



Merging The Merging Collections Market

How To Survive

By Vinton Moss

There's no stopping it. The collections market is merging quickly and this affects everyone. My perspective stems from a background in the Fortune 500 arena, where consolidation, super-brands, and high-end communication is a must in order to survive in this ever changing market.

If your agency has 25 to 100 collectors and a fragmented portfolio of debt, then you are least likely to grow in this new market. Your agency's value is in your staff, clients, reputation, liquidation rates and bottom line. All great attributes but still not enough. In a heavily marketed industry. Your customers can be plucked by agencies that specialize and have marketed and innovated their collections platform around their unique debtors.

I've noticed this happening in the student loan, real estate, medical, child support, and government industries. However, if you adopt an evolutionary approach, you are more likely to succeed in this consolidating market; you will remain flexible enough to change quickly and large enough to market the value of your change.

During consolidation, there are two options: sit back, continue what you've been doing, or take a proactive approach and evolve your agency. How will your company benefit from this new market position? Will consolidation affect your agency and what actions can you take to secure your future? I will further discuss the three most important aspects of your agency and how they will affect your goals.

Specialization

You don't in anyway want to be like the collection agency next door. This makes you a commodity. Take a proactive approach, focus on one industry and build your brand, market your collections and customer service programs around the industry to create intrinsic value when soliciting new business. If you're a large agency, break up your brand. You'll need to change with everyone else be-

cause this is a highly competitive marketplace and you can't feed everyone.

I'm going to compare the collections market to the food service industry. Granted both industries are different but their principles for organization and growth are the same. I was a waiter for 5 years in college and have worked on brand management for more than 6 different franchise food chains. Let's treat each agency as a different cuisine. Alliance One: you are a large food court and some customers are looking at your different restaurant options, but there's no signage distinguishing their unique value. If you don't define your sub-brands other agencies will eat up your market share. Your clients are making their decision based on a few assumptions "Well, they're big so they must be doing something right" "They have great technology and liquidation rates along with experience in my industry" and "I trust my sales person, Bob." Ok, everyone says they have great liquidation rates, everyone says that have the most advanced technology and Bob is a manufactured character. Refinement is the key and although it's beneficial for your agency to put one profitable division's resources into one that is lacking, it is not good for your customers.

Alatax, you are Daphne's Greek Café, you're smaller, have grade A meat, you're focused and you're backed by strategy that will create long term intrinsic value for your clients. Every other agency that is 15-100 collectors with a fragmented portfolio of debt is basically the corner deli.

Although your delis offer great food in your region, what happens when a franchise steps in with a highly optimized process, faster service, predictable results and unbeatable rates that are consistent with their industry? This is a reality in every market because we are in "The Communication Age." Where internet, e-mail & cell phones allow large amounts of information to travel through business channels at greater speeds. You are good for now, but when your customers find re-

sources that are more inline with their cravings, you become a commodity.

I understand that you need to keep revenue flowing. I'm not suggesting that you drop everything, I'm suggesting you begin your evolution to avoid being passed up.

Research, quantify and dive into new markets.

It's expensive for large agencies to start new divisions. Smaller agencies can lay the ground work on new markets if they are inline with upcoming trends. Study industries outside of collections that will affect a segment of the collections market. Take anyone in telecommunications right now; they should be savvy to Internet Service Provider (ISP) phones. Vonage is a great example. They provide a land-line phone that replaces traditional service providers like SBC at a fraction of the cost with unlimited long distance.

ISP phone companies have unique billing situations with their customers and new ISP Phone companies are surfacing daily. In fact, ISP phones are so competitive that it's going to be difficult to justify a traditional land-line phone service provider in the next 5 years. If you were to start this division, lay the ground work and focus on either marketing your way or buying a small agency with ISP phone contracts, you will be poised to enter this new market profitably.

Organize

If you left your company, how many days do you think it would survive without you? Be honest, if it's less than 3 months there is cause for concern. *Work on the agency and not in it.* A great book I think every Entrepreneur should read is *E-Myth* by Michael Gerber. In his revised version he details how entrepreneurs often get stuck in reactionary mode responding to the day in and day out problems of their businesses, picking up where everyone else left-off with the mindset that they're the only one that will do things

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correctly. Michael explains the McDonald's platform. He suggests considering duplicating one's knowledge in a tangible format, so you can create systems and procedures that are executed with precision every time.

