2021 FIRST QUARTER MARKET INSIGHTS

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2021 First Quarter Market Insights

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A WELCOME MESSAGE

FROM MICHAEL LAMM

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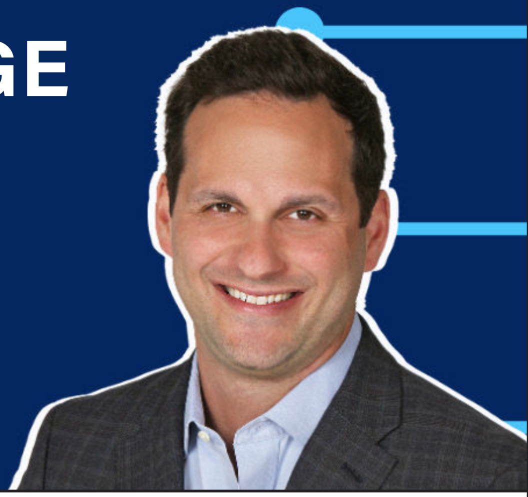

Dear Reader:

The Tech-Enabled Outsourced Business Services sector had a robust Q1 2021 with 96 transactions totaling nearly $8.251B in deal value compared to Q1 2020 which only had 22 in transactions and $1.733B in deal value (and one global pandemic). The beginning of 2021 was fueled largely in part by mega deals with larger companies combining forces as we come out of the COVID-19 pandemic.

Despite COVID-19, our coverage markets continued to attract both strategic and financial buyers who recognized the positive market shift underway with technology as well as continued disruption anticipated by the CFPB from a regulatory perspective.

With strong consumer sentiment and the vaccine rollout underway, the market is continuing to see the Healthcare Revenue Cycle Management, Customer Relationship Management and Accounts Receivable Management sectors as attractive areas to place long-term bets.

At CAS, we closed a healthcare RCM deal, added a Digital Marketing Coordinator and brought on two new interns via the CAS Cares Program.

We also started to travel a bit more this year as CAS sponsored and attended the ACA C100 meeting in Florida and my partner Mark headed out to Las Vegas for the RMA conference this past week.

We remain excited about the remainder of the year and believe that we will see a lot of M&A activity and many new entrants (domestic and international) into our coverage areas.

On a personal note, my wife and I just welcomed our 3rd child, Henry Penn Lamm, 7 lbs and 14 oz on April 11th. We couldn't be any happier and tired at the same time!

To receive real time updates and news on tech-enabled OBS, please follow us on the social media channels linked above.

Sincerely,

Michael Lamm
Managing Partner
Phone: (202) 904-7192
E-mail: mlamm@corpadvisorysolutions.com
LinkedIn

CAS Corporate Advisory Solutions

RESOURCES

WEBINARS

ARM M&A Deal Talk: Ep. 30

- In this webinar, Michael Lamm talks about changes that need to be made and how the pandemic is affecting the industry.
- Watch the webinar here!

M&A: Let's Make a Deal

- Michael Lamm and Gary Tier of The Forwarder List discuss what is involved with mergers and acquisitions in the collection industry, along with what we can expect coming out of the pandemic.
- Watch the webinar here!

PODCASTS

ARM M&A Deal Talk with Michael Lamm

- An ongoing, podcast by Mike Gibb with Michael Lamm on a different ARM subject during each session
- Listen to all the sessions here!

Leadership Fuel with Michael Lamm

- Leadership Fuel is a podcast series produced by ACA International featuring Michael Lamm. This series shows how building and maintaining strong leadership skills is a lifelong process that requires ongoing training and a commitment to greatness.
- Listen to the most recent podcast here!

ARTICLES

ACA NEWS: "M&A Specialist Predicts Beginning of Transformation in Corporate Culture"

- Technology in the ARM industry and the ongoing development of artificial intelligence are shaping market trends.
- Read the article here!

Touchpoint by Firmex: "Michael Lamm of Corporate Advisory Solutions Answers the Proust Questionnaire for Dealmakers"

- This interview features Managing Partner Michael Lamm, who shares his insights into the art and science of dealmaking.
- Read the article here!

CAS: "Is a SPAC or Search Fund in Your Company's Future?"

- Owners who would prefer to monetize their OBS companies, and take a well-earned victory lap, should add SPACs and search funds to their list of potential exit strategies.
- Read the article here!

RMAinsights: "Mitigating the Next "Super Spreader"

- Fraud prevention and risk management in the remote work environment.
- Read the article here!

CAS CLOSES A HEALTHCARE RCM TRANSACTION IN Q1 2021

Although the challenges faced during the past year have led to adaptations in our process, we have successfully closed 6 transactions in 2020 and a RCM transaction this first quarter in 2021.

Read more about the recent transaction **here.**

If you have any questions about M&A during the pandemic, please contact our Managing Partners.

Mark Russell*
(301) 404-5757
mrussell@corpadvisorysolutions.com

Michael Lamm
(215) 717-8719
mlamm@corpadvisorysolutions.com

UPCOMING INDUSTRY EVENTS

AFCC Spring Conference 2021
Managing Partner Michael Lamm- Registered Virtual Speaker
May 16-17,
Miami, FL/ Virtual

ACG SaaS & Tech-Enabled Services Deal Conference 2021
May 18-19
Virtual

ACA International Convention & Expo 2021
July 28-30
Las Vegas, NV/ Virtual

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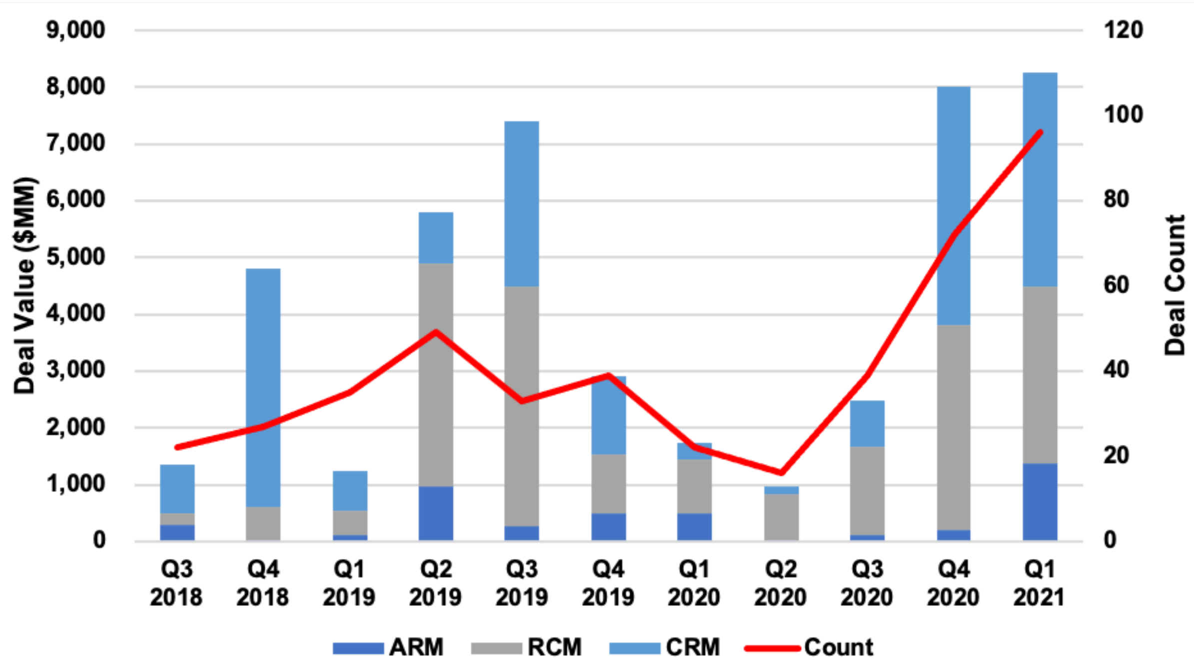
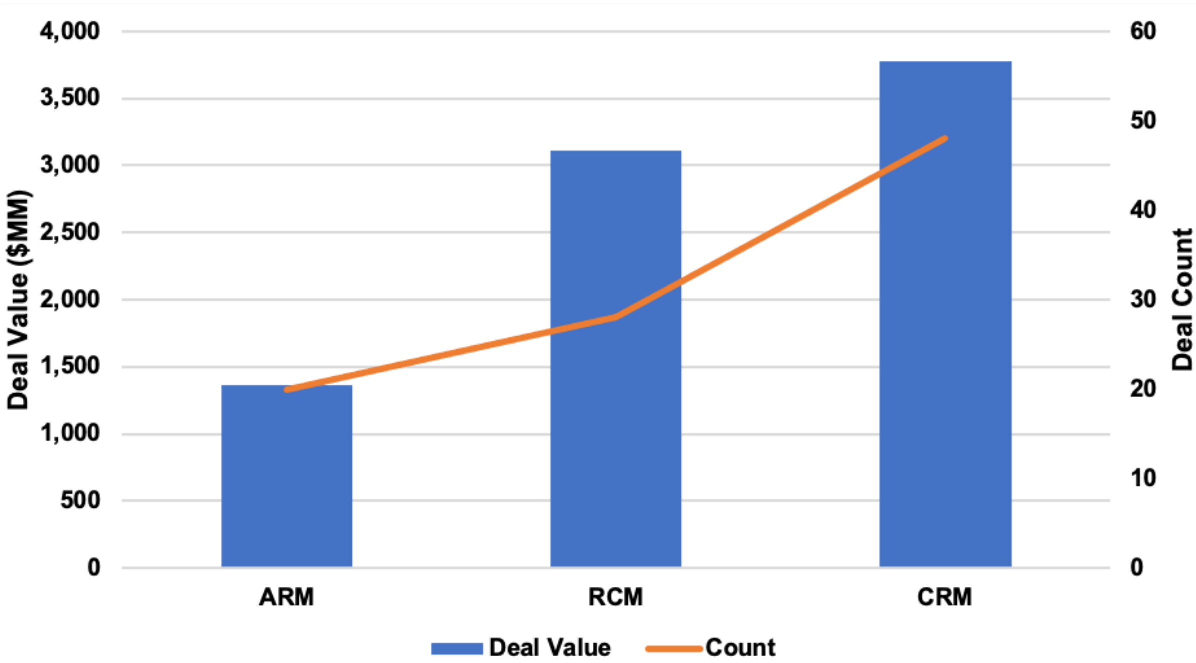
Tech-Enabled OBS Market Overview*



