

ABSTRACT

Advances in technology are offering businesses innovative ways to utilize their data. For the collections industry, speech analytics has created opportunities for automating processes to eliminate human error, measure quality of service, and strengthen procedural standards for script adherence and compliance. The most progressive application of this technology involves behavioral science; by applying techniques and research on consumer behavior to agencies' call data, collection strategies can be optimized for the best possible result. This paper will outline some basic concepts from consumer behavior research and illustrate how collections strategies can be tailored to consumer types for the fastest return on investment.

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Introduction to Behavioral Science

Behavioral science observes and analyzes human behavior with the assumption that no act is random; that is, people's actions are all a response to some outside cause (1). To gain insights into human behavior, behavioral science gathers data from a variety of sources, demographical or otherwise, and identifies patterns which can be used to both understand and predict future behavior. A subset of behavioral science, the specific study of consumer behavior, was established in the 1950s and continues to be a popular field for research (2). This provides a wealth of empirical information that can be applied to a business's unique consumer data and utilized when conceptualizing new strategies.



Consumer Motivations

Understanding what motivates consumers is the first step towards being able to identify the most effective strategy for reaching them. There are a variety of theories surrounding specific motivations. While a large body of research is available on this topic, for the purpose of this paper we will only graze the surface of the most basic contributing factors.

Social	Personal	Psychological
<ul style="list-style-type: none"> • Family • Role/Status • Peer groups 	<ul style="list-style-type: none"> • Age • Economic station • Location 	<ul style="list-style-type: none"> • Attitude • Perception • Beliefs

In addition to the social, personal, and psychological factors listed above, a consumer's personality type and experiences also influence their decision making. There are limitless combinations of these factors which make up any individual consumer. Considering this, it shouldn't be surprising that collection strategies are not one-size-fits-all. Luckily, beginning strategies can be built by narrowing consumers into like-groups based solely upon their spending behaviors and attitude towards debt.



Spending Types

Consumer research identifies a number of proven strategies based upon consumer spending types. Like the many factors which motivate consumers, you can also subdivide spending types into a huge variety of subsets. Initially though, all consumers fall into two broad spending categories: rational or emotional (3).

Rational versus Emotional

Emotional spenders are motivated by feelings; either the feeling they get from spending, like the concept of “retail therapy,” or the feeling they get from debt, for example how the fear of bad credit can deter large purchases. To reach these consumer types you need to get personal, appeal to their sense of pride or sentiment. Rational spenders on the other hand are more calculated; guided by logic over emotion. These consumers’ spending behavior is driven by research, value, and need. Purchases are methodical and decision making is educated and well evaluated. These consumer types are best reached by emphasizing autonomy and value; for example, providing multiple payment options, details on interest accumulation overtime, and the impact on their credit score may play into their desire to make calculated cautious choices.

Once consumers are identified as either emotional or rational spenders they can be further segmented for an even more targeted collection approach. Other common ways to segment consumer spending behavior is by involvement or motivation level, spontaneity, and loyalty or habit. When applying behavioral analysis to consumers, agencies may discover new spending models based upon their unique client base or vertical.



Decision Paralysis

Behavioral science can be employed to prevent or move consumers through a state of inaction, referred to as *decision paralysis*. This occurs when the contributing factors of an individual consumer add up, overwhelming them and ultimately preventing them from committing or taking any action whatsoever. Triggers for inaction can be as simple as a lack of financial resources or as complex as a catastrophic life event distracting the consumer from other priorities or obligations. Regardless of the trigger, by utilizing a basic understanding of consumer behavior, decision paralysis can be combatted with strategies that touch on the core psychological cause; attitude, motivation, and perception.

Attitude

The consumer's attitude towards the debt or collection agencies can contribute to their inaction. Younger demographics may have a more lackadaisical attitude towards an account in collections because they believe they have "plenty of time" to remedy the problem and are not yet fixated on the future consequences. Some consumers may have adopted negative attitudes towards collections agencies in general, frozen in action simply based upon the idea that collectors are intimidating or manipulative. Or perhaps there is an attitude problem with concerns about their own ability to choose the correct course of action, and they simply lack the confidence to commit. Analysis results can help identify these attitudes so agents can respond in turn.

