

Over half the debt collection agencies thrived under COVID-19

ARM survey of U.S. based debt collection agencies

AccountsRecovery.net - Prodigal ARM Survey, 2020

ACCOUNTS RECOVERY .net

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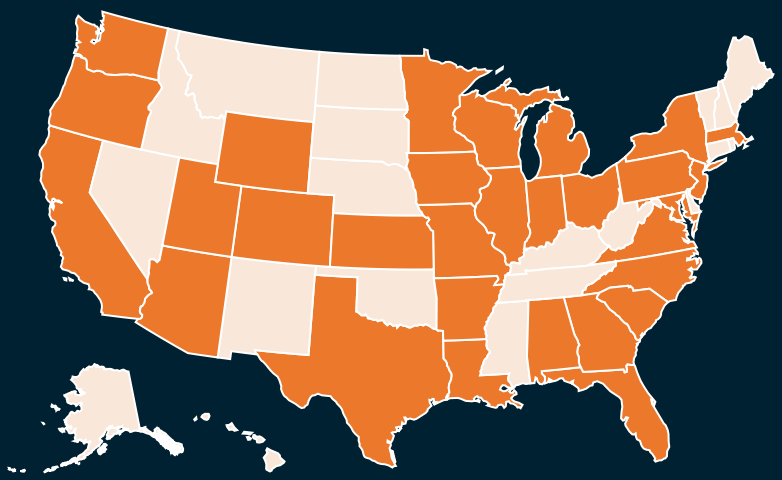
SURVEY OVERVIEW

About this survey

The coronavirus pandemic has impacted the ARM industry in novel ways. Prodigal partnered with AccountsRecovery.net to survey collections agencies about the impact of this pandemic on regular business operations.

ARM industry data was collected from 30 states using the distribution reach of AccountsRecovery.net and Prodigal.

Nationwide Survey Respondents



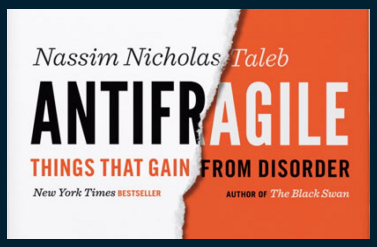
Data: AccountsRecovery.net - Prodigal ARM Survey, 2020

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SURVEY FRAMEWORK

Antifragility framework is useful to interpret COVID-19's impact on the ARM industry



Analyzing at the survey responses, three clusters emerged from the data. Within each group, agencies reacted similarly to the pandemic. and experienced similar outcomes. Nassim Nicholas Taleb in his book *Antifragile*: *Things That Gain From Disorder* introduces the following groups. This framework lends itself well to understand the last few months and help chart a recovery for our industry.

Antifragiles: Things that *thrive* or *grow* when exposed to stress and chaos

Resilients: Things that are *robust* and *adapt* to shocks and uncertainties

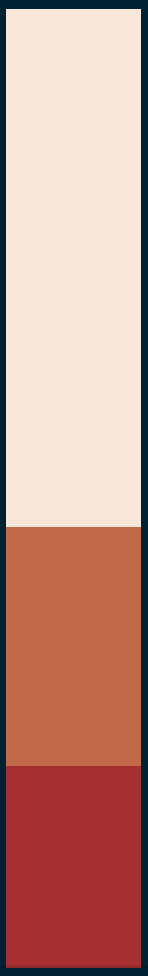
Contenders: Things that *suffer* from disorder, volatility, and adversity

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SURVEY HIGHLIGHT

Over half the debt collection agencies thrived under COVID-19

Performance of collection agencies sharply varied during the lockdowns and from the economic fallout due to COVID-19 crisis. Collection agencies that had invested in being future ready with cloud software and remote technology thrived during the pandemic.



54%
Antifragiles

Antifragiles: Reported better performance metrics

25%
Resilients

Resilients: Minor drop in performance metrics

21%
Contenders

Contenders: Steep drop in performance metrics

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Antifragile agencies had strong foundations to overcome the pandemic

What set **Antifragiles** apart:

- Prior investment in technology by Antifragiles helped transition swiftly to remote work with minimal hiccups.
- Antifragiles measured and monitored agent productivity. They relied on performance-based resizing of the team. The average performance improved after the resizing.
- As customers sheltered-in-place, they were more readily available on their primary contact number & RPC rates went up for Antifragiles
- CARES Act enabled average savings rate to touch a 40 year high in April as per data from Bureau of Economic Analysis. Antifragiles benefited from households that chose to pay off past delinquencies during COVID-19.
- As Fragile agencies pulled back, Antifragiles gained market share through the pandemic.