Source: Proprietary CAS Database

Q1 2021 OBS Deal Value and Count by Sector*



Source: Proprietary CAS Database

*We continue to reflect technology companies that service our coverage markets in the OBS Market Overview chart above. We began to include technology service companies in Q1 2019. CAS believes these companies characterize similar companies we have represented in the past. As technology tranforms our markets, they should be included in our deal count.

Accounts Receivable Management (ARM)

CAS sees a shift towards digital as the ARM market further embraces technology as we move out of the COVID-19 pandemic.

While the ongoing vaccine rollout preludes to prompt economic recovery, changes in the macroeconomic environment could create material shifts in the ARM industry, both for better and for worse. Technology-enabled debt collection companies also attracted robust investment and interest from buyers, promising to disrupt the industry and boost profitability growth.

President Biden's administration will begin pushing for a tax policy overhaul that would raise the tax rate on capital gains to 40 percent for all proceeds of business sales over $1 million. If passed, this would urge more sellers to enter the market before the new tax rates come into effect. As such, the M&A markets are prepared for an uptick in activity in 2021.

In March, House Democrats and Senate passed a $1.9 trillion Coronavirus rescue package. Eligible Americans have begun receiving their long-awaited $1,400 stimulus checks. The plan added $25 billion in rental and utility assistance, $10 billion in mortgage aid, expansion of subsidies for health insurance, and $30 billion in aid to restaurants. Democratic Senators also introduced an anti-garnishment bill to categorize stimulus payments in a way so that debt collectors would not be able to seize the checks. However, the bill had since been blocked by Republican Senator Pat Toomey. Massachusetts is an exception; MA Attorney General Maura Healy determined that the emergency cash payments qualify as public assistance, which under state law is exempt from seizure or garnishment.

With the addition of the fiscal stimulus, there would be fewer new delinquencies, continued strong issuance volume of loans, and increased loan resolutions. According to FitchRatings, loan losses would likely materialize in the second half of 2021. The delinquency rate of U.S. commercial mortgage-backed securities (CMBS) fell to 4.55% in January 2021 and is predicted to improve to below 4% by the end of the year. However, rates are expected to be volatile, especially during the first half of the year due to the continuance and extent of government support measures, servicers' appetite for forbearance or modifications, efficacy of the vaccine rollout, and issuance volume of new CMBS. There would likely be no significant reduction in the overall delinquency rate until 2022.

On March 11, 2021, the U.S. House Committee on Consumer Protection and Financial Institutions held a hearing titled "Slipping Through the Cracks: Policy Options to Help America's Consumer during the Pandemic," which reviewed 18 bills targeted at financially assisted consumers with outstanding debts. The proposals include restricting actions that debt collectors could take and offering forbearance options for consumers and small businesses to procure necessary help for those most impacted by the pandemic. The amendments could force lenders to limit the amount of debt in circulation or raise interest rates to stay in business. On the other hand, the ARM industry could also view these proposals as a potential tailwind; small businesses that lack the resources to independently collect on their debts could turn to use ARM service providers. With the hearing record being left open, CAS will continue monitoring the process as it unfolds.

In addition, the SCAM Debt Act had been introduced in the House of Representative (HOR)

ARM (continued)

that proposed amendments to the Fair Debt Collection Practices Act (FDCPA). If passed, the bill would require debt collectors to change the information included in the written notice that follows an initial communication and provide a written notice at least 30 days before commencing legal action against a consumer. Instead of only informing the amount of debt owed, collectors would have to provide an itemization of the debt, the most recent date of default, the amount of made payments since such date, and the amount of any interest or fees accrued on the debt. Collectors would be required to provide a written notice that would include all the methods that a consumer can use to contact the collector, and must be sent between 30 and 60 days before filing a lawsuit. At the same time, legislators in both the HOR and the Senate have introduced a bill called the Medical Debt Relief Act, which seeks to amend the Fair Credit Reporting Act (FCRA) and FDCPA regarding how medical debts are collected. The legislation would amend the FCRA to implement a one-year waiting period before medical debt could be reported on a consumer's credit report and would amend the FDCPA to provide a timetable for verification of the medical debt.

Republican Senator Mike Crapo and Democratic Senator Amy Klobuchar are re-introducing their anti-robocall bill, which seeks to give voice service providers the power to create their own whitelists of phone numbers that are not eligible to be blocked and to empower the Federal Communications Commission to create a report analyzing the effectiveness of call blocking tools. If passed, the bill would prevent unwanted and illegal robocalls while ensuring that consumers continue to receive public safety calls. For ARM companies, this amendment may help ease their process of getting in touch with consumers.

Biden's Education Secretary Miguel Cardona canceled $1 billion of student-loan debt for about 72,000 defrauded borrowers. Although cancellation for all student loan debt has not been implemented, debt accrued by students that had been defrauded by for-profit schools was forgiven. This reversed a policy implemented during the Trump Administration that provided only partial debt relief to these students.

President Biden announced his nomination of Rohit Chopra as the Director of the Consumer Financial Protection Bureau (CFPB). Previously, Chopra was one of the two Democratic commissioners at the Federal Trade Commission (FTC). During the Senate hearing, Chopra outlined some key focus areas on abusive debt collection practices, student loan borrowers, foreclosures, fair lending, Fintech, credit reporting, and the housing market. His appointment is anticipated to radically reshape CFPB's regulations and enforcement with an emphasis on increased surveillance, stricter standards, and "aggressive action" under the new administration. As one of Chopra's first orders of business, the CFPB issued a 60-day delay for the effective dates (now January 29, 2022) of the proposed rules. The pandemic was cited as the reason for delay, but skeptics believe it could give the CFPB additional time to take a tougher stance.

