



Global collections review – Fifth Edition  
Assessing business requirements for  
outsourcing of collections  
(27 countries)

December 2011



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# 1. Executive summary

## 1.1 Introduction

This report provides an overview of the main results of the fifth edition of the Global Collections Review.

Focusing on 27 countries, including all major global economies, it examines the collections behaviour of companies and how they deal with their overdue invoice as well as what factors influence their selection of an collections external partner. This 'Review' also explores potential future developments regarding the services offered by debt collections agencies.

The goal of the Global Collections Review is to provide with an understanding of the dynamics of collections practices and the way this reflects on companies' behaviour at country level

## 1.2 Core results overall survey

- n Overall, 1 in 4 respondents worldwide have used a debt collections agency in the last 12 months
- n Companies interviewed in the Asia Pacific region were more inclined to used debt collections agencies than respondents in the Americas and Europe
- n Dutch companies showed the highest use of debt collections agencies and the lowest use of internal resources for collecting overdue debts
- n 20% of respondent have collected strictly international debts with the assistance of debt collections agencies
- n Asia Pacific countries have used debt collections agencies for international debts more that other countries
- n Overall, 60% of respondents that have multiple locations in different countries have centralised their credit and collections in a specific centre with responsibility for all account receivables
- n Caution characterises European companies for the usage of first party collections and final demand letter
- n Highest likelihood for using first party collections among companies in Asia Pacific region
- n Highest willingness for using the final demand letter among companies in Asia Pacific region

## 2. Worldwide collections behaviour

### 2.1 The practice of collections

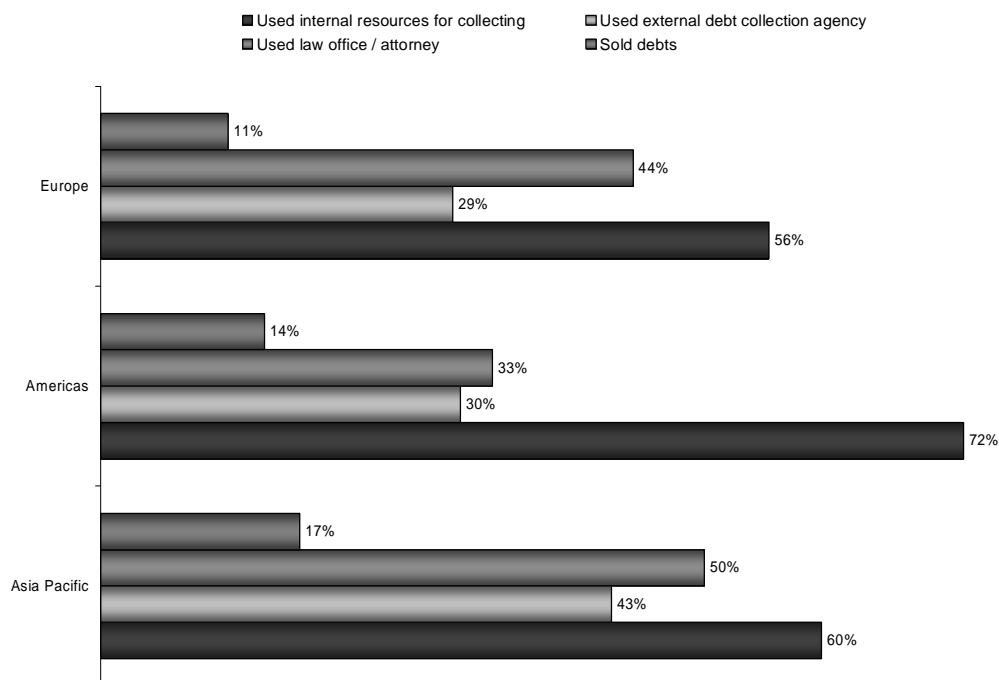
#### 2.1.1 Ways in which companies dealt with their overdue invoices in the past 12 months

Overall, while most companies surveyed reported that they have used their own internal resources to collect outstanding debts during the past 12 months, a further third of respondents have used an external debt collections agency. Around 45% have used a law office or attorney and more than 10% have sold their debts.

