

## America's debt-collection industry

### The Indians are coming

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#### As consumer debt grows, so does the debt-collection business

FOR an answer to why the fuss about “outsourcing” jobs from America to India has died recently, look no further than Amherst in upstate New York. There, a debt collector called Account Solutions Group (ASG) sold itself earlier this month to ICICI OneSource, an outsourcing firm from Mumbai in India. ICICI OneSource specialises in performing customer-service and other back-office work for multinational firms, especially financial ones, by Indian firms. As part of the deal, ICICI OneSource will keep on all of ASG's 500 workers in Amherst. In fact, says Tony Friscaro, ASG's old boss and ICICI OneSource's new head of collections, the firm plans to hire an extra 60-100 debt collectors in America by the end of this year.



The downside of debt

The arrival of Indians in Amherst is part of several big changes sweeping through America's sleepy consumer debt-collection industry. Traditionally, the business has gone to tiny local agencies, which earn a cut (about 25%) of the debts they recoup for their customers—banks, hospitals, utilities and other creditors. As American households have run up ever-larger debts, and as banks and other lenders have given up collecting their own debts because stricter federal and state regulations have made the business more costly, the collection industry's annual revenues have more than tripled in the past ten years, to \$16.5 billion. Business is increasingly going to a handful of emerging industry giants, such as the publicly owned nco Group which, after scooping up more than 20 smaller rivals, now employs 22,000.

With this consolidation have come two other big changes. First, the debt-collection business has begun to merge with the bigger customer-service call-centre industry. Earlier this year, Convergys, the world's biggest call-centre operator, spent \$68m to buy Encore Receivable Management, a Kansas-based debt collector. Meanwhile, Vertex, a British call-centre firm owned by United Utilities, bought an American debt collector called First Revenue Assurance. Call-centre firms want to add debt collection to the other services they perform for their customers because they use similar information technology.

The second big change is that, just as in the call-centre industry, some of the business has begun moving offshore: nco employs about 500 debt collectors in India. This is because the industry's customers, especially banks, want to squeeze costs. But it is also because the collection agencies spot new profit-making opportunities.

Debts of \$500 or less are too costly to collect using American workers; ICICI OneSource thinks it can be done profitably from India. Small debts have proliferated with the explosion in "sub-prime" lending to less creditworthy Americans, and with the growth of new sorts of lenders, such as petrol-station chains and utilities. Michael Ginsberg, of Kaulkin Ginsberg, a consulting firm which advised ASG on its sale, thinks that a third of the industry's future growth could take place in India, Canada, Mexico and the Caribbean.

Thanks to Americans' seemingly bottomless appetite for more debt, Mr Ginsberg still predicts employment growth in the debt-collection industry at home—if the agencies can attract new workers. As it happens, few Americans seem to enjoy hassling their compatriots to pay credit-card debts or hospital bills they cannot afford. (One American hospital recently hired a debt-collection agency to wring payment from a man it treated for a gun-shot wound from a failed suicide attempt.) A staggering three-quarters of the debt-collection industry's new hires quit after just three months. America's call-centre business—another industry in which hysteria about outsourced jobs has run high—faces the same dilemma. "It's very hard to hire in the us," says Mr Ginsberg. In Amherst, an Indian firm plans to do its best.