On the state level, Oklahoma, Nevada, Maryland, Ohio, Colorado, and New Mexico had passed bills that prohibited healthcare providers from placing unpaid debts with a collection agency, unless the patient received a "good faith estimate" of costs before the service. In the event a patient is not able to receive a good faith estimate prior to being treated — such as in the case of an emergency — the healthcare provider would not be allowed to charge more than 165% of the Medicare rates for the services that are provided. If passed by the House and signed into law, it would go into effect on November 1, 2021.

ARM (continued)

Q1 2021 began with robust M&A activity within the ARM and payment solutions industries. A number of accounts-receivables collection tech companies announced their respective funding rounds, including HighRadius and PromisePay. One of the companies highlighted in CAS Q3 2020 newsletter, Symend, also reported $43 million in raised capital as an extension to its Series B closed in May 2020. On Feb 9, 2021, Katabat, the leading provider of debt management solutions, and Bridgeforce, an international financial services consultancy, announced a formal partnership to bolster Katabat's managed service debt collection software products.

Looking forward, the ARM industry anticipates rapid technological transformation as companies leverage behavioral analytics, machine learning, and artificial intelligence to automate invoicing solutions and improve the debt collection experience for consumers. Companies must adapt to the regulatory escalations with the new presidential administration.

ARM Spotlight

Company	Overview	Insights
highradius	HighRadius is an artificial intelligence (AI)-powered Software-as-a-Service (SaaS) company that offers streamlined accounts-receivable, order-to-cash, and treasury processes. Founded in 2006, the Houston-based company has over 600 customers, including more than 200 of the Forbes Global 2000.	March 30, 2021, HighRadius announced its $300 million funding round in Series C, which valued the company at $3.1 billion and granted its "unicorn" status. D1 Capital Partners and Tiger Global Management led the round, with participation from existing investors ICONIQ Growth and Susquehanna Growth Equity.
InDebted	Founded in 2016, InDebted is the Australian-based developer of a cloud-based debt collection software that offers tailored debt management tools. Leveraging machine learning, InDebted enables small and medium businesses to get flexible payment options baay utilizing consumer preferences for servicing overdue accounts and providing application programming interfaces (APIs) to link to customer account systems.	Feb 9, 2021, InDebted acquired Delta Outsource Group, a debt collection agency based in Illinois, for an undisclosed amount. Prior, in 2020, InDebted had raised $14 million in Series A for a total amount of $15 million in total venture backing.
PromisePay	Headquartered in San Francisco and founded in 2017, PromisePay is a modern payment solution platform for the government. The company offers intuitive omnichannel payment options and efficient billing of utilities, taxes and fees, child support payments, and parking and traffic violations. The company boasts a team of technology and government experts from companies like Palantir, Stripe, and Google.	Feb 18, 2021, PromisePay raised $20 million in Series A, bringing the total raised to over $30 million. In 2018, the company joined Y Combinator incubation program and received $3.9 million in seed funding.

Revenue Cycle Management (RCM)

CAS sees technology and continued shift to outsourcing non-core competencies to fuel growth in the revenue cycle sector.

As the US healthcare industry approaches a new era characterized by digitized and consumer-focused care, the RCM sector is one of the top areas in healthcare ripe for innovation and disruptions.

The substantial disruptions to healthcare related to the COVID-19 pandemic, e.g. hospital revenue inconsistencies, contactless patient engagement, and an emphasis on consumer preference, have pushed the industry into what experts have dubbed the "Future of Health." Overall, healthcare spending is projected to slow and ultimately decline in light of emerging technologies, the ability to cure and prevent disease, and engaged healthcare consumers – estimated to be $83 trillion by 2040, about $3.5 trillion less than CMS actuaries estimations.

Going forward, healthcare revenues will be driven by new business models, scientific and technological breakthroughs, consumers armed with highly personalized data, equitable access to care, virtual health, digital patient engagement, advances in data sharing, interoperable data, and regulations that encourage change. As technology and consumer preference become focal points in healthcare, industry revenues are expected to change in four paramount ways: first, experts predict a shift from the general hospital to more specialized care sites that are less expensive and more conveniently located with lower acuity. Second, virtual, preventative care supported by digital and patient engagement tools such as in-home monitoring and telehealth will increasingly displace one-stop, on-premise care. Third, experts predict a shift from mass-produced therapies to personalized medicine to decrease economic waste, treatment expenditures, and risk across covered individuals. Finally, the Value-Based Care Model will manifest with the focus on well-being, care delivery, data and platforms, and care enablement aligned with consumer preferences. These points mark the end of the general hospital, less mass-produced therapies, and a change in how healthcare is financed, which will drive 85% of healthcare revenue, experts predict. In this environment, health systems and clinicians that invest in next-gen capabilities and technologies will likely experience growth while those that continue to invest in traditional infrastructure and talent could be left behind.

As healthcare systems adjust to these technological, regulatory, and market changes, RCM is named one of the top areas in healthcare ripe for innovation and disruption. Poised to grow significantly, the RCM market is predicted to surpass $135.1 billion in the next decade, despite the predicted shrinkage in healthcare spending. This is because hospitals face immediate challenges going into 2021, including staffing, cost and revenue, practice transformation, technology, and operation. As such, health systems increasingly turn toward outsourcing to streamline patient collections, decrease administrative burden and cost, and optimize claims management in the era of complex coding, higher claim denials, increasing regulation, and resource constraints.

The top revenue cycle-related challenges driving RCM growth in 2021 include a 23% uptick in claims denials, non-current Accounts Receivable, and billing complications; an estimated $122 billion in hospital revenue losses in 2021 in addition to the $323 billion loss in 2020

RCM (continued)

due to the lagging recovery of patient volumes this year, particularly for physician specialties; and a variety of political and regulatory developments.

The current political environment is having direct impacts on the RCM industry. The latest $1.9 trillion COVID-19 relief package includes several provisions advantageous to healthcare providers but will leave them facing significant Medicare spending cuts in the future ($36 billion in 2022). Passed in March 2021, the American Rescue Plan Act of 2021 will funnel $8.5 billion to reimburse rural healthcare providers for expenses and lost revenues attributable to COVID-19. The bill also has been praised for its expansion of Medicare eligibility and coverage, however the AHA is disappointed that the bill does not deliver more overall funding for the Provider Relief Fund, which has been crucial in supplying hospitals, health systems and other providers with resources during the pandemic. Furthermore, the relief package prohibited some surprise medical billing, a movement that will become permanent on January 1, 2022 under the No Surprises Act.

Upon election, President Biden indicated he plans to reform Medicare and Medicaid eligibility, surprise billing, drug pricing, value-based care (VBC), and more during his tenure. Throughout the pandemic, providers in value-based contracts were more prepared to handle the reduction in patient volumes and establish new, unconventional care pathways, such as telehealth. In order to build a more resilient organization moving forward, leaders will be more interested in value-based contracts and the flexibility they offer. So far, though, the Biden administration has paused several prominent VBC models, while Medicare continues to push toward VBC as the CMS has announced that it is now accepting applications for cohort two of the Medicare Primary Care First value-based payment model. Meanwhile, many hospitals are independently turning to VBC payer contracting systems to maintain consistent revenue streams, with physician practices trailing hospitals in VBC readiness. This inevitable transition to VBC will require the outsourced support of service and technology-based experts in RCM.

Another regulatory challenge within the RCM sector lies in the demand for price transparency. As discussed in CAS' Q4 2020 Newsletter, the Transparency in Coverage rule requires plans to provide members with real-time access to relevant patient pricing information via online self-service tools, including in-network rates, out-of-network charges and allowed amounts, and prescription drug pricing effective January 1, 2021. This prioritization of price transparency, while optimal for consumers, puts financial pressure on hospital pricing and presents logistical challenges. As of Q1 2021, months after the rule went into effect, nearly two thirds of the largest hospitals are still not complying due to resource constraints associated with the pandemic. Although price transparency may ultimately save $8.7 billion to $26.6 billion annually in hospital spending, the transition is costly and comes at a particularly challenging time for health systems.