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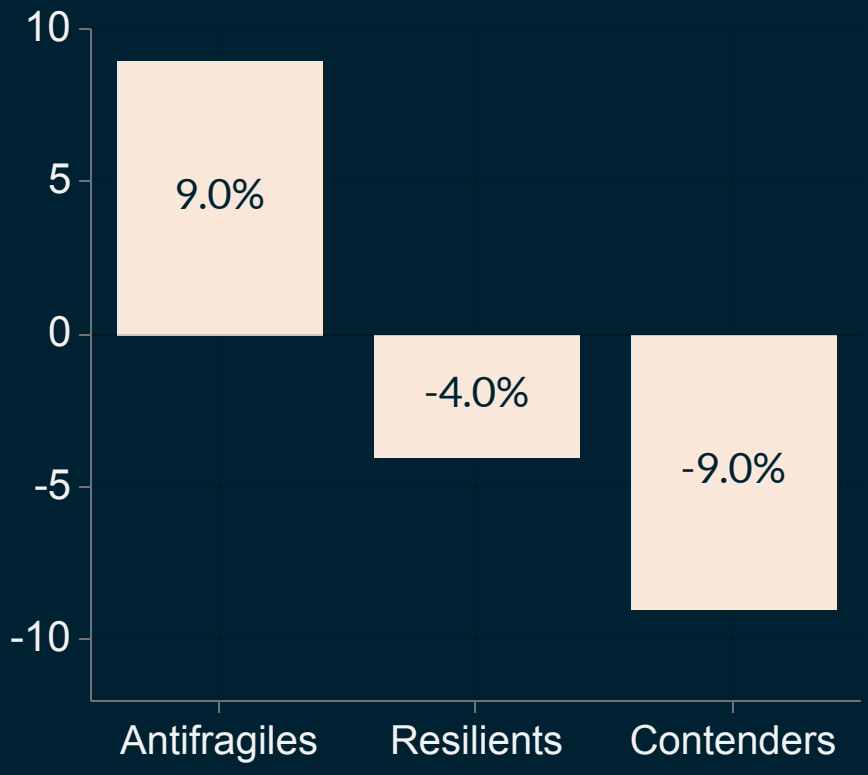


SURVEY DATA ANALYSIS

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AGENT PRODUCTIVITY

Antifragiles on an average reported an increase in agent productivity by 9%



Average Change in Agent Productivity

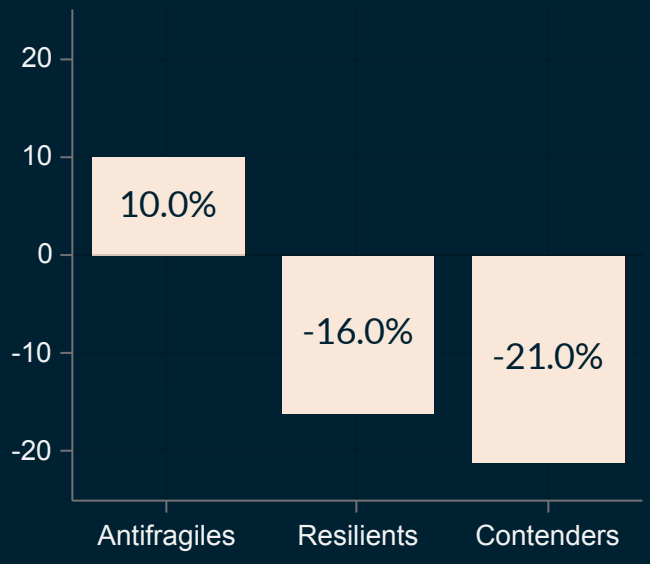
Agencies that trimmed bottom performing staff saw that the average productivity of the rest of the team rise substantially over those who did not.

In addition, prior investments in cloud and automation software by **Antifragiles** helped their agents improve productivity under the work from home regime.