Companies based in the Americas have indicated internal collections as their preferred method for recovering overdue debts (72%) (*Figure 1*), while using internal resources is also the main way chosen by the companies across Europe and Asia-Pacific region.

The use of debt collection agencies is more common among Asia-Pacific countries where 43% of companies interviewed have outsourced the collections of their outstanding debts. Companies based in Europe and in Asia-Pacific region have shown a wide use of law offices (44% and 50% respectively) even though there are big differences at country level (*Figures 2-4*).

*Figure 1 – How companies have dealt with overdue invoices in the past 12 months*



Basis: All interviewed companies  
Note: multiple answers possible  
Source: Global Collections Review - Autumn 2011

Particularly in the Netherlands, 70% of companies have used external debt collections agencies, followed by Sweden and Austria where the figure was more than 45%. The research also showed that the Netherlands (20%), Switzerland (20%) and Sweden (9%) also have the lowest use of law offices for collections.

Spanish and Irish companies and to a lesser extent those in Denmark, were most likely to collect debts internally and not use an external agency. Although the selling of debts was the least preferred method, it was significantly more popular in France when compared to other countries (35%).

The assistance of law offices for recovering overdue debts was the preferred practice in Greece, Czech Republic and Slovakia and it was also a common collections behaviour in Belgium (59%), Austria (52%), Spain (49%), Italy (44%) Germany (43%) and Denmark (40%).

Figure 2A – How companies have dealt with overdue invoices in the past 12 months (Europe)