Other key regulatory updates within the RCM sector include the progress made by many states to institute permanent telehealth reimbursement legislation, as well as Biden's appointments of some key officials including HHS Secretary Xavier Becerra, known for heavy involvement in challenging major hospital mergers and acquisitions and anticompetitive practices leading to higher healthcare costs. See here for more information on Biden's healthcare team.

RCM (continued)

Technological automation across all steps of the revenue cycle have surged in automation rates this quarter. From telehealth, to claims automation, to patient engagement, digitization of all processes is only resulting in substantial savings for hospitals but is deemed by many as crucial for survival in 2021. 2020 was among the most challenging years for coding and medical billing staff. Just as physicians revolutionized healthcare, those involved in RCM innovated strategies to support clinical transformations on the administrative side of healthcare. This involved the digital revamping of EHR, practice management, claims management, scheduling, and patient monitoring, leading to an estimated $122 billion in savings, with $3 billion in annual savings still to be tapped in the move from manual RCM. Q1 also saw the growth of strategic health IT partnerships between health systems and IT vendors, a trend that is projected to continue as we enter Q2. Whether systems are developed internally or outsourced, the digitization of the revenue cycle is on track to become a leading driver of growth within the healthcare industry.

As the U.S. healthcare system enters the "Future of Health," enabled by political, technological, and consumer-based drivers of change, RCM is well-positioned to grow in the era of substantial and lasting transformation.

RCM Spotlight

Company	Overview	Spotlight
tendo	Tendo is a patient engagement software provider focused on developing a scalable platform and healthcare-specific applications that provide more connected and consumer-friendly experiences for patients and clinicians throughout the care cycle.	Philadelphia-based Jefferson Health and General Catalyst teamed up with healthcare software company Tendo to launch a new digital engagement platform that connects patients, clinicians and caregivers. To launch Tendo, Jefferson Health dissolved its internal digital innovation and consumer experience team and moved them to focus on building the new company alongside additional tech and software collaborators including General Catalyst.
lumiata	Founded in 2013, Lumiata has developed AI and Analytics products that have healthcare applications. The company's platform integrates with existing systems to manage consumer risks for co-morbidities in predicting future healthcare outcomes. The platform also helps businesses manage underwriting and risks for decision-making support.	Jan 14, 2021, Lumiata raised $14 million in Series B funding to continue building out its Artificial Intelligence and analytics services to the healthcare industry. The Series B round was led by Defy.vc and AllegisNL Capital. This comes in addition to previous Series A funding by Khosla Ventures and Blue Venture Fund.
verily	Verily, a Google sister company, works with Google Cloud to integrate chronic disease management tools. Verily helps build new clinical insights platforms and joint test-and-learn process, which lets the organizations' project developers build evidence and clinical validation for new chronic disease tools added to the model.	Highmark Health, the parent company of Pittsburgh-based Allegheny Health Network, is building upon its tech partnership with Verily through a new six-year collaboration. With the new partnership, Highmark will add Verily's digital care tools for managing chronic conditions, allowing them to digitally engage patients to proactively manage their own health and create personalized health plans.

Customer Relationship Management (CRM)

Embracing the omnichannel focus across a variety of end-markets is shaping the CRM industry.

Spurred in large part by the COVID-19 pandemic and its impact on the way businesses operate, CRM software is now the largest software market in the world, with the industry expected to reach a value of $80B in revenues by 2025. Some of this growth can be attributed to more willingness amongst businesses to adopt new software, and also continued employee acceptance of accelerated technology models. Companies have begun to recognize the value of CRM software as well. According to Forester, 50% of teams have increased their productivity due to CRM adoption, and 65% of companies using mobile CRM have reached their sales quotas, compared to 22% using non-mobile CRM.

Operators in the telemarketing and contact center industry provide clients with inbound call services, including technical support and customer assistance, as well as outbound services, such as fundraising and debt collection. The industry standard continues to follow the path of technological advancements including cloud-based systems, voice-recognition software, and Artificial Intelligence. As a result, over the next five years to 2025, IBISWorld forecasts industry revenue to reach $27.2B, a 2.3% increase annually. Additionally, a key trend within the call center space has been increased call volumes leading to lower satisfaction rates, with 40% of customers waiting five minutes or longer on hold before speaking to a live representative in direct banking. Studies also show that on average, customer satisfaction scores drop 34 points when on-hold for longer than four minutes. Consequently, there is pent-up demand for providers that are able to support higher call volumes and has further accommodated the shift to automation to increase efficiency.

COVID-19 has rapidly transformed the healthcare CRM industry, as healthcare institutions hone in on providing patient-centric service. Healthcare companies with large patient bases have found personalizing communications extremely difficult since the pandemic began, as many lack the proper systems integrations or automated processes. Many companies already had electronic health records (EHR) software, which manages needs from a clinical standpoint, however its lack of flexibility and enterprise support has led firms to look elsewhere.

Healthcare CRM software such as Salesforce have not only provided an email solution that meets needs, but also many companies have integrated its EHR with Health Cloud. Health Cloud offers a more complete view of the patient across offices and improves the overall patient experience. Through this CRM utilization, call center agents can have seamless access to the patient's information when the call is placed, helping to solve examinations more efficiently. The CAGR within the Healthcare CRM market, accelerated by COVID-19, is expected to be 14.6% through 2023, resulting in a market size of $17.4B annually.

Software as a service (SaaS) is revolutionizing the cloud computing market, as a companies and organizations seek out more accessible and versatile software solutions. Gartner forecasts that the service-based cloud application industry will be worth $138.26 billion by 2022, setting the stage for 2021 to be a year of even greater growth. No industry has been shaped by cloud-based SaaS more than the call center space, which has realized numerous benefits from this shift.

CRM (continued)

One such shift is the adoption of omnichannel and multichannel communications. Omnichannel CRM allows for consistent and seamless interaction with customers through their preferred channels, be it mobile, call center, online, text, email, or live chat. One platform, Nextiva, helps business provide omnichannel customer support through a fully integrated customer helpdesk, live chat, voice, and SMS into a single dashboard. As a result, the same customer service agent can communicate with a single customer across all channels, leading to greater customer satisfaction and efficiency.

Q1 2021 began with strong M&A activity within the CRM and call center technologies industry. A number of CRM software companies announced their respective funding rounds, including CloudTalk, which will utilize the funding to continue scaling its operations, and product offering. The most notable M&A market activity in the CRM sector was the TTEC acquisition of Avtex, a CX technology leader, positively positioning TTEC for the future of end-to-end digital customer experience solutions. The acquisition will also increase TTEC's CX addressable market from 25% to more than 50% coverage. Another significant M&A transaction in the industry, Quisitive completed the acquisition of Mazik Global Inc., an independent software vendor (ISV), that assists companies with the implementation of Microsoft Dynamics CRM, Cloud, and ERP solutions. While Mazik offers healthcare, public sector, education, and manufacturing industry solutions, its healthcare application, VaccineFlow, is the most lucrative aspect of the deal, for its electronic medical records (EMR) management for vaccinations.

Geographic market activity in Latin America and Central America is expected to continue its upward trajectory in 2021, offering a great deal of growth opportunities for companies seeking inorganic expansion in the CRM market. Much of the regional growth is due to Brazil's rapid adoption of CRM, and overall institutional investments in IT. One company that has reaped the benefit of the Latin American advancement in CRM is Atento, which has captured 16.7% of the Latin America CRM market share, according to an annual study performed by Frost & Sullivan.

Automated CRM has been implemented across a variety of businesses and organizations in all industries. While the benefits can be realized within organizations of any size, the adoption rate of larger organizations has been much higher. According to CRM Magazine, 91% of companies with 10 or more employees have a CRM system. However, only 40% of companies with CRM have end-user adoptions rates above 90%. Therefore, as the CRM market continues to grow in 2021, more companies will find it effective to continue enforcing and encouraging employees to adopt CRM systems. This will certainly have a positive impact on business operations and reduce the existing disconnect between company objectives and employees.