Commit this to memory "great systems, not people", simply because people come and

vate the service platform, upcoming trends and marketing.

I often hear agencies complaining that another agency is offering an insane contingency rate, like 12%. I'm beginning to think that it's less about rate cutting and more about a highly optimized process and understanding their debtors.

Furthermore, a fully automated business with very little require-

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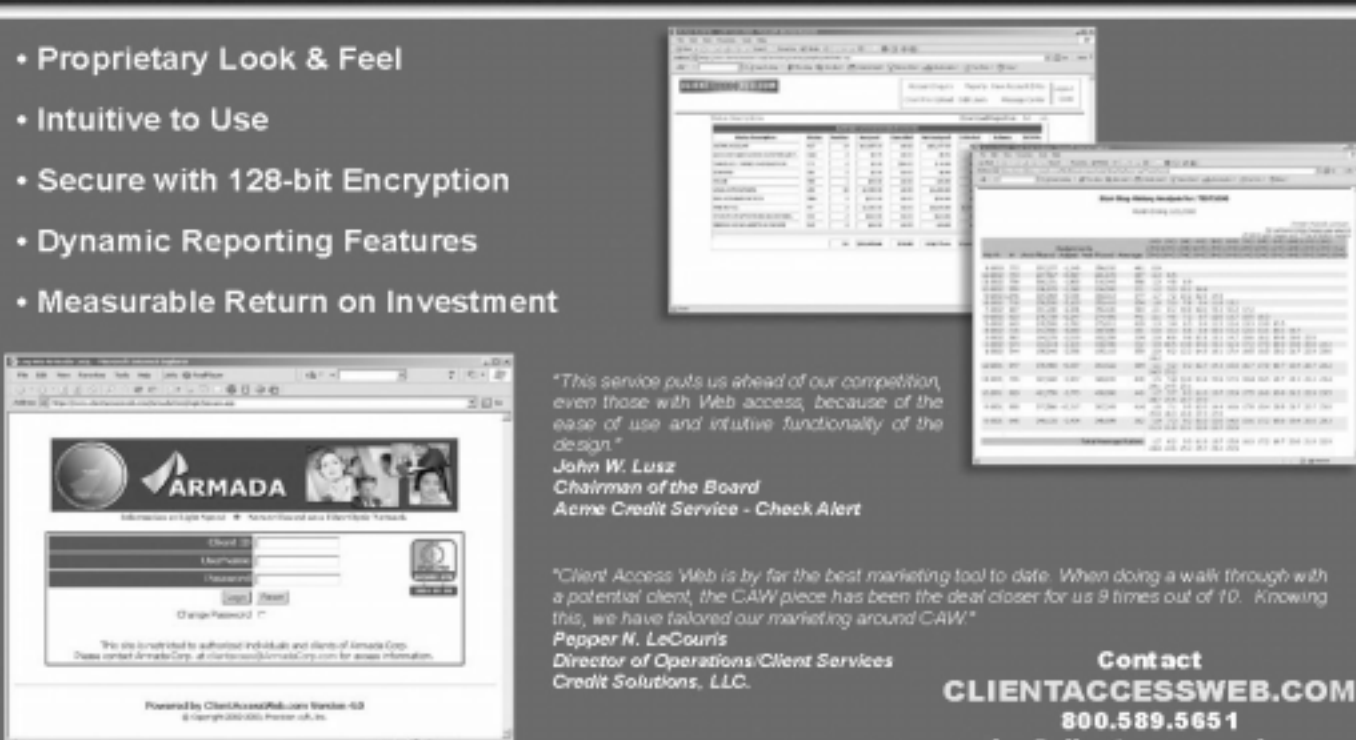
go. If your systems and procedures are squared away, great people are going to carry them out much better, including you. This type of mindset begins to automate the business allowing you to focus on more important issues within the company like how to inno-

ments from the owner is a much easier sell. ••
Article by Levon Vinton Moss. Vinton Moss is a business development firm specializing in the collections industry. For More Business Development Tools and Strategies visit <http://www.vintonmoss.com> or call 714.845.1900.

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