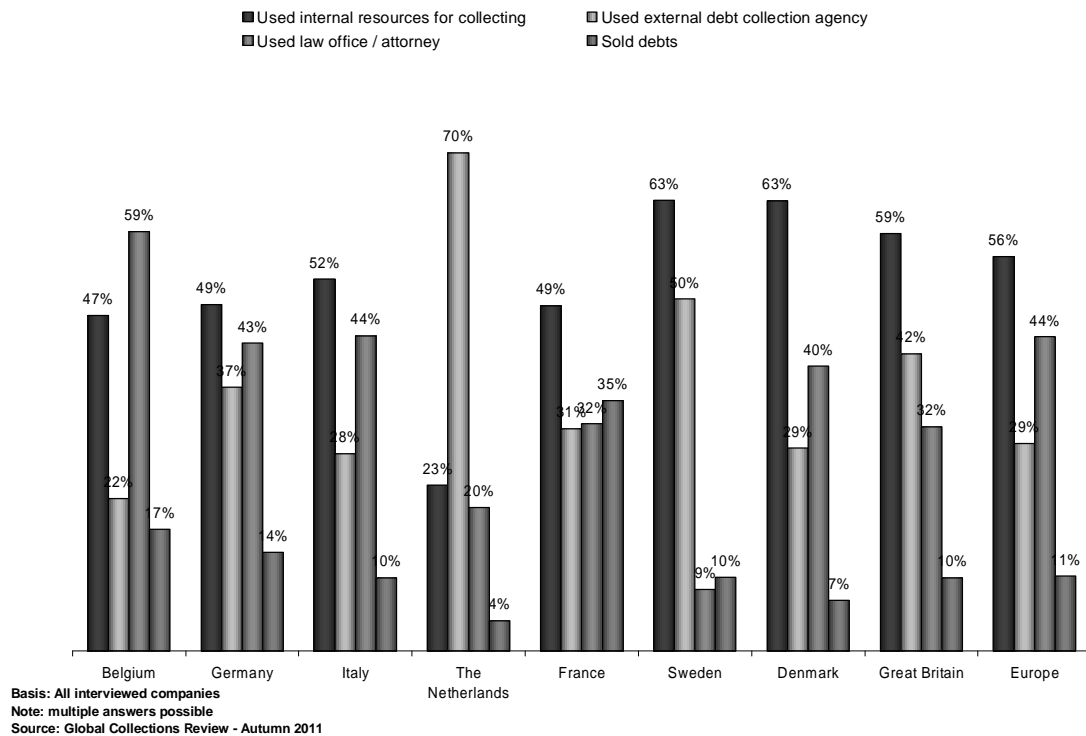
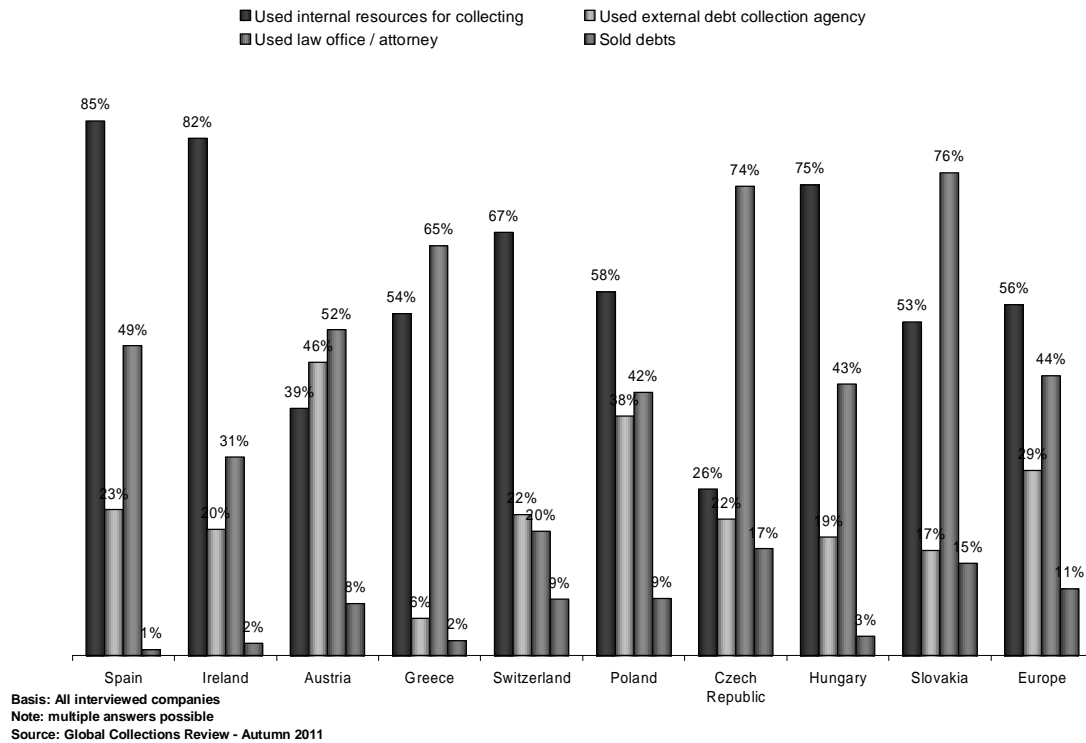
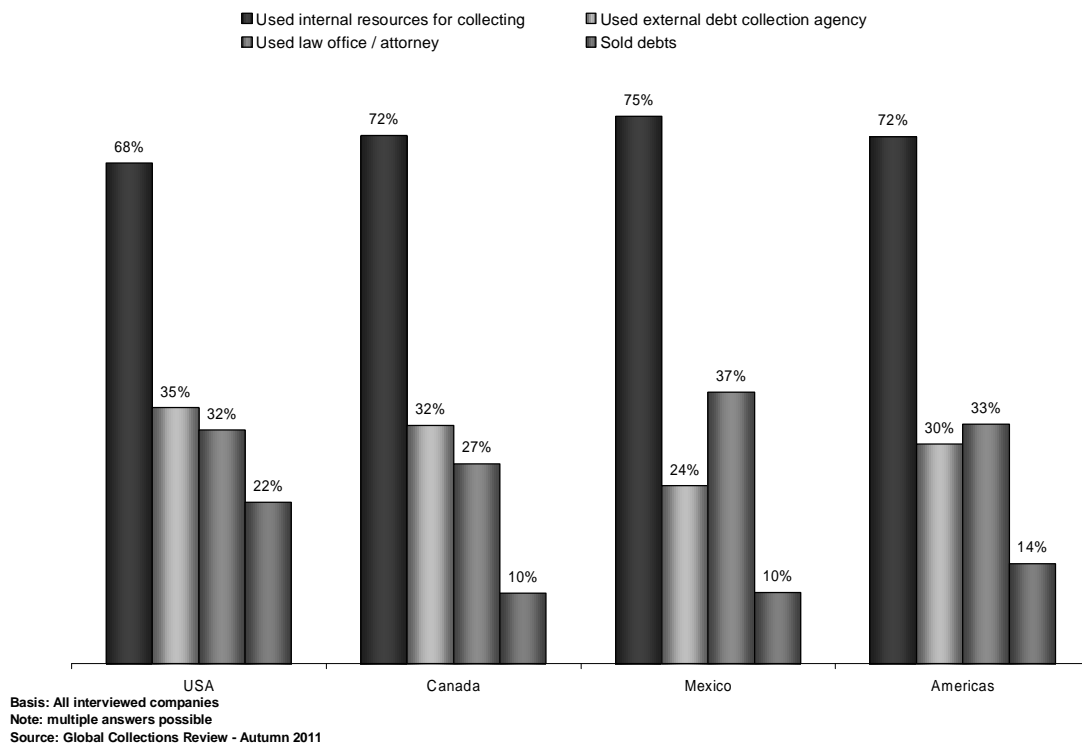


