant for engaging consumers, reaching out to the non-engaged base should be executed through other means of communication, such as email, text messaging, and webchat.
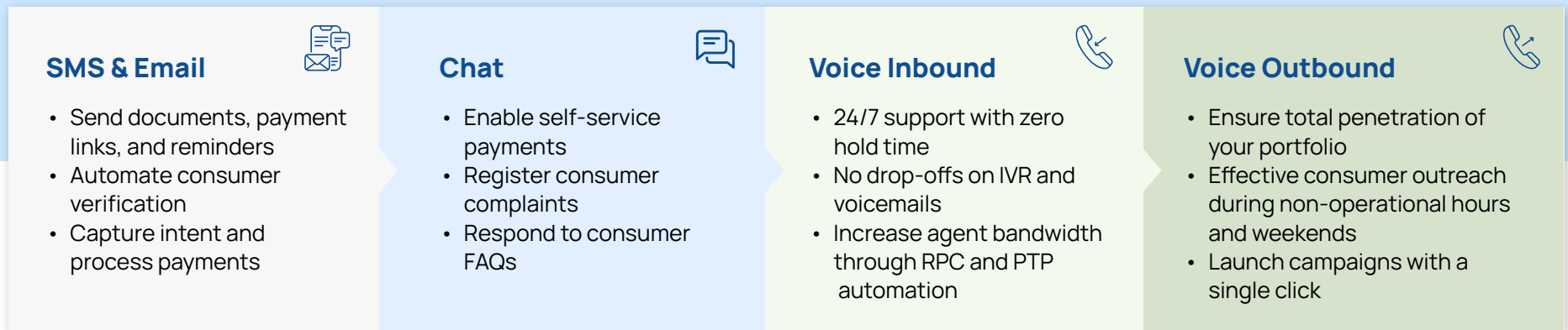
How Multichannel Platforms Are Transforming the Accounts Receivables Industry

Outcomes from early adopters reveal astonishing leaps in collection performance

Conversational AI platforms cannot rely on a single channel for effective consumer engagement. Debt collection regulations limit the number of touchpoints one can establish through calls. Diverse channels enable multiple touchpoints and provide a good consumer experience, resulting in better engagement. The graphic below demonstrates how a Conversational AI solution like Skit.ai uses its multichannel platform for different use cases.

Multichannel AI Offerings

SMS & Email
- Send documents, payment links, and reminders
- Automate consumer verification
- Capture intent and process payments

Chat
- Enable self-service payments
- Register consumer complaints
- Respond to consumer FAQs

Voice Inbound
- 24/7 support with zero hold time
- No drop-offs on IVR and voicemails
- Increase agent bandwidth through RPC and PTP automation

Voice Outbound
- Ensure total penetration of your portfolio
- Effective consumer outreach during non-operational hours and weekends
- Launch campaigns with a single click

Conversational AI Capabilities

Consumer Verification:

RPC through SSN, date of birth, zip code; verify via account number.

Dispute Handling & Negotiation:

Provide context of bill, explain bill break-up, live agent transfer for complex disputes and queries, and negotiate payment plans.

Payment Automation:

Multichannel payment integration, autopay set-up, mobile-friendly secure payment portal.

Context-Rich Agent Transfers:

Agent Transfer Portal provides the entire context of customer-bot engagement in the event of transfer.

Time-Zone Sensitive Outreach:

Ensure automated compliance to call timings based on consumer zip codes.

Compliance Firewall:

Handle frequency of consumer outreach as per FDCPA and Reg F regulations.

Ease of Deployment and Use

While the deployment of Conversational AI is a one-time effort at both ends, the cost of technology migration must be accounted for in the RoI calculations. Long lead times and intensive IT efforts needed for integration can disrupt RoI assumptions, bleeding time, money, and wasted human effort. In-built capabilities to integrate with existing IT systems (payment gateways, telephony, and CRM) must be accounted for.

For instance, Skit.ai's off-the-shelf product includes native integration with 10+ payment gateways. The product's median deployment timeline for outbound use cases is less than 48 hours; for inbound use cases, it's less than 15 days. Deployment timelines are subject to the type of CRM, telephony provider (e.g., TCN), payment gateway partner (PayNearMe, Paywire), and payment mode that needs to be supported (card-on-file, pay-on-call, payment link via SMS).

