

# 5 signs your business is ready for a collections agency

Finding it tougher to chase customers? Or are you writing-off more bad debt?

Take a look at the top five signs that mean it's time to engage a debt collection agency.

Outstanding payments are inevitable. Perhaps your customer accidentally swiped past your reminder email, or they forgot to update their account details. It's easy to lose track, from time to time, but what happens if they miss the follow-up calls from your Payments team? If the scenario of increasing open debt sounds familiar, this one's for you.

The time to start outsourcing overdue accounts is different for every business. Let's walk through the top five symptoms that companies like yours typically experience, before they engage a collections agency.

1

# You're writing-off more debt each year and losing revenue

Every business has overdue customer accounts. However, it starts to become a problem when an increasing volume of those accounts are being deemed as bad debt - or in other words, 'uncollectible'. There's a few reasons why this might be happening:

- Your internal efforts of chasing customers have been unsuccessful
- It's cheaper to write-off the accounts than it is to attempt internal collections
- Your product team is at full capacity and stretched too thin

And this makes sense. As your business grows and continues to focus on your core product or service, your capacity for internal collections decreases. Unfortunately this is a double-edged sword. If you have a growing customer base, your revenue will increase - but stagnant internal collections efforts means that your unpaid deductibles will also build. It's easy to see how the situation can spiral.

The good news is that outsourcing collections can have a significant impact on revenue. Let's take one of our clients, a leading BNPL provider who started partnering with InDebted in the United States in October 2022.

During that quarter (Q2 FY23), their net bad debts in the US fell by

**55%**  
(from 2.36% to 1.07%)

With a multi-million dollar revenue, these percentage decreases can make a dramatic difference.

## 2

# Failed payments are stacking up, increasing your open debt

An upward trend in customer volume is always a plus. Whether it's because you've entered a new market, or you've introduced a fresh product, it demonstrates that you're hitting the mark with your customers.

But, one of the main caveats of an increased customer volume is the knock-on effect this has on your failed payments. More consumers means more overdue accounts, which causes a tight bottleneck if paired with ineffective collections. Let's take Klarna for example, who reached a similar point when they first expanded their business overseas:

**Klarna.**



“We launched in Germany, the Netherlands and Austria, and continued to run debt collection in-house. But due to the growth, we saw that this was probably going to be difficult because debt collection has never been and will never be, our core business.”

## Jan Hansson

Vice President, Collections

During an [episode of Better Debt](#), Jan explained that Klarna reached their tipping point when they experienced rapid growth. This led to Klarna partnering with external collection agencies and eventually winding down all their internal collections efforts. Now they only use external partners for their recoveries across all their 45 markets - including [InDebted in the US, Australia, Canada and New Zealand](#).

# 3

## Increasing pressure on internal teams to chase customers

Calling customers, sending reminder emails, keeping track of payments - there's an increasing amount of pressure on internal teams to manage 100% of revenue recovery. Beyond charging the card on file a few times, Payments teams simply don't have the capacity to chase customers. Calling customers whose payments have failed is a full-time role in itself, let alone all the other tasks that come with managing unpaid accounts. Especially as your customer volume grows, your internal headcount will need to scale alongside to keep up.

While it's understandable to give the responsibility of chasing overdue accounts to Finance departments, these teams are rarely set up to execute this well. Consider communication for example:

- Does your team know the best channel to contact your customers?
- Do they know what the best time is to send messages?
- What about the message itself, have they tested different types of content to see which ones customers respond to?

Even with dedicated collections software, internal teams quickly hit roadblocks when attempting to handle the complexities of maximising recoveries alone.

Ultimately this leads to a team that's stretched too thin, accounts left sitting and a growing debt portfolio. Later down the line this creates a situation where accounts become aged, making them much harder to collect internally. Not only does this amplify the amount you're likely to write-off, it heightens the original pressure on your internal teams to collect faster - an impossible expectation.

# 4

## No in-house collections expertise

Hand in hand with increasing pressure on internal teams, a lack of collections expertise is a clear indication that you could be ready for an agency. Like any Financial Service, to be carried out properly, collections need a dedicated strategy that takes multiple areas into account:

### Communication

What channels will you use to communicate with customers, what will the messages be and what times will they be sent?

### Compliance

What are the specific regulatory requirements in your regions? How will you make sure that your collections are compliant? What happens if they change?

### Payment options

What options will you give your customers to resolve their overdue accounts? Can they set up flexible payment plans and make payments in full? What medium will they use to do this, is there an online portal where they can self-serve?

### Scalability

How will your collections handle increasing account volumes as your business grows?

### Customer experience

How will you make sure that your customers have a positive collections experience? How will you measure this?

# 4

## No in-house collections expertise

### Measurement & improvement

How will you measure the success of your collections? What metrics are important to your business? How will you build in improvements over time?

A sophisticated collections agency will handle the above, and more. Where most agencies use linear strategies, at InDebted we use an intelligent collections strategy, designed by our product, Collect. Collect uses machine learning and AI technology to create a personalised collections journey for every customer. It uses data to ensure that customers can manage their debt in a way that's best for them - whether that's a flexible payment plan, a payment in full, or something in between.

With a dedicated partner, not only can you pass on the workload, you can also begin to understand your customers on a far deeper level. Your collections partner should give you actionable insights that unveil how your customers prefer to engage with their debt. This immediately gives you the upper hand, putting your business in a stronger position to be responsive to changing customer needs.

# 5

## You want to re-engage loyal customers to extend your customer lifetime value

Perhaps one of the most daunting aspects of considering an agency is the idea that a bad collections experience can alienate your customers. It's a valid concern, and with it costing five times more to attract a new customer than retain an existing one, every business is looking to protect their customer lifetime value.

When customers fall behind on payments, you could assume that their relationship with your business could be cut short. Instead of collections being a damaging experience, flipping it into a positive one that provides support and ease can restore a customer's relationship with your brand. How exactly? It's about finding an agency that understands how to work with your retention efforts, extending your customer lifetime value.

Protecting your brand's relationship with customers should be the number one priority for your collections agency. In practice, this means they should be creating a journey that puts the customer experience front and centre. This includes:

- Offering self-serve capabilities so customers have the freedom to manage their accounts independently, on their time
- Omnichannel communication for consistency across all touchpoints
- A compassionate Customer Experience team to give your customers a helping hand if they need it

By finding the right partner that understands the above and has a collections experience to match, recoveries and retention can flow naturally.

## Final thoughts

The point at which you engage a collections agency is specific to each business. It might be when internal teams have reached full capacity, or if you want to unlock additional revenue. What is clear is that as your business expands and evolves, so do the challenges associated with managing overdue accounts. If any of the above ring true for you, the time to start considering additional support could be now.

### About InDebted

Customer expectations have changed.  
Traditional debt collection hasn't.

It's outdated and impersonal, and delivered by agents with the wrong incentives. The result is low collections performance, poor customer engagement, with compliance and reputational risk.

At InDebted, we're changing the world of consumer debt recovery for good, by creating a better way for businesses to support their customers through it.

Our Collect product delivers up to 40% increased recovery performance, while being the world's highest rated debt collection solution for customer experience.

We put the power back in the customer's hands - rather than pressuring or taking an impersonal approach, our AI and machine learning is intuitive to how people prefer to manage their debt. This creates empowered customers who get back on track faster, proactively, and more sustainably.

Offering the only multi-market and scalable solution for global or enterprise businesses, InDebted is operational in the United States, Canada, the United Kingdom, Australia, and New Zealand.

[Learn more](#)