Motivation

Sometimes the idea of paying off a debt isn't enough to motivate a consumer to take action and they require a nudge. "Incentive theory" is a common marketing tactic based upon this kind of consumer behavior; in order to motivate these consumers the deal must be sweetened with an extra, such as loyalty points, gifts with purchase, or a buy-one-get-one offer (4). There are a variety of ways to incorporate "nudging" into a collection strategy from subtly providing interest rate information, such as organizing statements with "what if" balances (see below) to more direct offers such as reducing a balance if it is paid in full that day. Studies of consumer behavior indicate that creating a sense of urgency is an effective way to motivate consumers to action, thus the popularity of one-day-only sales and "act now" offers.

<i>On your current balance, if each month you pay...</i>	<i>Your account will be paid off in...</i>	<i>You would have paid an estimated total of...</i>
<i>Only the Minimum</i>	10.5 years	\$ 5, 425
\$100	3 years	\$ 3, 220
		(Savings = \$2, 205)

Perception

Perception is often the root of all consumer decision making. In debt collection the consumer's perception of their financial state may have more influence over their ability to pay than the size of the debt or amount of money in the bank. If a consumer perceives the debt as unmanageable they will find it difficult to commit to a payment, and may seek to postpone payment decisions or avoid contact with the collector as a result. Strategies which address the issue of perception should aim to subtly alter it by reframing the context, providing options, and playing to the emotions attached to it. For example, if a consumer is overwhelmed by continuing medical troubles and perceives their debt is snowballing out of control, then an effective strategy would reframe the debt as a singular manageable item, outside of the overall debt, offer repayment options with simple terms, and motivate the consumer with empathy and confidence.

Utilizing Call Data

Speech analytics platforms supply agencies with a wealth of data; developing methods for utilizing that data is simple as it is already collected and organized in a quantitative way. The following section will identify how the call data applies to behavioral analysis and the basic principles behind consumer segmentation.

Call Metrics

Call Details	Acoustics	Emotion
<ul style="list-style-type: none"> • Number of calls • ACHT • Call Duration 	<ul style="list-style-type: none"> • Clarity • Pace • Silence • Over Talk 	<ul style="list-style-type: none"> • Agent • Consumer • Overall

Speech analytics reports track a variety of metrics. These metrics all tell a story about consumer behavior. Beyond what a consumer says, call metrics also provide you with information about how they say it. The addition of emotional intelligence offers a three dimensional impression of consumer interactions without the necessity of manual auditing. Pace, tone, and call duration can all be indicators of personality types. Likewise, when new strategies are being tested, these metrics are a good indication of behavior change, offering agencies a straightforward way to measure success and optimize new collection efforts.

Language

Reports also track keywords and phrases. This gives agencies the ability to go beyond what consumers are saying and create profiles for the kinds of language that is being used. Individualized categories can be developed for language use based upon the circumstances of the business; making adjustments for debt types or procedures unique to specific clients. Common categories for language groupings are threat or risk language, this indicates that a consumer is agitated and may be at risk for a compliance violation, dispute, or legal action. On a surface level monitoring calls for threat or dispute language can make a huge difference in terms of compliance, quality assurance, and the ability of supervisors to intervene. In terms of behavioral analysis however, this data can be used to dial in on personality specifics and plays a key part in predicting future behavior or tailoring new communication strategies.

Segmenting Consumers

Segmenting consumers is essential when optimizing collection methods to increase recovery rates. Not only does this assist agencies in understanding why consumers say “no,” it also simplifies the discovery process, providing a concrete control group to measure new strategies against. Consumers can be segmented initially by simply grouping like-behaviors from both the call metrics and language results. Below is an example of two consumer groups and the analysis results that define them.

Group A	Group B
Call Metrics: Acoustics and Emotions	
<ul style="list-style-type: none"> • Passive • Slow paced • Dead-air 	<ul style="list-style-type: none"> • Assertive • Urgent • Over talk
Keywords and Language	
<ul style="list-style-type: none"> • I don't know • From where? • When? • I don't remember • I don't understand 	<ul style="list-style-type: none"> • Will this affect my score? • How? • On my report • Credit Report • My credit

By presenting the data in this straightforward manner, the analysis results clearly show two very different consumer types. When looking at your consumer data in this way it seems obvious these consumer types would respond differently to the same approach. At this point in the discovery process consumer research and behavioral science can be applied to identify consumer types, predict call outcomes, and develop tactical strategies to get the most out of every interaction.