However, each organization may have its unique requirements. Today, Conversational AI platforms support easy product customization. Customers must be cognizant of such efforts and account for the timelines needed to implement them. Documenting the variable requirements during a project kickoff with all relevant stakeholders is always advised.

Once the deployment is done, inbound operations function on autopilot, and outbound campaigns can operate with minimal or no human intervention, depending on CRM integration. Without CRM, campaigns are managed through simple flat-file transfers. With full CRM integration, outbound outreach requires no human intervention.
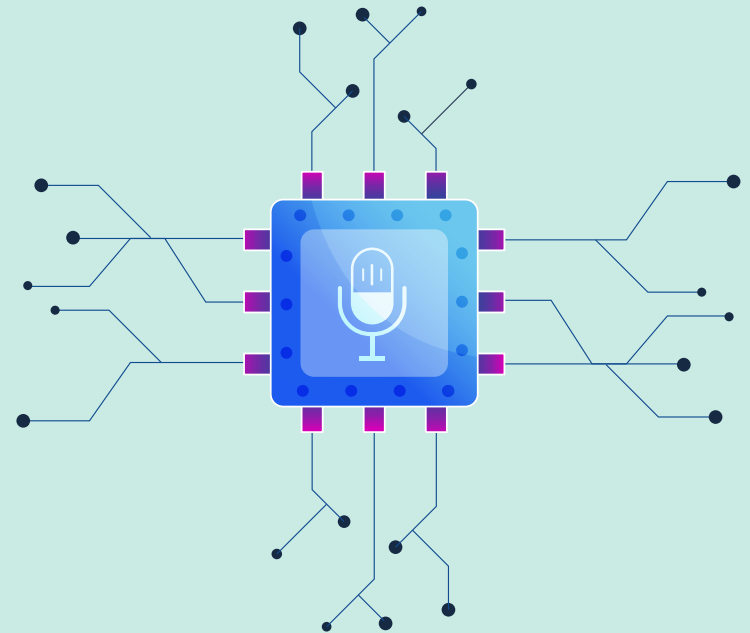
Beyond Compliance:

Following the AI Bill of Rights Blueprint

U.S. lawmakers are drafting AI regulations to protect the American public from the abuse of AI technology. Companies developing conversational AI technology must be ready to adapt to changes in regulations. While subscribing to any AI vendor, ensure that they, like Skit.ai, have taken proactive measures to understand the U.S. government's and the consumer base's expectations. Guided by the direction of the White House's AI Bill of Rights and the subsequent executive order, Conversational AI technology should abide by the five rights:

Safe and effective systems:

Provide compliant and secure data storage and transactional platforms. Multiple certifications, such as HIPAA, ISO 27001:2022, and PCI-DSS, assure the security of PII and medical data and secure financial transactions.

Right to algorithmic discrimination protection:

Train LLM models on conversational data in a compliant, ethical, and responsible manner, implementing regular quality controls to protect consumers from discrimination.

Data Privacy:

Best practices on secure data storage should be implemented. Skit.ai secures customer data on a U.S.-based AWS system guarded by certified SOC2 Type II processes and environment.

Right to notice and explanation:

Voicebots and chatbots must identify as digital assistants during consumer interactions.

Right to a human alternative:

Whenever consumers request it, or when the bot is unable to assist, conversations must be transferred to a live agent, or an agent call-back must be scheduled.

AICPA SOC

PCI DSS COMPLIANT

HIPAA COMPLIANT

TCPA Configuration

FDCPA Configuration

AICPA SOC 2

Impact of
Multichannel Conversational AI

Skit.ai has been working on a multichannel platform with its collection partners to understand and estimate the impact of new collection strategies. The partnership with a third-party collection agency based in Missouri presents an example of the impact of customer engagement via voice and text channels. Our partner has seen significant growth in its portfolio with a boost to all collection metrics.