CRM Spotlight

Company	Overview	Insights
nextiva	Nextiva is a voice-over-internet-protocol company based in Scottsdale, Arizona. Nextiva helps organizations simplify and enhance their customer relationships through a unified communication solution. The company hosts a platform that combines a business's office phone, sales CRM, customer helpdesk, and team chat.	2020 was a year of many accomplishments for Nextiva. The company reached $200 million in revenue for the first time. This is a CAGR of 18.92% from 2016, in which the company posted $100 million in revenue. This tremendous growth came despite never receiving venture capital funding since the company's founding.
cloudtalk	Founded in 2018, CloudTalk is a Slovakia-based remote ready call center software for sales and customer service teams. Cloudtalk enables businesses to streamline communications with teams and customers using virtual call systems. The company has also integrated with many of the top CRM software platforms including HubSpot, SalesForce, Zendesk, Shopify, and Intercom.	Feb 17, 2021, CloudTalk raised $7.3 million in Series A funding to scale its workforce, expand geographically, and continue with product development. The Series A round was led by henQ VC, and joined by Point Nine Capital. This comes in addition to a seed round of $1.6 million in 2019, from Presto Ventures.
NICE · inContact	NICE inContact provides cloud contact center software solutions, through contact center call routing, self-service, and agent optimization solutions. The company serves business process outsourcing, government, education, financial services, and healthcare industries globally.	Feb 23, 2021 NICE inContact, a leader in cloud customer experience platform was named a Gold winner in the 2021 Stevie Awards for Sales & Customer Service in the "contact center solution" category. The award is given as the world's top honors for customer service, contact center, business development and sales professionals.

FinTech and Debt Settlement

CAS cites regulatory changes that are predicted to continue to shape specialty finance.

The nature of the fintech industry is rapidly changing as we enter 2021, with surging growth particularly for fintech lenders as they morph into banking roles to survive revenue volatility associated with the pandemic.

As discussed in CAS' Q4 2020 newsletter, fintech lenders were positioned to thrive in 2020 given their robust online infrastructures, giving them an advantage over many traditional banks that struggled to move offline processes online. Adoption rates for online financial solutions, such as contactless payments and digital bank accounts, have soared as consumers and business owners alike sought new solutions. Due to the rise of e-commerce, contactless check deposits and money transfer, and payment processors with high exposure to online sales, fintechs blossomed in 2020 without the regulatory burdens of a bank.

Fintechs in general have expanded access to financial services during the pandemic. Most firm types in this space reported strong first-half growth compared with the pre-pandemic period a year earlier. On average, firms in areas such as digital asset exchanges, payments, savings, and wealth management reported growth in transaction numbers and volumes of 13 percent and 11 percent respectively, according to the World Bank. However, the digital lending sector dropped 8 percent by volume of transactions and experienced a 9 percent jump in outstanding loan defaults. Loan originations for both traditional and alternative lenders dropped as much as 36% in 2020 for personal loans, small- and medium-sized business loans and student loans.

Despite the challenges presented by the pandemic related to decreases in origination volumes, fintech lenders who have survived the pandemic are positioned to thrive in the coming years, particularly after they have distinguished themselves as competitive alternatives to traditional banks. S&P Global Market Intelligence is projecting that, beyond surviving, fintech lending will rise significantly, surpassing 2019's pre-COVID levels by 2024. Personal loan fintech lenders are projected to rise by 51%, to $47.9 billion in originations annually. Small- and medium-sized business fintech lenders are expected to rise by 16.1% to $15.8 billion. And the student lenders are forecast to rise 152% to $32.8 billion.

Given this newly acquired market position, many fintechs are now shifting gears and obtaining a financial role similar to those of traditional banks, some of which are fully embracing their banking capabilities by obtaining bank charters. For example, pioneer fintech consumer lender Lending Club has also obtained a banking charter. After the acquisition of Radius Bank, Lending Club is a primary example of alternative lenders taking the role of traditional banks after the pandemic. After acquiring its banking charter in 2021, the company has since added $600M to its market cap.

While this movement from fintech to pseudo-bank comes at the cost of regulatory independence, there are many advantages to the banking role that leading fintech lenders are embracing. This involves lower funding costs and a diversification of product offerings. Additionally, loans issued in 2020 decreased significantly for fintech lenders, leading to some revenue volatility. Alternative lenders focused on small businesses experienced dispropor-

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FinTech and Debt Settlement (continued)

tionately high default rates due to economic burden for small businesses caused by the pandemic. Among other advantages, banking charters can provide revenue consistency in exchange for higher regulation. Additionally, as conversation of fintech regulation increases in Congress, many fintech lenders are independently increasing compliance efforts to bank-like levels.

For alternative fintech lenders under pandemic-induced pressure, independence has become a less attractive option, leaving some to enter into mergers with larger companies. As such, M&A activity within the fintech lending space is currently very strong. For example, Kabbage, a fintech startup that helped transform the funding landscape for small businesses during the pandemic, was purchased by American Express last year. Looking out into 2021, providers, whether new or old, will seek to buy solutions that expand their solutions, integrate the customer experience, give data-backed insights back to the customer, and simplify previously arduous processes.

Debt Settlement

The debt settlement industry experienced strong growth during the economic downturn associated with the pandemic, caused by the countercyclical nature of the industry's revenue streams. As the economy recovers at an increasing rate as vaccines are rolled out and financial certainty is gradually regained, the debt settlement industry is expected to decline slightly as default rates gradually decrease. However, this decline is expected to be delayed as debt built up throughout the pandemic continues to default, with household debt still at $14.56 trillion in Q4 2020 (a 1.4% increase from Q3). In general, demand for debt settlement is projected to remain consistent in 2021.

While shortage of debt is a low-risk factor for the debt settlement industry, the sector faces the greater challenge in 2021 of increased regulatory control under the Biden administration, the CFPB, and state legislators.

As previously discussed in CAS' Q3 2021 Newsletter, while federal politics have substantial effects on the debt settlement space, debt relief regulation is also a state issue that does not always abide by partisan lines. 61% of households have full access to debt settlement firms, a number that may decline in 2021 as states such as New York, North Carolina and California continue to push forward on bills banning debt settlement practices in their respective states. In particular, the North Carolina Senate halted HB 1067 from reaching the floor with bipartisan support in June 2020 in order to maintain the benefits debt settlement brings to consumers. However, in February 2021, NC lawmakers moved again to shut down debt settlement companies. The bill would also let NC civilians already under contract with debt relief companies make existing contracts void, and the bill received backing from the State Employees Credit Union. The bill asserts regulated consumer credit counselors as an alternative to debt settlement, identifying lowered credit scores and misleading advertising as primary drawbacks of the debt settlement process.

In addition, a number of debt relief companies have been banned in FTC settlements for the existence of phantom debts. In March, in an going nationwide enforcement initiative with state and federal law officials focused on bad actions, the FTC announced it reached a settlement in two cases resulting in a ban on defendant's operations in the debt collection industry. Additionally, a coalition of 41 state attorney generals, led by NY, announced a

FinTech and Debt Settlement (continued)

settlement with a bankrupt debt collection agency to resolve a multistate investigation into a 2019 data breach. In conclusion, CAS has identified a trend of legislative action taken in 2021 against debt relief companies, which may pose a threat to the growth of the debt settlement industry in the future.

Furthermore, CAS has identified increased activity taken by the CFPB against debt settlement companies since President Biden's appointment of Rohit Chopra as the director of the CFPB. The main regulatory body, the CFPB, has gradually augmented its focus on the industry, as discussed in the CAS Q4 2021 Newsletter. CFPB lawsuits against specific debt relief firms increased in 2020 across multiple states, citing violations such as illegal telemarking before terms of debt are settled, lack of transparency, misleading marketing and guarantees, and illegal advance fees, all of which violate the Telemarketing Sales Rule (TSR). As anticipated, lawsuits against the debt relief industry has increased under Chopra's leadership for violations of the TSR and CFPA. CAS expects that this increased regulatory control will continue in 2021 on the federal and state levels, making compliance a mission critical priority for debt relief firms throughout the United States.