Figure 2B – How companies have dealt with overdue invoices in the past 12 months (Europe)



Among companies based in the Americas, there is a clear preference for using internal processes for collecting outstanding debts (Figure 3). Debt collections agencies have been used by 30% of the interviewed companies (on average) with little deviation, excepting companies operating in Mexico where the preferred collections method is to use a law office (37%).

Figure 3 – How companies have dealt with overdue invoices in the past 12 months (America)



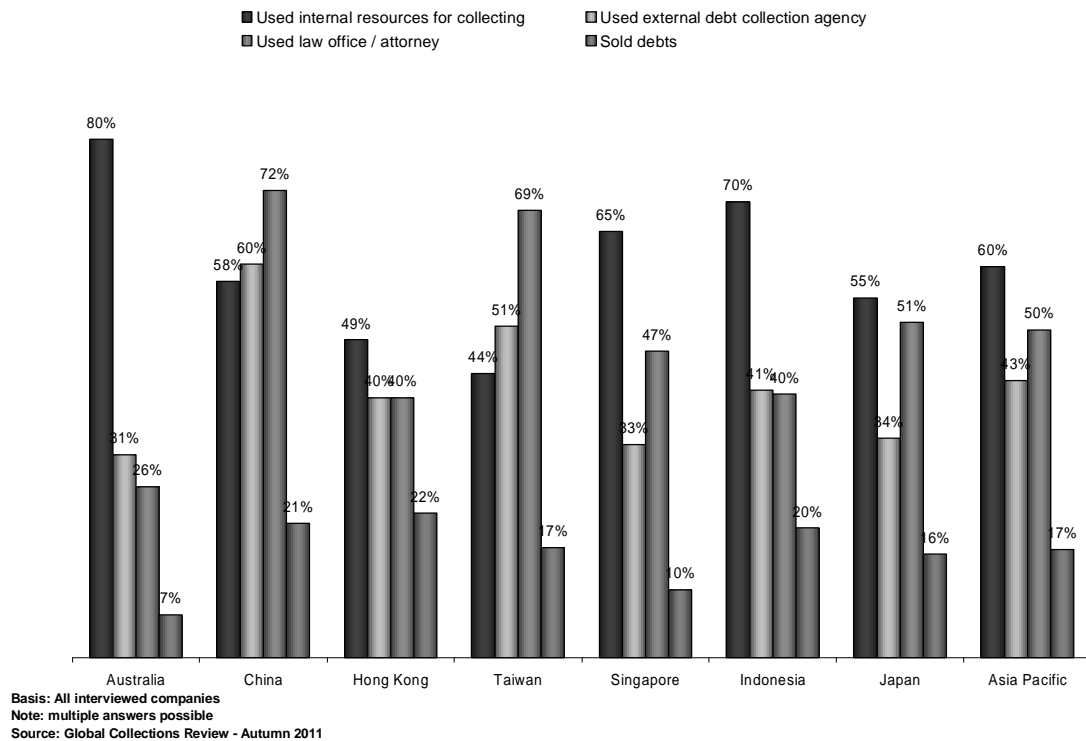
Companies operating in the Asia-Pacific region displayed a number of different collections behaviours (*Figure 4*).