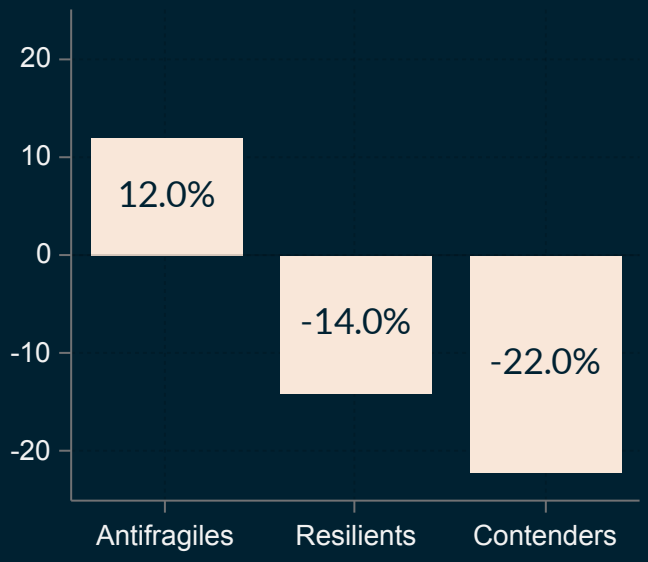
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Total call volume and inbound volume increased for Antifragiles

CALL VOLUME



Average change in total call volume

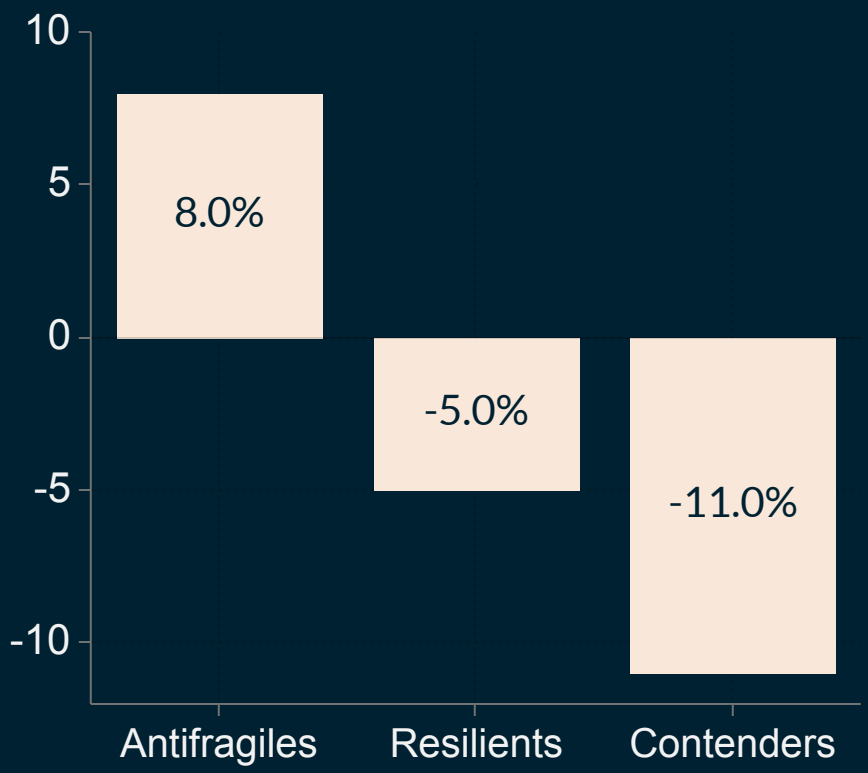


Average change in % of inbound call volume

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Using call data analytics, Antifragiles registered an increase in RPC rate by 8%



Average change in RPC rate

Borrowers were more likely to be at home during the pandemic and hence agencies that used data analytics on past calling data were able to meaningfully drive the right party contact rate (RPC) higher.

Resilients and Contenders, who had not invested in data analytics software, registered a decline in RPC.