FinTech and Debt Settlement Spotlight

Company	Overview	Spotlight
SIMPLENEXUS	Founded in 2011, SimpleNexus provides an online mortgage platform and mobile app that specifically links different lenders with borrowers and real estate agents. The company's platform allows loan officers to become originate mortgages using their smartphones to pull credit reports and oversee all aspects of the loan process in real-time.	Jan 5, 2021, SimpleNexus raised $108 million in Series B funding to continue expanding its marketshare within the eClosing and mobile mortgage sectors. The Series B round was led by Insight Partners and also included TVC Capital. This comes in addition to previous funding from Insight Partners in 2018, which totaled $20 million.
DebtNext Software	Founded in 2003, DebtNext delivers robust solutions for their clients' recovery management needs. The company utilizes advanced technology to build functional solutions to drive recovery optimization and manage third-party collection agencies. Its platform dPlat offers seamless data integration, user-friendly recovery workflow management as well as intuitive data analytics and reporting.	DebtNext's platform is currently used by some of the largest companies in the utility, telecommunications, financial services, and accounts receivable management industries. The company also delivers its own DebtNext Collection Agency Accreditation (DNCAA), a certification that includes an on-site review, a detailed interview process with key management associates and a method to demonstrate an agency's comprehensive policies, procedures and best practices.
MoneyLion	Founded in 2014, MoneyLion offers a suite of consumer financial tools. RoarMoney, a mobile-banking app that enables consumer to manage day-to-day spending with no hidden fees. Other modern offerings include Instacash, which provides users with interest-free salary advances. MoneyLion also has automated "robo-advising" tools that help consumers plan their finances and investments.	After 30 fintech SPAC IPOs took place in the last half of 2020, popular fintech sectors such as payments in banking, insurance and investment management, data analytics, and general financial services are a focal point for the SPAC trend. MoneyLion went public via SPAC, in continuation of the SPAC-Fintech trend that developed rapidly in 2020.

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INDUSTRY INSIGHTS

Mitigating the Next "Super Spreader": Fraud Prevention and Risk Management in the Remote Work Environment

By Nicholas Ciabattone, Vice President – Corporate Advisory Solutions

While social distancing and shifting to a virtual work environment are believed by many to help curb the spread of COVID-19, it is actually being labeled by some as a "super spreader" event. While certainly a minority viewpoint around the world, this view is prominent amongst professionals in the fraud and financial crimes industry who feel COVID-19 has led to a wildfire-like spread of fraud as more and more of the economy moves online and an influx of employees/individuals interact virtually.

For all the negative impacts associated with the coronavirus (of which there are many), COVID-19 is among the most accomplished "lobbyist" for digital transformation in decades, helping to accelerate change in regulations and business processes in a matter of months in a battle that has been plaguing stakeholders for many years. Select items that have historically required a physical presence are now permitted to be done virtually. For example, ARM businesses are now permitted to operate virtually (varies by state). For a consumer, opening an account at a bank doesn't necessarily require you to physically go to a branch. Even court hearings are now being conducted via Zoom.

In a survey published by Gartner, a market research firm, over 74% of CFOs expect at least some of their employees will continue to WFH (work from home) after the pandemic ends. The economic advantages are clear and very well published (decreased commute time, improved employee morale, etc.), but a deeper look into a potential downside of the growing trend is startling. Rushing to virtually connect remote workers to the workplace, employers and personnel may have overlooked the importance of security as they work to balance flexibility and cost – and cybercriminals have already begun to take advantage. Securing remote work models now will likely save organizations much time and money and give them a long-term competitive advantage, particularly in identity and access management, in the cloud and in modernizing their network architectures. Remote work vulnerabilities are top of mind for any CTO, and organizations may need to reassess their approach and controls related to addressing workforce management, people culture and performance management skills.

Risks associated with internal fraud have heightened due to an abrupt change in work practices. Enterprise-wide controls to prevent and detect fraud and network breaches may not be designed to operate in near-100% virtual environments. Anti-fraud, compliance and cybersecurity concerns may have also been deprioritized in favor of maintaining business-as-usual services. While management's attention may be diverted to focus on business operational metrics or client focus, employees are now under less scrutiny and oversight than ever before, stressing the importance for compliant solutions to prevent fraudulent or risky behavior.

According to Verizon's 2020 Data Breach Investigations Report, 30% of recorded data breaches involved internal actors. Credential theft, social attacks (i.e. phishing and business email compromise) and errors caused a majority of the data breaches. Employees working from home could be particularly vulnerable to these types of attacks, and as such, prevention efforts by organizations should be focused here. Having a concise internal policy response on suspicious links or email content, continuous vulnerability management, secure configurations, email/web browser protections, account monitoring, implementation of security awareness/education/training and data governance will help mitigate risk.

An additional risk factor to consider for organizations navigating the work from home environment is time theft. Time theft occurs when employees take advantage of reduced oversight and inaccurately log work hours (although technology tools can counteract this form of fraud) or work inefficiently or not work at all while logged in. If time theft runs rampant in your organization, it can ultimately impact productivity metrics and profitability. This risk can be mitigated by enforcing a productivity assurance agreement across your employees, scheduling regular check-ins by managers, or by using of time-tracking or key stroke monitoring software. While most business owners don't consider this a huge problem and trust their staff, time theft could lead to bigger issues down the road if left unchecked.

Consumers/debtors are dealing with similar issues of identify theft, fraudulent transactions and rising security concerns. In February 2021, the Federal Trade Commission (FTC) reported that cases of identity theft doubled in the U.S. last year. Disputes around fraudulent payments are increasing as more and more payments are made via credit card and via online and virtual channels.

The uptick in fraud and financial crimes is not going unnoticed. Investors are flocking to the space given the growing market opportunity created in part by the pandemic. In September 2020, BioCatch, an industry leader in behavioral biometrics, raised $20M in additional Series C funding from Barclays, Citi HSBC and National Australian Bank (bringing total funding above $200M). In January 2021, Equifax entered into a definitive agreement to acquire Kount, an artificial intelligence fraud prevention and digital identity solution business for $640M. In February 2021, there was even a $300M SPAC (Special Purpose Acquisition Company) announced by Dave DeWalt (ex-CEO of FireEye and McAfee) with the goal of merging with a cybersecurity business to take them public.

The statistics and data outlined above paint a dim outlook, but not to fret, there are a few ways to help "curb the spread" of fraud and financial crimes. Understanding the severity is the first step. Reassess your approach and controls related to address the concern is the next order of business.

Oft overlooked is maintaining an updated data security policy for your organization to adhere to. If you haven't already updated this to reflect the impact of COVID, it should be a priority. A good reference guide is the RMAI 'Data Security Policy' certification standard for certified businesses/vendors. This certification mandates that certified businesses should be meeting, at a minimum, annually to perform a risk assessment on internal/external factors (i.e. storage of consumer data, antivirus software, PII protection, encryption, disposal, etc.). There are major financial and legal implications if your business is responsible for a data breach.

Transitioning to a remote work environment in an expedited manner (as many businesses were forced to do) creates risk. This risk can be mitigated by various factors such as; requiring the use of secure networks, implementing firewalls or virus scanners on all authorized devices being used by employees, issuing company-owned devices to control components as opposed to use of personal devices by employees, ensuring that only IT administrators have credentialed access to monitor software updates, developing protocol for acceptable use policies for electronic devices and company data, providing annual security training to all employees, incentivize the use of multi-factor authentication for email or other critical systems, frequently evaluating virtual private network (VPN), virtual desktop infrastructure (VDI), firewalls, anti-malware and intrusion prevention software(s). While these may seem like exorbitant costs or measures to go through, but the cost of a data breach may far exceed the initial spend. In a 2020 report published by IBM regarding data breach, they estimated the average total cost incurred by an organization to be $3.86M. This varies across industries, with healthcare or financial services often being even more costly (i.e. in 2019, a medical debt collector filed for bankruptcy protection in the aftermath of a data breach).

Given the rapidly evolving nature of the industry, your IT team should be engaging in regular dialogue with technology vendors that specialize in protecting your systems from data breaches and fraud. Home grown (or proprietary) systems are good, but need to be regularly updated to stay abreast of changes. Getting intelligent on your current vendors, capabilities, policies and procedures will lead to more meaningful conversations.