Tactical Strategies

Tactical strategies can be developed from a combination of analysis data, knowledge of consumer behavior, and empirical evidence collected from the agency's own processes. Once a new strategy is developed the implementation must be treated as a scientific experiment; repeated tests and analysis of results. With speech analytics in collections, success is fairly simple to determine. If a new strategy has been implemented for a specific consumer group, analysis results for that group would show clear improvement; lowered call handling time, great instances of first call resolutions, and faster debt repayment.

Drawing from Research

There is a vast amount of research available on communication preferences based upon personality types that can easily be tapped into and applied to collection strategies depending on how an agency chooses to identify and label consumer behavior. For example, personality types are commonly segmented into four types; nurturers, idealists, realists, and directors. The theory of four primary personality types has been widely developed and as such there is a wealth of information available to assist agencies in identifying them from demographical information such as common occupations, to traits like passivity or aggression. Likewise, information on personality preferences is also available, making it even easier to create a communication strategy or pair those consumers with agents who can best reach them. The table below provides a sample of the information available about "nurturer" personality types. From this information you can begin to discern how call data could be used to identify these consumer types and what collection strategies would be the most successful.

Demographic	Traits	Core Desires	Root Fear	Connect by
Service Professionals; Social work Customer service Education	Emotion driven, passive, sociable, avoids conflict	Acceptance, understanding, to be 'liked'	Rejection	<ul style="list-style-type: none"> • Empathy, appreciation, and reinforcing their choices • Treat them as a close friend • Persuade by emphasizing the benefit to personal well-being

Image data source (5)

Implementing Change

Once the agency has identified a consumer group and developed an approach specifically for them it is time to implement the strategy change. There are a variety of methods that can be used to organize this change; agencies may choose to coach all agents on the new strategy and prepare them for encounters with this consumer group or simply funnel calls from these consumers to a specially trained department. Either way, the speech analytics platform can be customized to identify the established consumer group for labeling or redirection. Advanced systems may include “agent assist” functions that can remind and prompt agents on new strategies in real-time, making the transition into the new approach easier.



Measuring Results

Since the consumer group is already segmented, measuring results is simple. Agencies can monitor changes in behavior and success through the same combined analysis they used to create the consumer group, easily identifying areas of progress. Strategies that are showing promise can be expanded on and those that aren't, can be quickly discarded so that no time is wasted, giving agencies the ability to optimize collection efforts quickly and efficiently. Like aspects of consumer type identification, collection strategies can also be narrowed through repeated analysis over time. With the application of behavioral science to the agency's own call data, and the collection of empirical data from new process analysis, agencies will eventually be capable of such specific targeting strategies that they will not only be able to predict a consumer's behavior, but also know precisely when and how to approach them to get a “yes” response.

Conclusion

Businesses across every vertical are utilizing their consumer data to improve processes, increase profits, and respond to changing market trends. Thanks to advances in speech analytics technology the collections industry is now able to do the same. With an improved ability to quantify data, agencies are given the opportunity to capitalize on consumer analysis in ways never before possible, getting to the root of why consumers say “no.” By simply employing available consumer research and applying behavioral science techniques to collection strategies, consumer interactions can be optimized for the fastest possible return on investment. Behavioral analysis is the future of all consumer engagement; businesses that fail to evolve their processes will soon be incapable of competing at all.

Afterword

KG Hawes offers a variety of services and ready-made product solutions. The VoizTrail® Communication and Compliance Suite offers scalable services and solutions that assist businesses in bridging the gaps in their performance potential and is the first of its kind to offer a dedicated module for **behavioral analysis**. The module provides a simple platform for consumer and client analysis making it easy to begin experimenting with new strategies for improving consumer engagement. Utilizing the transcription method for audio processing, VoizTrail® delivers concise reports guaranteeing the most accurate data. Unlike other off-the-shelf commercial solutions, all the features of the VoizTrail® Suite can be customized to the unique needs of your business. VoizTrail® facilitates high-end performance monitoring, training support, improved client services, regulatory compliance and dispute management. Additionally, KG Hawes offers VoizTrail® customers an exclusive service option for utilizing our experienced professional auditing staff. With the proprietary services, you still benefit from all the features of VoizTrail® without the necessity of a dedicated monitoring staff and your calls get audited with a 24-hour turn around.



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