

Four Key Things to Consider Before Outsourcing Credit, Collections Functions

An increasing number of companies have looked abroad, especially to Southeast Asia and Eastern Europe, as a way to cut costs. This is trend that has not missed the credit industry. And, while it would be dishonest to say cheap labor and lax regulations have helped some save money, there's often much more than meets the eye when it comes to outsourcing credit and collections functions. While some continue to do it to varying degrees, there are also a bevy of stories of companies who've brought those operations back home entirely for a variety of reasons (notably including the following).

Quality of Service

What is often overlooked is that the credit or collections group, whether they are company employees in a different location or a fully independent third-party organization, working for a company in an abroad location actually become the face of the organization. Oftentimes, especially after the easiest ("low-hanging fruit") accounts have been cleared, staffs comprised of newer collections agents, for example are not as successful as a seasoned veteran, or as experienced as those that would surround them at a the domestic office. Countless credit managers have found that the quality and speed of work often does not match up when comparing newer, outsourced talent with those from existing staffs and surroundings.

Turnover

Other than the quality of service, perhaps the most overlooked factor in an outsourcing decision is rapidly rising wages. Once these, often young, employees receive training, they often have many other options because areas of outsourcing tend to attract more and more operations doing the same for other companies. This leads to bidding wars and, often, flight to a competitor for as little difference as a couple of extra dollars per month. It isn't uncommon for entire staffs to changeover in two years or less, sometimes in as little as six months in places like India.

Public Relations

Outsourcing runs a high risk of having to clean up unwanted public relations messes. High unemployment breeds contempt in any country, and it's even more so if "their" jobs are being sent elsewhere. Additionally, there have been reports of lax controls leading to embarrassing snafus such as when a New York-based regulator publicly outed Standard Charter's money-laundering controls as "deficient" and to blame for allowing "questionable transactions" in Iran to occur. In addition, call it nationalism, prejudice or the reality of simply not being able to understand what's being said, customers want to hear from someone that sounds like them during a credit or collections call. Many polled by NACM in the United States and Europe noted a similar refrain that, "most customers just want to be called by someone from their own country."

Artificial Cost Savings

All three reasons listed above add up in varying ways to what can be its own fourth category: that outsourcing can be, in the end, artificial cost-savings. Short-term gains are all well and good, but what's the point if they cannot be sustained. Poor quality of service means customers, whether consumer or business based, might look elsewhere for product. High turnover means retraining new staffers, often with little or no experience, and dealing with potentially costly mistakes as these newbies get their proverbial feet wet. Bad public relations, like bad service, can also send customers directly into the arms of a competitor. And, once they're gone, good luck getting them back.