

## **ARM Industry “Potential” Grows Amid Global Financial Woes**

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While the current global financial crisis has had a devastating worldwide effect, it has also created extraordinary growth opportunities for some industries.

Even as nations' economies have been shaken to their cores, the business opportunities for collection agencies are increasing dramatically. And it's not hard to see why.

- In the United States alone, consumers have racked up more than \$2 trillion in consumer debt, with borrowing on credit cards rising steadily.
- Various sources indicate that two out of every five American households spend more than they earn each year and that the average family non-mortgage debt in this country is about \$14,500.

As long as outstanding debt continues to grow, a number of industry experts predict there will be strong demand for collection and related services. Indeed, the overall outlook for the collection industry remains strong. Kaulkin Ginsburg, a leading advisor to the accounts receivable management (ARM) industry, projects revenue growth in the debt collection industry of 6% percent annually – from an estimated \$16.7 billion in 2006 to \$22.2 billion by 2011. And the U.S. Bureau of Labor Statistics predicts that debt collection employment will grow 23% between now and 2016.

### **Reality Check**

But wait a minute: If the need for the ARM industry's expertise is greater than ever, why are so many collections companies struggling? The answer is that while debt ratios are growing, so is the non-payment of debt. The ARM industry is facing the same challenges every other business is facing in this money-squeezed economy: When times are tough, potential payments for consumer and business debt often flow to daily essentials such as rent and mortgage payments, company payroll, food and utilities.

Faced with a period of unprecedented business opportunity in which the opportunity is not bearing fruit, collection agencies **MUST** find a better way. Many are finding that better way in the form of outsourcing.

### **Fast-Growing ARM Outsourcing**

As fast as the debt collection business is growing, the outsourcing of these services has grown even faster. This growth is consistent with the trend of companies focusing on core business functions while contracting out other activities such as print and mail management. Data management companies can take a collection agency's electronically supplied letter data and handle all the data cleansing, processing, printing, and mailing. Many such outsource companies format, print with variable data and mail critical documents within 24 hours. In addition, many outsource companies provide a broad range of automated document distribution solutions including online document management storage, archival and retrieval, web delivery, email notification and auto-fax.

Outsourcing your printing and mailing services can provide added value in at least six ways:

1. **More Effective Communications:** While advancing technology has brought tremendous sophistication to the ARM industry's communication with debtors, effective collection letters continue to be a staple of debt collection. It has been proven that the aesthetics of a collection letter (e.g., use of reader-friendly language; type font; color; letter format and design) can increase debt collection success. The top collection letter vendors are adept at these communications.
2. **Postage Discounts:** Because of the large volume of letters handled, ARM outsourcing companies can provide deep discounts on postage rates – some offering discounts of 15-20 percent or more.
3. **Reallocation of Resources:** Companies that outsource their letters can stop spending precious capital dollars on mailing and sorting equipment and focus on their core business of collecting accounts receivable.
4. **Mailing Accuracy:** In the United States, about 14 percent of the population moves every year. This makes accurate mailing of collection letters a business essential. National Change of Address (NCOA), skip tracing and other services usually are part of an outsource company's arsenal of cost effective ARM services.
5. **Compliance:** ARM outsourcing companies are aware of the laws impacting the collections industry and provide information and direction that serves as a buffer against legal mistakes.
6. **Geographical Flexibility of Processing and Mailing:** The geographic needs of many small collection agencies are limited. But most national ARM agencies require the cost efficiency, timeliness and reliability of multiple processing/ mailing locations.

The global economy's economic indicators predict a banner year for outsourcers of ARM services. But only forward-looking ARM agencies – those that realize that “potential” doesn't necessarily equate with “reality” – will take advantage of the opportunities to come.

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