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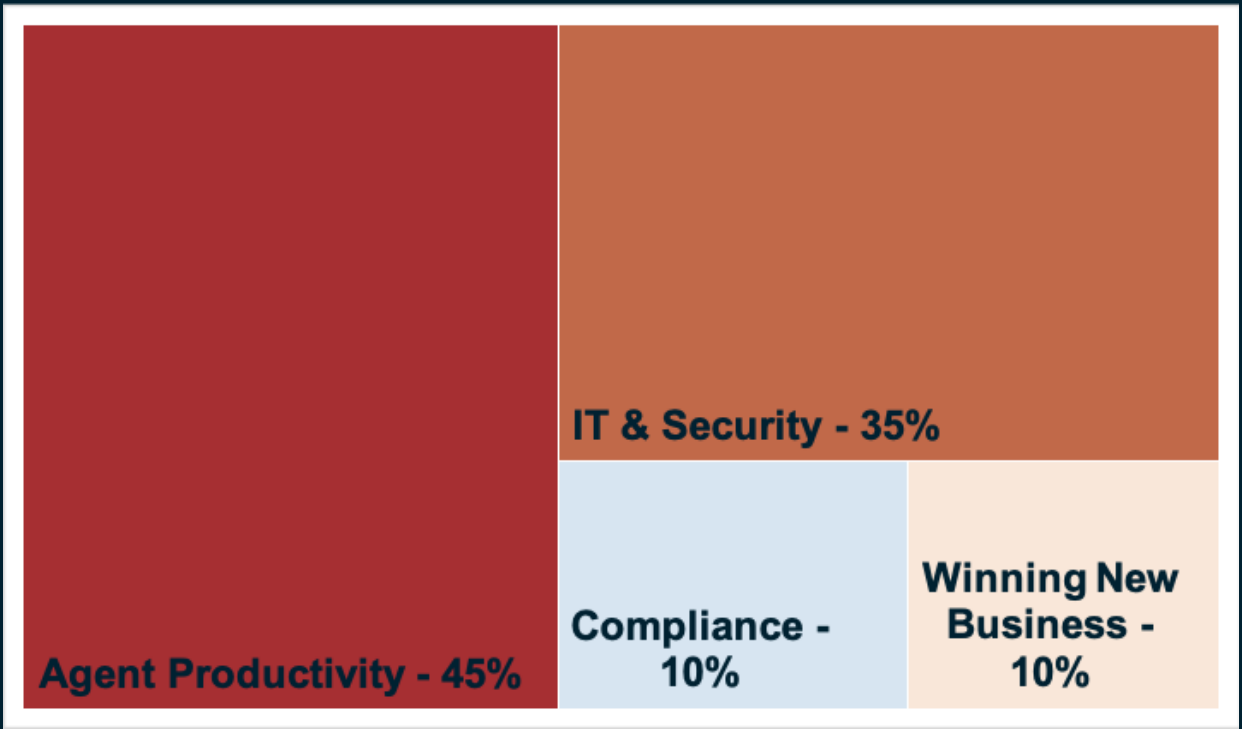
Agent productivity and IT readiness are the top concerns for collection agencies

- Coronavirus pandemic caught the ARM industry by surprise, right in the middle of the tax season.
- About half the industry reported some trimming of staff due to COVID-19. However, 80% of agencies who trimmed the team, planned on re-hiring.
- About 70% of agencies availed of CARES Act benefits, particularly the payroll protection program (PPP). Nearly 95% of the PPP applicants received the funds.
- Agent productivity was the most common challenge (45%) in managing a remote team of collectors.
- Despite a moderate decrease in average call activity, a majority of the respondents reported an increase in RPC rates & request for payments plans.
- Agencies that trimmed staff saw the average productivity of the rest of the team rise substantially over those who did not.