2.1X RPC

70% → 24%

5.2%

| Before Skit.ai | With Voice AI | Complete Multichannel |
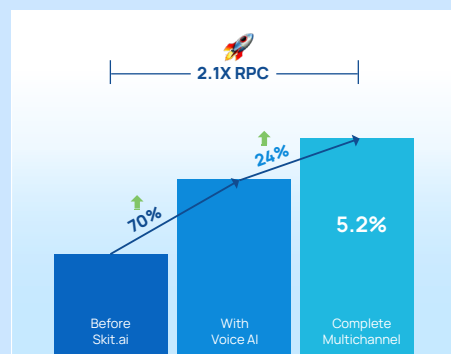
Right-party Contact Growth by 24%

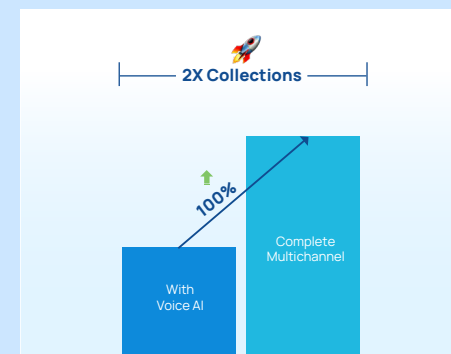Higher RPC rates help boost agents' productivity and increase collections.

2X Connectivity

60% → 27%

10% | 16% | 20.2%

| Before Skit.ai | With Voice AI | Complete Multichannel |
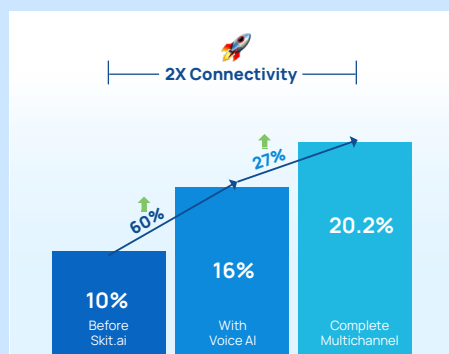
Connectivity Growth

Higher connectivity increases opportunities for collection.

63% Reduction

32% → 53%

22 Cents | 15 Cents | 8 Cents

| Before Skit.ai | With Voice AI | Complete Multichannel |

Cost Reduction

Lower the cost, the better is the collection efficiency.

2X Collections

100%

With Voice AI | Complete Multichannel

Collection Growth

A significant jump in collections indicates that the optimal way to collect is via a multichannel Conversational AI solution.

The Industry Leaders'
Take on Conversational AI for Collections

We recently experienced a significant expansion of our account base since acquiring a new collection agency. The adoption of Skit.ai's Voice AI solution has already resulted in a **10X** increase in our outbound collection efforts. With one client's portfolio in particular, we witnessed a **160%** spike in collections. The results have been remarkable.

John Berquist
Owner of Forest Recovery Services

We were seeking a way to boost collections cost-effectively and without the need to add additional workforce. We began by leveraging Skit.ai to run a settlement campaign during tax season this year, with the technology adapting to our seasonal needs and business model.

Daniel Klein
CEO of Uown Leasing

When it comes to collections, most consumers don't want to have to interact with another person. We wanted to make the process easier. Skit.ai's solution allows c onsumers to choose; they can interact with the voicebot, ask to speak to one of our agents or visit our website to make a payment. Our agency has been initiating thousands of calls per day using Skit.ai's Voice AI solution, handling an impressive volume of calls in a cost-effective manner.

Julie Repa
CEO of MCA Management Company

Skit.ai's technology has proved very effective. The platform smoothly integrated with our payment gateways, effortlessly handled high call volumes, and strictly adhered to compliance standards. Consumers have begun to prefer interacting with the Voice AI solution, marking an improvement in the overall consumer experience.

Anthony Verdicanno
President & C.O.O., Transfinancial Companies

The results we've achieved so far with Skit.ai's solution have been exceptional. So far, we've automated over **400,000** outbound collection calls and achieved a **10X** ROI on the inbound calls. We are collecting faster and more cost-effectively. We look forward to scaling our consumer interactions further with Skit.ai.

Steven Dietz
CEO, Southwest Recovery Services

Conversational AI
From Choice to Imperative

The accounts receivables industry trends justify the requirements of deploying AI to match the scale and rise of delinquencies and NCOs. Engaging with consumers early in the debt cycle leads to a higher collection rate and reduced stress on the balance sheet.

Just like the start of the era of the Internet and the World Wide Web, we are at the dawn of an AI era.

With the rise and penetration of AI in all sectors, AI regulations will be evolving and changing at a very fast pace. Prior experience and early adoption will ease urgencies around upgrading system requirements and updating compliance measures when using the technology.

Curious to learn more about how Conversational AI
can help you accelerate your collections and grow your business?

Schedule a free demo with one of our experts.

www.skit.ai | info@skit.ai

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