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# SELF-BELIEF WILL SEE US THROUGH

Debt collection agencies are facing tough challenges in the current economy, but with some fancy footwork they should be able to make it through the obstacles in their way

By Paul Thomson

- Collectors must rise ♦
- to meet the challenges
- Boost your staff's morale ♦
- Ethical collections ♦
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The day the news broke, national newspapers reported Motorola cut 4,000 jobs, Nortel UK entered into administration, the Council of Mortgage Lenders reported that lending was down by 59%, and 75,000 people were predicted to lose their homes in the New Year. 'Back in the red' also won the 3.40 at Kempton at 11:1 odds, hopefully putting a few lucky Britons in the black.

Amidst all the doom and gloom, millions of people escaped to BBC's *Strictly Come Dancing* to watch the rotund 64-year-old John Sergeant. With head held high, Mr Sergeant heaved himself across the dance floor whilst coming under increasing attack from the judges.

Despite this, the public voted for Mr Sergeant week on week. The fact of the matter is viewers found it highly entertaining. Many felt it is not about bulging biceps and well defined torsos

– it was the 'have a go' good old British 'Dunkirk' spirit, which enchanted the nation. For the three minutes it took Mr Sergeant to turn the ChaChaCha into a HaHaHa, the nation forgot about, the credit crunch, repossessions and job losses.

Days later Mr Sergeant resigned from the competition – he could not withstand the barrage of personal attacks which came from his critics. The nation was forced back into reality. Stocks and shares continued to fall, banks continued to fail, job losses continued to rise and the horizon remained bleak. Britain was forced back to reality.

#### Are we heading for a shakeout?

Many of the leading players in the debt recovery industry would agree that managing the challenges of debt recovery businesses two years ago were more like a waltz. Today in 2009, managing to deliver profit and increase

shareholder value is more akin to Japanese sumo wrestling – the stakes are high for the heavyweights.

Larger agencies carrying millions of pounds of receivables, particularly in the debt purchase arena, are faced with tough challenges in today's environment. It is inevitable that operational cost to service the business remains the same as in 2007; against the backdrop of an ever-worsening recession and rising unemployment.

Highly skilled collectors are saying it is 'mission impossible'. High-volume low-value payments is the new, unfamiliar tune to which many of the 'giants' are having to dance to and, if predictions within the marketplace are true, some are 'dancing outstandingly badly'.

There are significant challenges facing all debt collection agencies (DCAs). Stakeholders such as the Citizens Advice Bureaux, Christians Against Poverty and the government, >>

>> appear to be shaping legislation which tips the scales of blind lady justice in favour of debtors. Debtors are now held up as martyrs, having been preyed upon by fat cats in the lending industry.

As the recession kicks in, many in society have become introspective, searching for answers as to how we got ourselves into this predicament. The older generation blame post modernistic attitudes towards materialism; the church blames the breakdown of morality and increase in gluttony; the pragmatists say, it does not matter how we got here – how and who and what will we get out of the mess we are in?

#### How to succeed

It is incontrovertible that to succeed in the current recession requires ingenuity, skill and incredible self belief. However, it has been proven time and again, that guerrilla warfare works best in a recession.

When faced with terrain which was unsuitable to them, the US army in Vietnam broke up its giant military machinery into small mobile tactical units. They adapted, improvised and survived. Mid-sized DCAs which are leaner, flatter and fitter are more likely to be responsive to the arid, hash business landscape which we now inhabitant.

Many of our giants operate within a bureaucratic framework, with heavy management structures which are inherently self-preservation seeking. Decision making and authority is derived from position and rank within, the business.

However, ranks within the business are typically reduced during a recession as a cost cutting measure. The internal

structures within large DCAs are geared towards efficiency by repetition – often large teams are assembled to carry out repetitive tasks and efficiency is built around delivery with reduced staff numbers over a period of time. The challenge is getting the right balance during the recession. Pruning heavily will affect income long term and almost immediately service to clients will suffer.

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Mid-sized DCAs can be more able to adapt and improvise. They are person-centred and entrepreneurial; relationships with clients tend to be built on expertise. The jewel in the crown is that they can weather the turbulent storms of the credit crunch because the size of their business allows an immediate response to cost control.

The distinct advantage of larger DCAs is their ability to define rules and procedures and get staff to stick to them. This provides an edge in giving clients confidence in terms of brand protection and regulatory compliance.

#### Coping with the future

In the future, survival for all DCAs will depend on decisions and strategies employed today. Tomorrow has already gone. The principles below may help:

- ◆ Minimise obligations and maximise options. Aggressively review fixed costs and, where possible, keep them low.
- ◆ Adopt variable business models. Use contingent means to deliver objectives where possible – such as short-term

contracts and outsourcing.

- ◆ Empower staff. Senior management should make themselves accessible to the staff. Manage by involvement as opposed to full ownership and control.
- ◆ Keep things moving. Encourage activity, keep regrouping people and functions. Seek out ways to harness creativity. Redefine staff losses or turnover as a positive business tool, not a negative.

- ◆ Focus. Revisit the key factors of success of the business. What is it in the past that made the company great? Find it, and use it as a leverage to make it great again.

Whether we succeed or fail within the debt recovery industry is not dependent on the critics, the government or stakeholders. It is dependent on the brilliant minds of the credit industry who, in the 1980s, carved out a niche market within the British business landscape, creating jobs and hopes and dreams.

It is to them we must now look, seated in the board rooms, team leaders and staff on the collections floor, to turn this industry around, to find new innovative ways, to build new business models robust enough to weather the economic turbulence which lies ahead.

Giants can dance, if they really want to; let us wait and see if they do. **CCR**

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