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MAJOR CONCERNS

Increased investments in technology can mitigate major industry concerns



Top concern faced by agencies under COVID-19

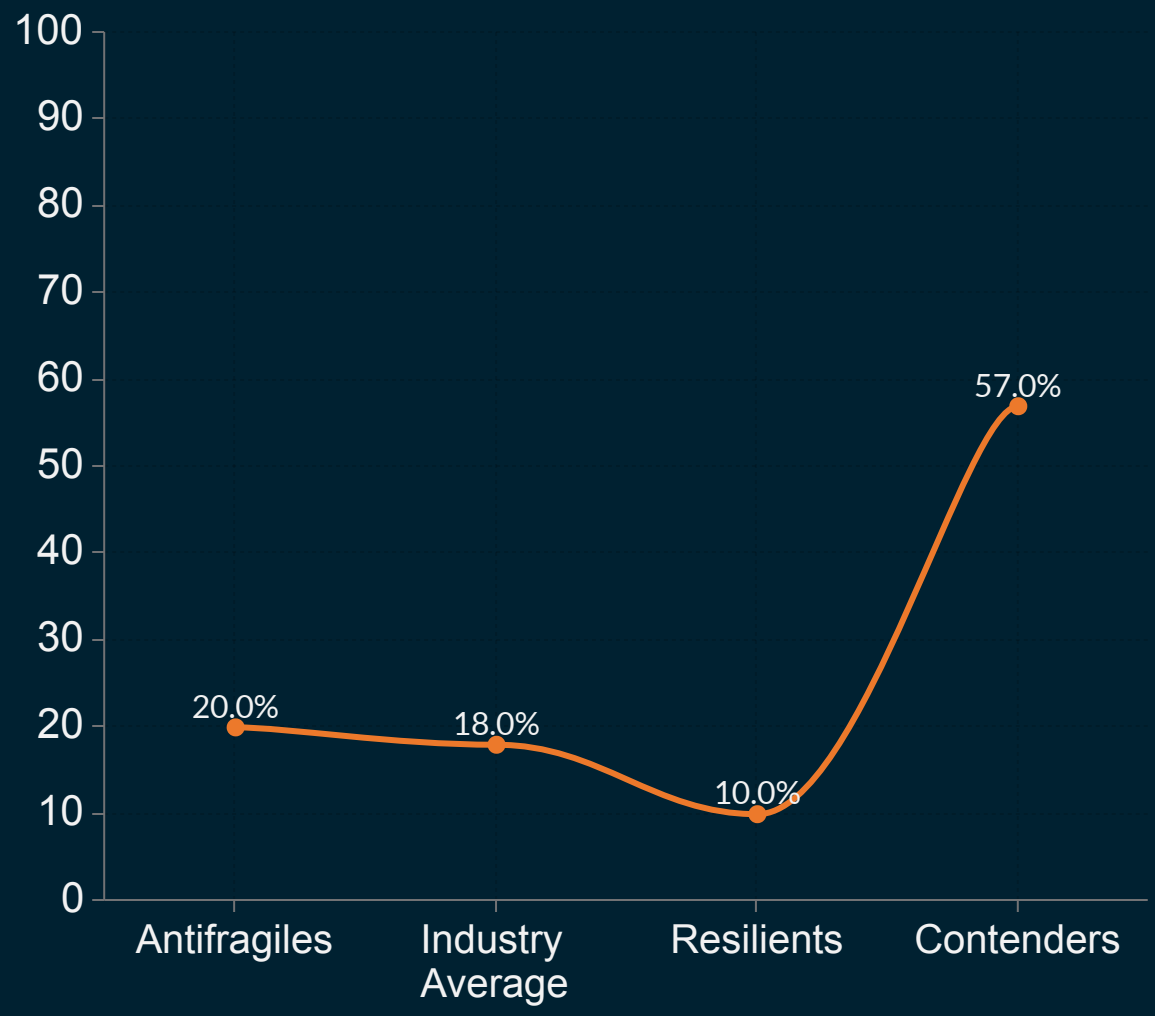
40% of agencies using speech analytics software reported increase in agent productivity.

None of the agencies yet to invest in speech analytics reported an increase in productivity.