The digital and virtual environment is here to stay… or as some may say the "new normal" – do your part to help "curb the spread" (of fraud) and stay diligent of the impacts of fraud, especially in the remote work environment. It is not an easy feat and as such, it will require prioritization amongst your management team. Consider updating policies/ procedures and leveraging technology vendors to limit you (and your client's) exposure. Don't become a "super spreader"!

Increasing Collections Success With the Power of AI:

Ontario Systems Acquires Pairity to Help Clients Collect More Revenue With Fewer Calls

Ontario Systems, an industry-leading provider of enterprise software that streamlines collections and accelerates payments, acquired technology provider Pairity in February 2021 to embed the power of artificial intelligence (AI) and machine learning in Ontario Systems' collections workflow platforms.

Pairity's dynamic approach to scoring accounts and guiding contact strategies, driven entirely by AI machine learning and alternative data, transforms the collections process. In contrast with third-party static scoring and scoring offered by other AI machine learning vendors—which offer a snapshot in time based on limited inputs—Pairity continuously analyzes wide-ranging data to develop holistic consumer profiles, detect patterns, and help refine contact strategies in real time.

Participants in Pairity's first beta program in 2017 realized a 22% revenue increase within six months, with fewer contacts needed and fewer complaints over the same period. Now, across the board, Pairity's clients have reduced their cost to collect while improving right person contact rates, increasing average yield per account by up to 46%, and improving overall collections by as much as 50%.

For Ontario Systems clients, Pairity's technology will be deeply and seamlessly integrated within the collections workflow, working quietly around the clock to connect and interpret disparate data and provide a clear big-picture view of the entire collections portfolio.

Pairity's "explainable AI" technology is built for regulatory compliance, with algorithm decision making that's both transparent and easy to understand. As a recognized compliance leader with 40+ years' experience in the collections industry, Ontario Systems will ensure Pairity continues to evolve to accommodate future regulatory changes.

Named the most innovative product at the 2019 CollectTech conference, Pairity will continue to help ARM organizations achieve new levels of success as part of Ontario Systems' comprehensive suite of collections offerings. Visit Ontario Systems' website to read about the Pairity acquisition, or schedule a call to learn more.

ARM in the 21st Century

By Simone Bertolone, Managing Director and Partner at CollectionHub

Debt collection plays an important role in the economy that cannot be understated. The modern economy is kept afloat by the confidence that money given out to borrowers will be, at some point, collected – and that goods sold on credit will be paid for.

To keep both businesses and consumers safe, it is of paramount importance that the industry evolves at the same pace as the financial industry and other sectors, such as logistics, manufacturing, and consumer services have in the past 15 years.

My team and I first entered the industry at the end of 2017 with a vision and a whiteboard sketch for a product that would eliminate friction in the collection of unpaid international obligations. What we did not know at the time, was that we were onboarding on a journey to discover an entire industry on the brink of its own digital revolution. Three years and a residence at Singularity University later, my team and I have worked with outdated receivables management processes at small, medium and large companies worldwide. We have recorded stunningly different collection rates between neighboring countries, for accounts of the same or similar size, age, that were industry vertical, that could ultimately be traced back to process inefficiencies and an industrial-sized digital divide.

We believe we can almost predict the ways the industry is going to digitize and transform, as it is going to all but mirror the digitization of consumer financial services that we have already witnessed. While the digital transformation of banking was accelerated by EU-based startups (Revolut, N26, Transferwise), the digitization of ARM will very likely happen where the demand is greater, i.e. in North America.

Household and corporate debt reached record levels long before COVID-19 devastated, albeit briefly, the American economy, forcing businesses to furlough or lay off employees, cut expenses, or take on additional debt. 51% of Americans report "that at least one member of their household is dealing with reductions or loss of employment income".

This macroeconomic scenario, alongside a foreseeable reduction of state and federal support, inevitably requires bill collectors to use new and better approaches.
The international scenario is overall similar to the North American experience. By contrast, however, government support has focused more on suspending collections of principal and interest amounts, and the economic recovery has been hampered by inefficient vaccine campaigns and country-wide lockdowns.

Shifting Demand

Corporations and SMEs demand immediacy. They want to be able to scale rapidly. They need to integrate and automate large and complicated processes. They want to save money and increase efficiency, and they want to produce, market, sell and deliver their product and services faster, better or at a lower price than their competitors. Consequently, the world is digitizing as fast as it possibly can to match the new demand. There is a reason Fintech venture capital and corporate investment has increased nearly every quarter for the past five years.

At Collection Hub, the #1 customer inquiry we get is "we love your service... but how can we scale this? How can we speed this up?" Our biggest customer employs 150 cash specialists, and they look at us a means to reduce or retrain and relocate their workforce.

As providers of financial services, it is unthinkable to expect to be exempt from a wave of digitization and disruption. Any company with an ambition to grow needs to adapt a framework for digital onboarding, digital relationship and digital engagement – and needs to do so no later than this year.

New business models, those that rely on digital relationship and digital engagement, will require better approaches to debt negotiation, collection and financial help that also rely on digital relationship and digital engagement.

Demonetization

A consequence of digitization is often demonetization. Demonetization causes products to effectively lose monetary value. Zoom and Skype demonetized long-call phone tariffs, iTunes demonetized the CDs and Record Stores. While a traditional collection agency might consider itself safe from demonetization, I invite you to reflect harder on what lays ahead.

We are entering a time when robotic collectors will become sophisticated enough to demonetize the traditional collection agency. The very act of collecting, negotiating and settling overdue payments will be commoditized and automized, effectively making most collection agencies redundant.

The ones that will survive, and thrive, will be those able build a framework for those activities to be performed, recorded, measured, and continuously improved. Incidentally, 51% of US collection agencies report employee benefits as a major expense. A targeted investment in robotic and automated collections could drastically reduce workforce related expenses.

The number of active third-party debt collection firms in the US has steadily decreased since 2011, shrunk by 15% to 6,669 companies in 2020. Experts believe the downward trend will continue for years to come.

User Design

Technology-enabled "neobanks" often show better engagement and customer satisfaction than traditional banks because they have been built using the latest research on UX designs, behavioral psychology, and accessibility. They have been built around the user, and thousands of behavioral data points have gone into the product from day one.

Millennials and Generation Z, for example, are more easily reached via social media and other digital channels, as they abandon more traditional means of communications such as phone calls and emails. AI-enabled predictive replies to common messages can streamline and accelerate resolution time (for example, users can be incentivized to respond to a debt settlement proposal by automatically suggesting 3 installment options. The creditor's preferred payment plan can be highlighted as "most convenient", by using a different font or color fill. In this example, the user absent-mindedly and conveniently commits to a payment plan and links to their Apple/Google Pay account seconds after being contacted, as they are used to making quick, impersonal choices).

Customer journeys and processes in established financial institutions (read: banks) on the other hand have evolved over time, built upon decade-old legacies and preexisting systems. A time traveler from the 1950 would easily understand all the banking products available to her and how to get them (probably by filling in a form at the same very branch where she opened her first account 70 years ago).

The Modern Debt Collection Agency

If banks are to leverage data, AI, and quantum computers and truly become tech firms, they will need to be entirely cloud based. They will take advantage of public cloud architectures, to decentralize their computing power, to leverage new cryptography, identity and security frameworks that would not be possible to operate on premise.

To serve companies and financial institutions, the modern DCA will be cloud based and API-enabled. It will seamlessly integrate with any ERP, CRM, and Accounting platform in the world. It will be able to both read and write on those systems.

It will leverage the latest research on UX and UI design – Messages, payment reminders, log-in fields. UX plays an undisputedly huge role in any technological product. Settling bills when money is short is an unpleasant experience that can be extremely easy to put off and postpone: every barrier on the way to payment should be deleted, every threatening message replaced with supportive and helpful ones. Third-party API integrations, to a debt settlement agency or a financial counselor, for example, should always be present.

The modern DCA, furthermore, will worry less about attracting and retaining consumer-facing talent (currently recognized as the main challenge in the industry), and more about building a capable and skilled IT team, either domestically or abroad.

