

Why horizontal AI harms debt recovery—and what you can do about it



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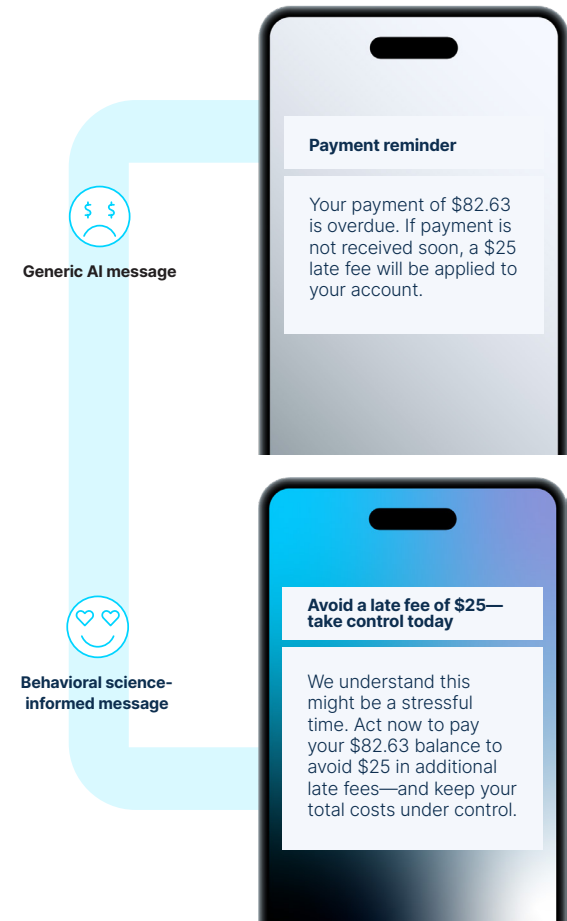
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Introduction

Generic—or horizontal—AI tools are powerful, but they can't deliver sustainable results in debt recovery on their own. Past-due customers often make decisions clouded by stress, emotional strain, and cognitive biases—factors that horizontal AI models alone simply can't address.

Machine learning models are capable of analyzing vast datasets to segment customers, identifying trends and attributes. However, these models lack the human intelligence needed to understand how stress, emotions, and cognitive biases influence decision-making. Similarly, generative AI—while adept at creating polished messages—does not have the contextual understanding to adapt messages to customer needs, which is necessary for effective outreach.

By integrating behavioral science—the understanding of how people think, make decisions, and behave—we can create strategies that resonate emotionally, inspire repayment action, and deliver long-term value for your collections strategy.



This e-book will help you uncover the hidden risks of generic AI, show you how to create debt recovery strategies that truly connect with customers—and drive repayment action.

1

Why DIY AI segmentation could cost you more than you think

As businesses look for scalable ways to improve recovery and cure rates, the adoption of AI in collections continues to grow. Delinquency management teams increasingly use horizontal AI platforms like Google AI Platform, AWS SageMaker, and Azure ML for segmentation due to their ability to process vast amounts of data at lightning speed. These tools make it easier to group customers by attributes like payment history, engagement patterns, or financial stress indicators—helping teams tailor their strategies to individual customer needs.

Horizontal AI supports pattern recognition in data—patterns that humans might miss. Machine learning models powered by these platforms can analyze billions of data points to uncover trends and segment customers effectively. This reduces the subjectivity inherent to manual segmentation, which improves consistency in outreach and strategy.

However, segmentation with horizontal AI isn't without its challenges. These platforms are designed to be general-purpose. That means they lack built-in understanding of delinquency-specific behaviors or the mental shortcuts customers rely on when under financial stress. As a result, debt recovery teams have to train models from scratch, relying on their own data and assumptions. This introduces risks, including:

- **Noncompliance with regulations:** Data points like age, race, and zip code cannot be used to train AI, as that could lead to illegal discriminatory practices. With generic AI, the burden falls on collections teams to ensure compliance and avoid unintentionally breaking the law.
- **Amplified biases:** If training data is incomplete or skewed, models can unintentionally reinforce biases, leading to unfair or ineffective segmentation.
- **Overlooked customer motivations and behaviors:** Behavioral science insights are critical to understanding how past-due customers make decisions, yet horizontal AI lacks this perspective, often treating delinquent customers like generic data points.
- **Complexity and expertise gaps:** Building, fine-tuning, and validating models requires specialized skills and significant resources—making in-house segmentation efforts prone to errors and inefficiencies.

Purpose-built AI offers a better approach to segmentation because it's designed with specific industries and use cases in mind.

Unlike horizontal AI, purpose-built solutions integrate contextual knowledge rooted in delinquency-specific data and behavioral science principles into the segmentation process.