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INDUSTRY LAYOFFS

Industry laid-off 18% collectors; Fragiles cut the workforce by more than 50%



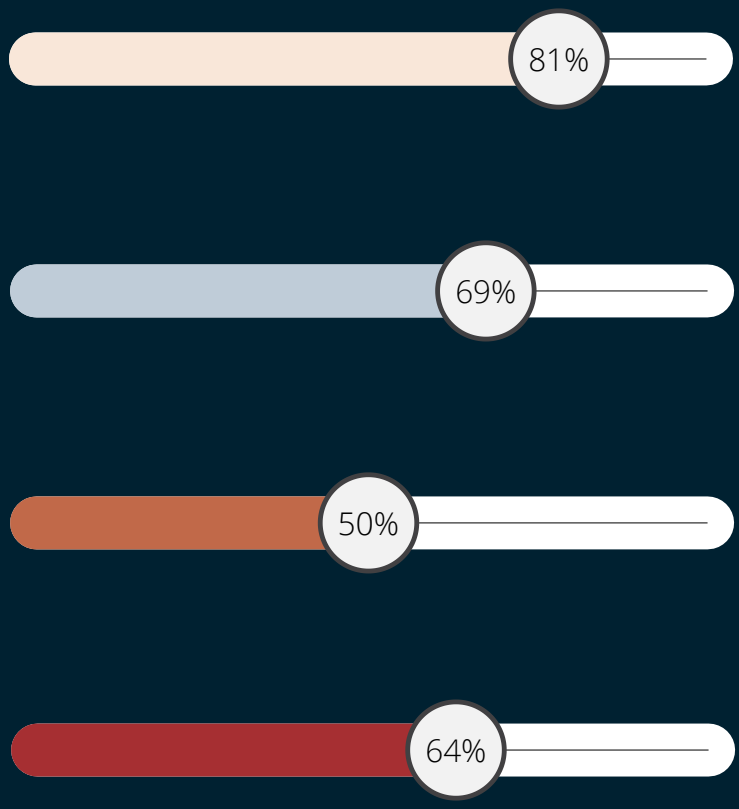
Average Trimming of Collector Staff by Clusters

Antifragiles laid off the bottom 20% performers tactically during the pandemic shutdown. **Resilients** cut the agent workforce least and unsurprisingly **Contenders** cut the most.

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69% of agencies applied for PPP loans to manage cashflows during COVID-19



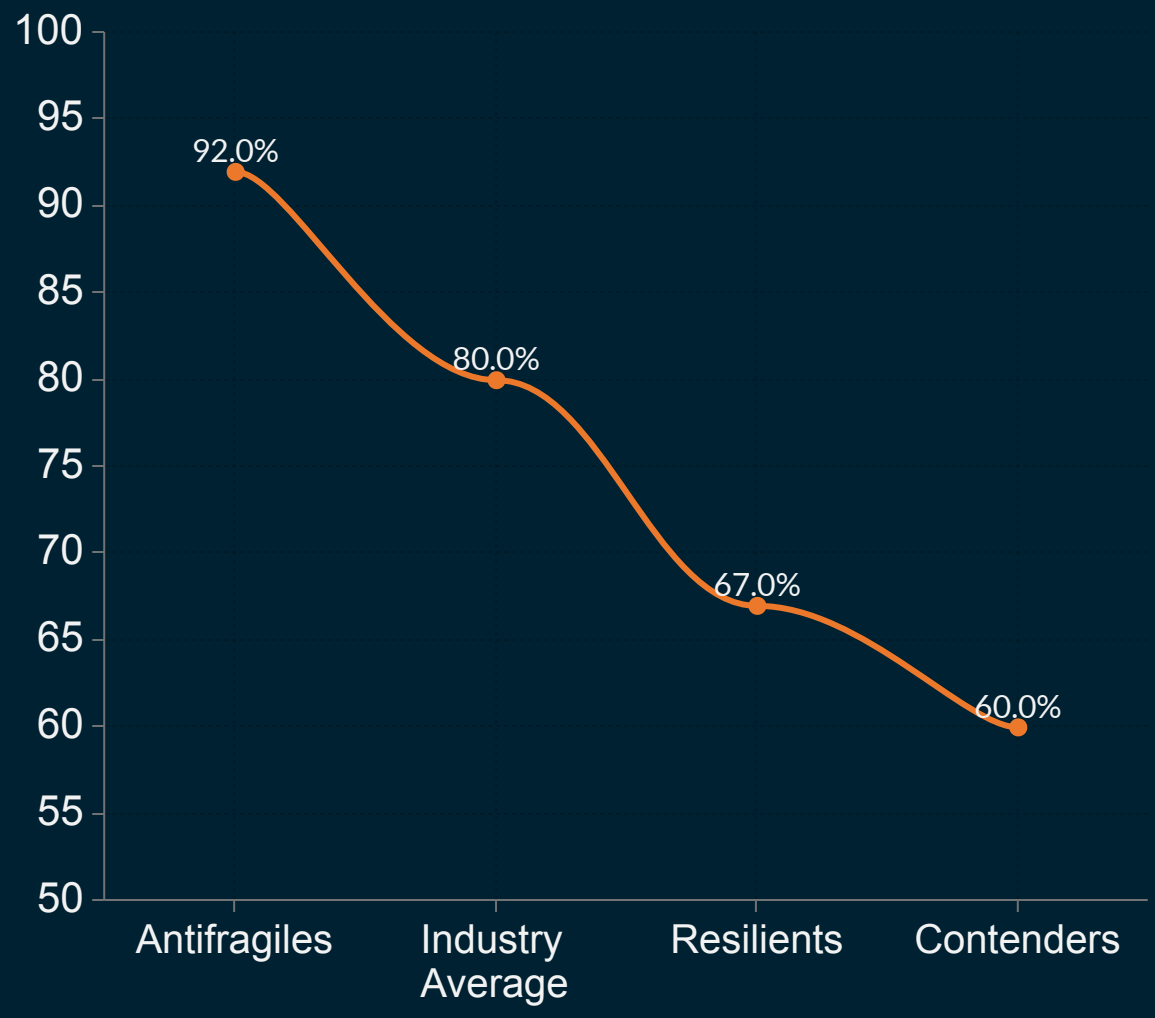
Cluster-wise Application Rate for PPP loans

