



If All You've Got Is a Hammer,  
Every Problem Looks Like a Nail!

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# Hammers Are Useful, But.....

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- Not if you really need a screwdriver, glue, riveter, wrench, etc.
- Same with collection tools. One size never fits all!!!
- Tools are different – so are customers!



# Common Collection Tools

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- Reminder notices
- Disconnect notices
- Field calls
- Physical disconnection



# What Defines Success & What Do We Assume To Be True?

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Most of the time we assume the customer has the money, or can get it, and will pay when prompted.



# What If Our Assumption Is False?

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- If the Customer has –
  - No money
  - Very little money and lacks basic skills to manage
  - No knowledge of assistance availability in combination with the first two



# The Ultimate Question-

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We Assumed We Knew Why  
Customers Didn't Pay... But, What  
If It Wasn't True? Would It  
Change Our Approach and  
Policy??



# Lifestyle Survey

- Random sample of 200 customers subject to disconnection
- Interviewed by independent researcher
- Company was not identified
- Covered a wide range of finance and lifestyle choice questions
- Goal – Find the real reasons for non-payment



# Shocking Results!

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**Only 12% of the customers fit  
our pre-conceived notion  
about having money and  
simply withholding payment  
until prompted!!!**



## The Other 88%

- 41% may have enough money but lack management skills
- 12% were in transition going into or coming out of poverty
- 16% were very poor, could not pay, and were angry about it
- 19% were poor and felt they had no one to blame but themselves



# Common Collection Scenario

- Arrears rising – Management says “Get tough!”
- Frontline thinks, “They want action, lets give them more disconnects!”
- Net result: Meaningless disconnects that produce a statistic but no money.
- It doesn’t work this month so we redouble our effort next month!!! [This is insane!]
  - By the way – who do you think gets disconnected first and most often? Hint – try least able to cope.



# A More Appropriate Response

- Define the problem.
  - 70 – 80% of all customers cost zero collection \$.
  - 20 – 30% are responsible for all the cost
    - 15 – 20% get reminders
    - 5 – 10% get disconnect notices, field calls, etc.
    - **This is always an exponential cost curve!!!!!!!**
- Conclusion- It makes sense to segment customers, seek ways to motivate them to pay, lower our [and their] costs, and, if possible, move them out of chronic collection action.



# Questions to Ask Yourself

- Do you see customer service as something you **do for the customer?**
- Do you think of collection as something you **do to the customer?**
- Or, are both part of the same customer service strategy driven by an obligation to serve all customers?



# Customer Assistance Advisor

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- Former social worker thoroughly familiar with the social service network
- Reported to the same supervisor as the credit manager
- Objective – devote enough time to deliver specific help and referral assistance enabling the customer to improve their situation



# Customer & Company Benefits

- Affordability – customers are better able to manage bills
- Continuity – service is not interrupted resulting in lower costs all around
- Positive customer and public relations
- Positive cash flow – [we returned \$4 - \$5 for every dollar spent]



# Why Segment and Analyze???

- One size never fits all and neither does one policy and tool!!!!
- Reducing arrears and disconnections is **not an either/or question!!** [common fallacy]
- The right tools will reduce costs for the company and the customer.
- You'll avoid behavior that says: **“All I've got is this hammer, so that must be a nail!!!**