This alignment ensures that strategies resonate with customers and drive repayment action—without the pitfalls of starting from scratch.

70% of collections companies are exploring or actively adopting AI.

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Is ChatGPT sabotaging your collections strategy?

Horizontal generative AI tools like ChatGPT are becoming increasingly popular in collections, promising efficiency and scalability. However, because these tools are designed for broad applications rather than specific industries, they also come with significant limitations that can jeopardize customer relationships.

While ChatGPT and Gemini can mimic tone and craft polished messages, they lack the contextual understanding and behavioral science knowledge necessary to effectively connect with delinquent customers. Worse: Horizontal generative AI can amplify poor strategies—producing an overwhelming volume of ineffective messages that trigger the ostrich effect, where customers avoid communication altogether.

For example, imagine receiving these AI-generated messages:



Overly aggressive tone

Your payment is overdue. Failure to act immediately may result in serious consequences. Click here to pay now.

This message may pressure customers, but it lacks empathy, making recipients feel threatened rather than supported.

Generic message without personalization

We noticed your account is overdue. Please pay as soon as possible to avoid penalties.

With no acknowledgement of individual circumstances, this could alienate past-due customers, who are already under financial stress.

Overload of irrelevant messages

Don't miss this opportunity to resolve your account today!

Repeated, impersonal prompts from generative AI can overwhelm customers, pushing them into avoidance rather than action.

The real risk lies in using generative AI without understanding how to align behavioral science tactics with each audience segment. Without this critical expertise, AI can quickly escalate problems instead of solving them, which erodes trust and drives customers further away. That's why combining AI with human intelligence and grounding it in delinquency-focused behavioral science is critical to creating debt recovery strategies that inspire action and deliver results.

Horizontal generative AI outreach risks becoming noise—losing trust and opportunities for meaningful engagement.

3

The fatal flaw in generic AI-driven debt recovery strategies

AI's inability to build trust with customers in sensitive situations is one of its most significant limitations in collections. While horizontal AI shines at detecting patterns, automating processes, and efficiently creating messages, it falls short in understanding the nuances of human behavior that drive repayment decisions. Whether it's in segmentation or messaging, generic AI often misses the mark, leading to flawed strategies that alienate customers rather than engaging them.

Without human input, horizontal AI often recommends generic solutions—leading to strategies that miss the mark and leave customers feeling unsupported.

For example, segmentation models powered by generic AI may group customers based on payment history or financial stress indicators but fail to account for the emotional and psychological factors that influence decision-making. This lack of nuance often leads to generic messages like this one, sent to a past-due customer during the holidays:

"Your account is overdue. Please make a payment immediately to avoid penalties."

A specialty lender servicing sub-prime auto loans saw a response rate of over 60% to resolve debt when they fine-tuned their segmentation and switched to tailored messages. More than 26% of customers self-cured by using the email links to make payments, while the remainder reached out directly by phone or email—a clear testament to the power of personalized, strategy-driven engagement.

This message might technically convey urgency but completely ignores the emotional and financial challenges the customer might be facing. Instead of motivating repayment, it risks making the customer feel overwhelmed and unsupported—pushing them further into avoidance.

Generic AI also falls short in understanding the human factors driving repayment decisions. Customers under financial stress often rely on **mental shortcuts**—like delaying payment or avoiding contact—when deciding whether to pay now, later, partially, or not at all. Without the ability to comprehend these coping mechanisms, AI-driven strategies risk failing to deliver sustainable results in delinquency management.

Under financial stress, customers fall back on coping strategies, like delaying payment or avoiding contact. AI alone can't address these behaviors, making tailored, human-informed strategies essential.

This is why tailoring strategies with behavioral science is essential—because it bridges the gap between data and human connection. The combination of behavioral insights and AI creates strategies that effectively address the emotional and psychological drivers of repayment decisions, leading to improved outcomes.

4

Customers don't trust AI—what does that mean for collections?

A Pew Research Center survey showed that year-over-year, a growing number of people feel concerned rather than excited regarding AI in daily life.

Despite its growing adoption across industries, AI is facing a trust problem. Although people hear more about AI and encounter it more frequently in their daily lives, many aren't ready to trust it yet.

As exposure to AI increases, so does skepticism. Consumers are questioning how trustworthy and ethical these tools truly are—a sentiment that complicates debt recovery. If past-due customers are interacting with AI-generated messages alone, establishing trust becomes exponentially more difficult than when humans are involved.

This insight is critical for collections, where trust is often the foundation of repayment behavior. Without it, even the most polished outreach can fall flat, highlighting the need for strategies that align technology with human understanding.

How to unleash AI's full potential in debt recovery

AI is powerful, but in collections, its true potential is only unlocked when we inform it with delinquency-focused behavioral science.