Behavioral Psychology

A word on the future role of collectors in understanding behavioral trends and emotional triggers. In short: how to help a person become more responsible with her finances by understanding why she acts in a certain way. Financial Institutions, especially banks, have enough data (and perhaps an overabundance) to analyze and apply to the field of collections. In this instance, the role of a collection agency is to support the bank to identify the most relevant collections and to leverage them properly. A modern collection agency should be able to sense a potential non-payment days or weeks ahead and be able to predict the exact time of day or day of the week to ask about a missed payment.

About CollectionHub

CollectionHub is a two-sided marketplace for debt collection and credit management, connecting businesses with 500 collection
agencies in 133 countries.

We work with 100 companies and corporations in Europe and North America. CollectionHub is looking for collection partners in the US and it is open to investment opportunities.

About Simone Bertolone

Simone is a Chapman University and SingularityU's alumnus. He is Managing Director and partner at CollectionHub since February 2020.

You can contact him at simone@collectionhub.com.

Nearshoring is Making a Comeback for CX Resilience In 2021

By Don Berryman, EVP – Chief Commercial Officer – North America Transcom Worldwide

It feels a little like nearshoring hasn't been mentioned much recently in the business journals. The COVID-19 pandemic and the immediate need to create a work-at-home response has captured the attention of the business journalists over the past year, but nearshoring has not fallen off the radar, it's just had less attention from the business journalists and industry analysts - and that's understandable given the scale of the crisis in 2020.

However, as we progress into 2021 this appears to be changing. Ryan Strategic Advisory in Canada is in the process of publishing a major series of analysis on hidden gems that are off the traditional nearshoring and offshoring track. In a September 2020 report, Peter Ryan identified Mexico, Colombia, and Central America as key locations that deserve more attention from companies in the US.

Mexico has had a long and close relationship with the US thanks to the Nafta agreement and its replacement, the USMCA. This has led to the development of manufacturing industries in addition to services, but it is clear that in the Central and South America region, Colombia is the rising star.

Speaking recently to the UK's Financial Times, Kirk Laughlin, founder and managing director of Nearshore Americas, a news journal and consultancy in the technology services industry, said: "Colombia has been the perennial superstar in our market in the last three to four years." Mr Laughlin cites the country's close alliance with the US, the strong work ethic of its population and a supportive government as key advantages.

In the same FT article, Colombia's Trade and industry minister José Manuel Restrepo declared his confidence that Colombia can compete with Mexico. "This is a country which from the start of this government has declared itself… in favor of the private sector and pro-business."

Colombia has recently seen major investment in the service sector, such as customer service processes. The government clearly has plans for development in several industries, but the customer service specialists are already there - brands like Amazon have chosen Colombia to be their nearshore hub and Transcom recently opened our own facility in Bogotá. We really believe that Colombia will be at the heart of American nearshoring in the 2020s.

As I mentioned at the start of this article, the unusual focus on work-at-home-agents changed how we talked about customer service strategies in 2020. With so much attention on fire-fighting and survival there was not much attention on any other topics or ideas - including nearshoring.

I believe that this is about to change though and one of the key reasons is the post-pandemic need to focus on business resilience. Nobody will want to see the disruption of 2020 repeated ever again, so smart customer service leaders will need to be thinking along these lines:

1. W@H: how do I build flexibility into my customer service operation so we can use the contact center, but team members can also work at home when needed? This should increase the agility of the team to adapt to unusual circumstances - like lockdowns - but will also create a more flexible working environment.

2. Self-service and automation: customer expectations are increasing and behavior is changing. Customers often ask their Alexa device or smartphone for help before calling a customer service number so we need smarter ways to integrate these requests for help into the customer journey using intelligent automation to help where possible.

3. Geographies: it just makes sense to not place all your eggs in one basket - 2020 was a tough lesson for many corporate leaders. If your entire customer service operation was based in a location with strict lockdowns then it would have been very difficult to keep on answering those calls. Thinking about nearshoring as a resilience strategy will be a popular idea in 2021.

Nearshoring is making a comeback after a quiet 2020 where the focus was mainly on survival. The vaccine rollout is underway so although the pandemic is not quite in the past, we can see light at the end of the tunnel and this means that you need to start planning now for the customer service strategy you want to build in a post-pandemic world.

An Intelligent Solution to Accelerating Agent Productivity

Automating after-call wrap with Speech AI increases productivity by 25%

Prodigal

For accounts receivables firms and collection agencies, it's crucial to understand how agents spend their day. This knowledge is central to long-term success and profitability.

Debt collection agents interact with debtors many times before collecting payments. Therefore, agents must take notes following each call with debtors. These notes ensure agents making follow-up calls have access to previous interactions with the debtor.

Despite their importance, the note-taking process is a clear drain on productivity. It reduces an agent's up-time and time on calls to debtors, which impacts profitability. Agents have several tasks to complete in after-call wrap-up, besides taking notes. For example, they need to disposition calls, post payments, and set follow-up reminders. Depending on the nature of the call, they may also need to chat with their supervisors.

For an average agent, taking notes and wrapping up a call takes almost as much time as the call itself. On average, it uses up between 20% and 25% of an agent's day — nearly two hours.

Although this is a considerable portion of the agent's day, it often goes undetected. Taking place across several small windows, note-taking takes approximately 60 seconds. In other words, it's an invisible parasite, delivering death by a million cuts.

Time is one thing, but what does this note-taking cost in financial terms? Conservative estimates predict it costs businesses **$10,000 per agent** each year!

The costs associated with this downtime are apparent. However, it's likely this is only part of the story. The time lost is easy to quantify, with agents spending 20-25% of their time in wrap-up. But our research shows after-call wrap-up also mentally distracts agents. This distraction and constant context-switching substantially affects their productivity throughout the day. Given these findings, it's likely the impact on productivity is far more significant.

ProNotes, developed by Prodigal, is a gamechanger for the credit and collections industry. This application is a first-of-its-kind AI solution. It works by automating the after-call wrap-up to unlock up to 25% of an agent's time.

During wrap-up, agents complete tasks such as writing up call notes and dispositioning. Speech AI can automate these tasks and enhance agent productivity in following ways:

1.Reduce distraction, enabling agents to give borrowers 100% of their attention.

2.Eliminate inaccuracies and human subjectivity from manual call notes.

3.Decrease QA review time by standardizing note-taking and dispositioning workflows.

Do you want to drive productivity and profitability for your collection agency? Modern machine learning (ML) and artificial intelligence (AI) methods can help you achieve this.

Clients already using ProNotes describe a massive spike in productivity, with significant cost savings. For example, a collection agency with 120 agents saves **$1.5 million** each year. How? By automating after-call wrap-up—all thanks to ProNotes!

For more information, download the full ProNotes whitepaper here.

About Prodigal

Prodigal is a pioneer of Collection Intelligence, a new category of AI software that enables lenders, debt buyers, and collection agencies to quickly and efficiently collect accounts receivables.

Prodigal's cloud-native Collection Intelligence platform delivers actionable insights for the credit and collections industry. These insights maximize revenue, optimize operations, and minimize compliance risk.

Prodigal's headquarters are in Mountain View, California. Prodigal is built by a team that has stellar backgrounds at the intersection of financial services, data science and AI. For more information, visit: **https://www.prodigaltech.com/**

Michael Lamm
Managing Partner

(202) 904-7192
mlamm@corpadvisorysolutions.com

Mark Russell*
Managing Partner

(301) 404-5757
mrussell@corpadvisorysolutions.com

Nick Ciabattone
Vice President

(609)-203-7602
nciabattone@corpadvisorysolutions.com

Mickey Kaiser
Senior Associate

(570)-242-5644
mkaiser@corpadvisorysolutions.com

Drew Sacher
Senior Analyst

(631)-603-2280
dsacher@corpadvisorysolutions.com

Allie Baurer
Operations and Administrative Assistant

abaurer@corpadvisorysolutions.com

Contact CAS to confidentially discuss your growth and exit interests. Contact Allie Baurer at abaurer@corpadvisorysolutions.com to submit an article or advertisement.

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www.corpadvisorysolutions.com

2001 Market Street
Suite 2500
Philadelphia, PA 19103
215-717-8719

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