TrueAccord

Snap Finance: Putting Digital-First, Machine Learning-Driven Collections to the Test

snap! finance

Snap Finance is a lease-to-own financing provider. Their nationwide network of merchants support customers making purchases in industries like furniture, auto, electronics, and jewelry. Through its lease-to-own financing model, Snap Finance can offer help to those customers who can't receive traditional financing.

In this case study, we look at Snap Finance's journey to build their first third-party collections program — and their decision to invest in TrueAccord's digital-first, machine-learning-driven collection solution.

The Challenge

In 2019, Todd Johnsen, Snap Finance's Senior Manager of Collections Vendors, was charged with doing something that had never been done at Snap before: developing a third-party collections program.

According to Johnsen, "At that time, the only recovery program for charge-off accounts was a call-and-collect settlement at tax season. I knew we could do better, but we'd have to start from scratch." Johnsen also found a large amount of backlog accounts that had never been worked by a collections agency, as well as the need for a forward flow third-party recovery program.

The upside to developing a collection and recovery program from scratch? The sky was the limit for Johnsen and his team. "We were not constrained by old ways of thinking, and

so we could go in any direction we wanted." Johnsen said.

The Process:

A/B Testing Traditional and Digital-First Agencies

Johnsen and team surveyed their options: they looked at both traditional agencies (predominantly making outbound calls) and digital-first collections solution providers, like TrueAccord. Johnsen was particularly interested in how digital-first providers like TrueAccord used machine learning to optimize their relationships with consumers via digital channels like email, SMS, and push notifications.

"My thought process was — we work with subprime consumers who may have bad associations with debt collection," said Johnsen. "This audience may have already had experiences with incessant collection phone calls, and they are used to avoiding them. I wanted to find an agency that was doing things differently. I knew that TrueAccord was using technology and digital channels in a way that other providers weren't"

While Johnsen was curious about working with a digital-first agency like TrueAccord, he wasn't ready to go all-in immediately. The Snap Finance team decided to engage both a traditional agency and TrueAccord and compare the results.

In evaluating TrueAccord and the traditional collection agency, Johnsen and team kept these key factors in mind:

Performance:
Is this agency helping us improve our liquidation rates?

Security & Compliance:
Is this agency fully compliant and able to successfully adapt to the changing regulatory environment?

Continuous Optimization:
At each agency, how quickly can adjustments be made to optimize collections?

The Results:

TrueAccord delivers consistently better results than traditional collections agencies

In comparing the results of TrueAccord and traditional collection agencies, Snap Finance found that TrueAccord won across all three parameters: performance, security & compliance, and continuous optimization.

Performance

"The reality of the results really knocked me out," said Johnsen. "What we saw was almost 25-35% better performance on the accounts that we placed with TrueAccord, compared to the accounts we placed with traditional agencies. It was a real eye-opener. In fact, TrueAccord is number one in every tier I have them in. We've seen nothing but huge benefits as a result of that individual, digital-first interaction that TrueAccord tailors to each consumer."

Security & Compliance

With regards to security and compliance, Snap Finance also gave TrueAccord very high marks in comparison to traditional agencies. Through a thorough vetting process, Snap Finance confirmed that TrueAccord's security systems and processes meet Snap's high expectations for data privacy and security.

Johnsen also noted the importance of ensuring that customer interactions included verbiage from a catalog of responses that Snap Finance felt comfortable with. The team at Snap Finance appreciated TrueAccord's ability to provide new choices for outbound content, as well as in-house legal and compliance review for content approval.

In addition, Snap Finance felt fully comfortable with TrueAccord's ability to adapt to changing regulations. "Having a partner that uses a digital-first product with machine learning means they don't skip a beat when having to implement new regulations," said Johnsen.

Continuous Optimization Through Machine Learning

For Snap Finance, the key to TrueAccord's success ultimately lay in their mastery of continuous optimization through machine learning. TrueAccord's machine learning engine, HeartBeat, allows collection processes to continuously optimize based

> "*What we saw was almost **25-35% better performance with TrueAccord**, compared to the accounts we placed with traditional agencies*"
>
> *- Todd Johnsen, Senior Manager of Collections Vendors, Snap Finance*

on how consumers engage. HeartBeat learns how and when consumers are more likely to interact with collection communications and automatically creates a personalized, constantly optimizing collection journey for each individual. The result is better liquidation rates, as well as more alignment with consumer preferences.

In addition to machine learning, the value of a digital-first collections approach became immediately clear to Snap Finance. "The consumer can choose to react to an email when they want to — as opposed to a phone call which is more intrusive," said Johnsen. "The machine learning engine and digital-first approach creates a much better relationship with consumers than call-and-collect."

For a closer look at what machine learning-driven debt collection looks like in practice, see the graphic below (Figure A: Consumer Journeys).

"Simply put, the digital-first, machine learning-driven approach that TrueAccord uses is more effective than traditional methods of debt collection...and it only improves over time," said Johnsen. "As we provide more volume to the machine learning engine, the results get better and better."

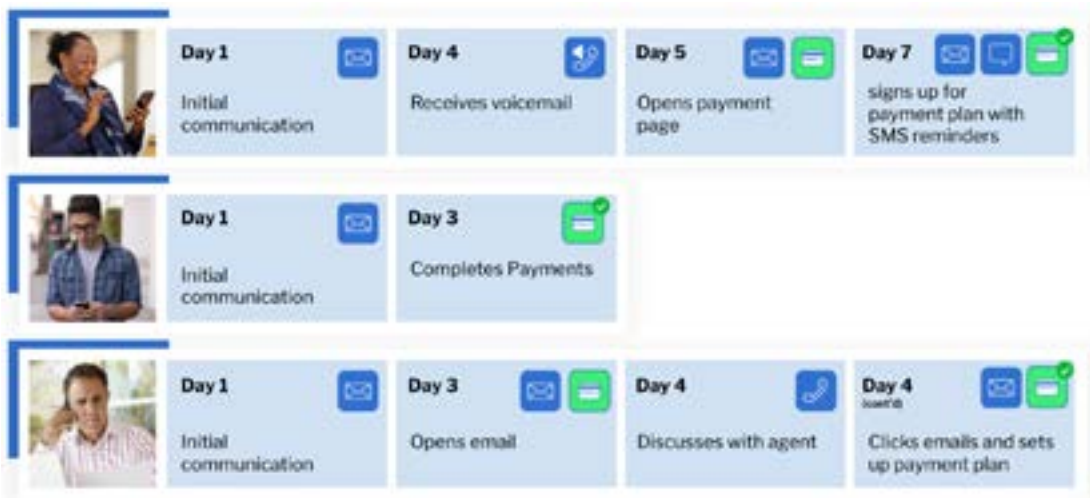### Three examples of millions of possible, machine learning-powered personalized customer journeys...

Figure A: Customer Journeys

About TrueAccord

TrueAccord is a digital-first provider of outreach, recovery, and collection solutions helping more than 20 million consumers of service, lending, technology, financial, and FinTech organizations since 2013. We are transforming the debt collection industry and helping consumers reach financial health with convenient payment plans, customized billing schedules, and easy documentation.

Email sales@trueaccord.com or sign up for a product demo to learn more.

TrueAccord