To achieve this, we combine AI's capabilities with insights into human decision-making to build strategies that bring segmentation and messaging together seamlessly.

Precise segmentation ensures that customers are grouped based on relevant behaviors and needs—not arbitrary demographic data—while personalized messaging translates these insights into empathetic, action-inspiring outreach. When these elements work together as part of a behavioral science-driven strategy, they overcome common barriers like stress, time pressure, and cognitive biases—ensuring outreach that builds trust and motivates repayment action.

Behavioral science doesn't just guide strategy—it amplifies AI's capabilities, transforming generic AI into an essential resource for sustainable success.

AI combined with behavioral science enables dynamic refinements to engagement strategies in real time. By uncovering the deeper context behind customer motivation and behavioral patterns, it ensures that every interaction feels relevant, supportive, and aligned with customer needs. For example, AI can tailor message tone and timing to align with a customer's financial circumstances, creating empathetic communication that drives engagement.

When we continuously integrate behavioral insights, we effectively bridge the gap between technology and human understanding. This improves repayment outcomes—plus, it fosters the trust required for long-term customer relationships. It's this blend of AI and behavioral science that transforms debt recovery into a process that's as effective as it is ethical.

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Human + artificial intelligence: The key to better outcomes

Trust is critical to debt recovery, yet it's one of the hardest things to achieve—especially when using AI-driven strategies alone. AI that understands human behavior changes the game by combining AI's powerful pattern recognition capabilities and speed of content generation with behavioral science tactics that build genuine connections with customers. By addressing customers' emotional needs and decision-making challenges, we can create strategies that inspire trust, accountability, and meaningful outcomes.

Trust is a two-way street

Trust lies at the heart of effective debt recovery, but it's not a one-sided effort. **Behavioral science provides actionable strategies** to foster trust by addressing the needs of different audience segments within the delinquency stages of the customer lifecycle. When past-due customers feel understood and supported, they're more likely to respond positively to outreach efforts.

Reciprocity principle

For example, leveraging the principle of reciprocity in messaging campaigns can encourage repayment by creating a sense of mutual support. Offering flexible payment options shows the customer we're invested in finding an acceptable resolution for them. This in turn reinforces their intent to follow through on their payment commitment.

Social proof

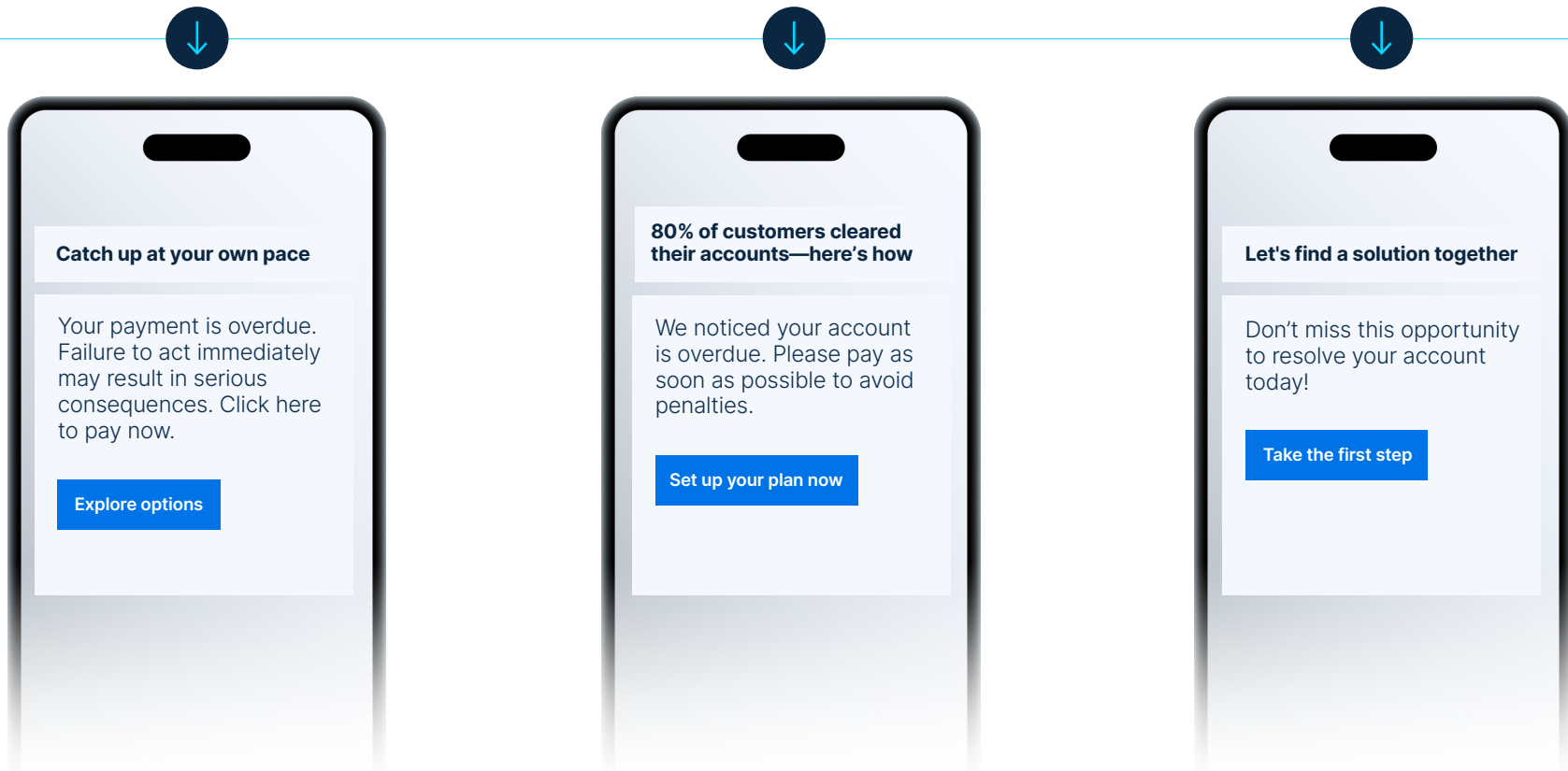
Similarly, another behavioral science tactic is social proof, which reassures the customer by showing how others in similar situations have successfully managed their payments. Testimonials or anonymized statistics about repayment success can help normalize positive action, making customers feel supported and confident in their ability to follow through.