Overall 69% third-party collection agencies applied for forgivable PPP loans under the CARES Act 2020. **Antifragiles** leveraged the CARES Act very effectively.

95% of the agencies that applied for PPP has received the funds.

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More than 80% of the collection agencies plan to re-hire the laid off staff

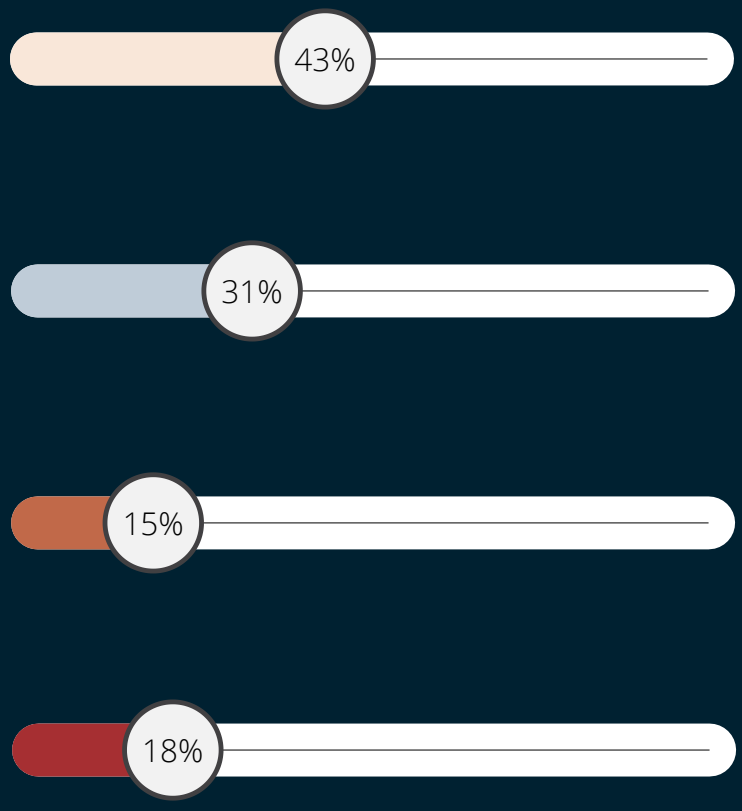


Cluster-wise Re-hiring of Laid Off Staff

Almost all the **Antifragiles** plan to re-hire some or all of the laid off collector staff. On an average, 80% of the agencies will re-hire some or all of the laid off collector staff.

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31% of the ARM industry has a positive business outlook for 2020 and 2021