By focusing on empathy and understanding, we can build trust with our most vulnerable customers. These moments of connection turn difficult situations into opportunities for meaningful, long-lasting engagement, helping both customers and businesses achieve better outcomes.

Build trust through empathy for your most vulnerable customers

For customers in high-stakes or emotional situations, trust isn't built on strategies alone—it requires genuine empathy. Segmentation powered by AI and behavioral science helps identify these situations, such as customers with large overdue balances who are willing to pay but face financial constraints. Once you've identified them, you can tailor outreach with sensitivity and precision.

By focusing on empathy and understanding, we can build trust with our most vulnerable customers. These moments of connection turn difficult situations into opportunities for meaningful, long-lasting engagement, helping both customers and businesses achieve better outcomes.



6

Proven outcomes: What smarter strategies deliver

Smarter strategies don't just build trust—they deliver measurable outcomes that redefine debt recovery success. By combining the capabilities of AI with delinquency-focused behavioral science, we can create debt strategies that address mental barriers, engage customers meaningfully, and motivate repayment behavior that improves key metrics.

Here's how behavioral science-enhanced strategies drive results:

- **Higher cure rates:** Personalized outreach helps motivate customers to act on their repayment intentions, accelerating delinquency resolution.
- **Increased liquidation:** Messages tailored to customer needs ensure higher recovery rates across audience segments.
- **Fewer charge-offs:** Trust-driven engagement reduces roll rates and prevents accounts from escalating to charge-offs.
- **Lower operational costs:** Automating outreach with AI cuts costs while maintaining high customer engagement.

When we combine AI's capabilities with behavioral science, we improve individual metrics—while at the same time creating a holistic strategy that strengthens trust and builds lasting customer relationships.

Customer retention unlocks long-term value

The true value of smarter, customer-centric strategies extends beyond immediate collection metrics. By building trust and fostering positive interactions during challenging times, we transform one-time resolutions into lasting customer loyalty. Retaining customers, rather than writing off their debt, unlocks their long-term value—strengthening relationships and delivering sustainable growth.

What if trust became the foundation of every interaction, not just an outcome? By consistently aligning technology with human understanding, we can redefine debt recovery—not as a point of loss, but as an opportunity to unlock sustainable growth for businesses and meaningful value for their customers.

Symend Cure combines AI and behavioral science to deliver results:

140%

higher CTR
than industry
benchmark

91%

customer engagement
for faster recovery
and lower roll rates

6x

higher cure rates
for faster delinquency
resolution

45%

OpEx reduction
by automating
outreach



Empowering better debt recovery through applied behavioral science

The approach discussed in this e-book offers a new, more effective method of debt recovery. By understanding the psychological factors at play, we can craft outreach strategies that resonate with customers and motivate positive action. This improves cure rates, enhances customer satisfaction, and strengthens long-term relationships.

Discover how your business can benefit from a behavioral science-driven approach to debt recovery—[contact us](#).