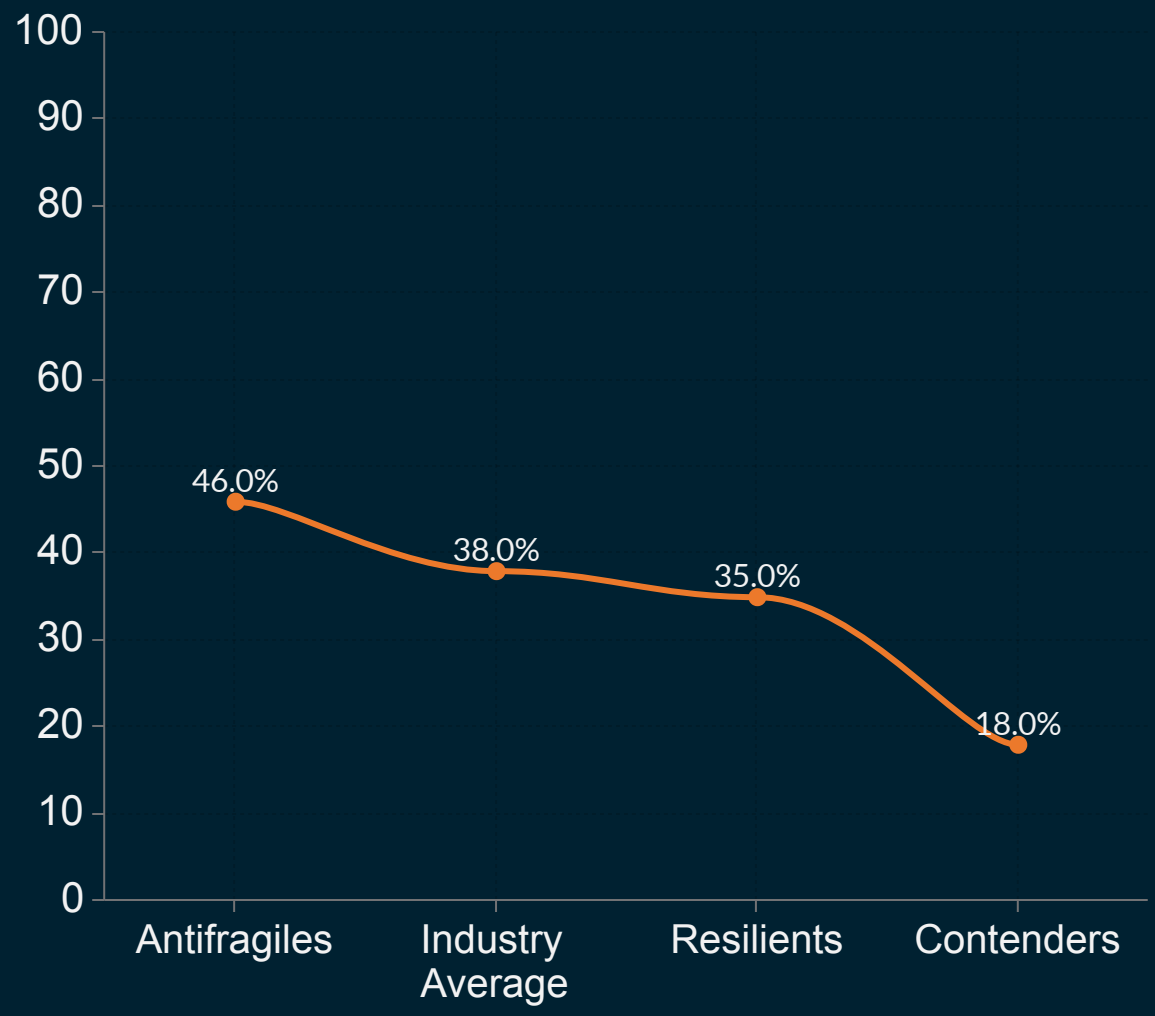
Cluster-wise Positive Outlook Split for 2020/21

Antifragiles have the most bullish business outlook and growth expectations for the rest of 2020 and 2021.
Resilients are least positive about a turnaround.

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SOFTWARE CAPEX

About 40% of the industry will increase investment in software and technology



Percentage of Agencies Planning to Invest in Technology

ARM industry has learnt from the pandemic and plans to invest heavily in software tools to monitor agent productivity, compliance, telephony and speech analytics.

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ABOUT PRODIGAL

Prodigal is a top rated collections software on G2 Crowd

Prodigal is an intelligence platform to maximize revenue & minimize risk for the collections & ARM industry. Our domain-specific Natural Language model analyzes all agent-customer interactions like calls, texts, emails to predict intent-to-pay, reachability, collectibility among other KPIs.

Our speech AI products monitor 100% of calls for compliance and collector performance with artificial intelligence.

Prodigal is rated "High Performer" in the G2 Summer 2020 Reports





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THANK YOU!

If you want to receive survey raw data, please reach out to Prodigal

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Prodigal is a proud member of ACA and RMAi.

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