Among companies based in Australia, Indonesia and Singapore the preferred method of collections has been to use internal resources (80%, 70% and 65% respectively) while the assistance of law offices has been chosen mainly by companies in China and Taiwan (62% and 69% respectively).

In Japan internal collections and legal assistance have represented the principal ways in which companies have dealt with overdue debts (55% and 51%)

Despite the wide usage of other methods of recovery, companies in the Asia-Pacific region have shown a strong interest in collecting outstanding debts through debt collections agencies, especially in China and Taiwan (60% and 51% respectively).

Figure 4 – How companies have dealt with overdue invoices in the past 12 months (Asia-Pacific)



When looking at debt collections across different sectors, companies operating in the financial services sector are the highest users of debt collections agencies while in the other sectors, including manufacturing, wholesale and retail trade and distribution together with services companies have all preferred to collect using their own internal resources.

The use of law offices to collect overdue debts has also proven to be a very common practice among all sectors.

With regard to collections practices by company size, the preferred method was internal recovery accompanied by the usage of law offices. Large companies (over 100 million Euros turnover) have been more familiar with the use of debt collections agencies compared to other sizes.

Comparing the collections behaviour to the past year (*Table 1*), almost all companies across Western Europe have shown an increasing usage of debt collections agencies together with a reduction of internal collections practice.

There was a different trend in the Asia-Pacific region where a slight decrease in using debt collections agencies has been recorded, while in American markets the trend is unchanged.

Table 1 – Trend in collections methods worldwide

Countries	Trend Collected internally	2011 - Fall Collected internally	2010-Fall Collected internally	Trend External DCAs	2011 - Fall External DCAs	2010-Fall External DCAs
<b>Western Europe</b>						
Austria	=	39%	39%	↗	46%	36%
Belgium	↕	47%	58%	=	22%	23%
Denmark	↕	63%	79%	↗	29%	26%
France	↕	49%	54%	=	31%	32%
Germany	↕	49%	63%	↗	37%	27%
Great Britain	↕	59%	66%	↗	42%	31%
Ireland		82%	78%	↘	20%	33%
Italy	↕	52%	69%	↗	28%	18%
Netherlands	↕	23%	53%	↗	70%	54%
Spain	↘	85%	60%	=	23%	21%
Sweden	↘	63%	54%	↗	50%	47%
Switzerland	↗	67%	70%	↘	22%	30%
<b>Eastern Europe</b>						
Czech Republic	↕	26%	83%	=	22%	22%
Greece	n.a.	54%		n.a.	6%	
Hungary	↕	75%	79%	↗	19%	11%
Poland	↕	58%	67%	↗	38%	23%
Slovakia	↘	53%	43%	↗	17%	12%
<b>Asia Pacific</b>						
Australia	=	80%	78%	↕	31%	34%
China	↘	58%	42%	↕	60%	62%
Hong Kong	=	49%	49%	↕	40%	42%
Indonesia	n.a.	70%		n.a.	41%	
Japan	n.a.	55%		n.a.	34%	
Singapore	n.a.	65%		n.a.	33%	
Taiwan	n.a.	44%		n.a.	51%	
<b>Americas</b>						
USA	=	68%	68%	=	35%	37%
Canada	=	72%	72%	↗	32%	22%
Mexico	↘	75%	68%	↗	24%	18%

Almost half of respondents that preferred collecting overdue debts internally indicated they have had few outstanding debts and/or the value of the debts is low, especially among micro enterprises (turnover under 1 million EUR), where 52% of respondents chose to collect internally. Dissatisfaction with the service received previously from debt collections agencies appears to be unimportant when choosing to collect internally.

Among Asia-Pacific countries, the main concern that has influenced companies to collect their debts internally is to guard the commercial relationship with the debtor (51%). This is particularly true among companies in China (58%), Indonesia (57%) and Singapore (57%) as they perceive that using external agencies could harm their commercial relationships. Not very positive past experiences is the main reason why Italian companies choose to collect debts internally.

In Europe, Greek, German, Irish, Austrian and Dutch companies have highlighted the same concern as Asia-Pacific countries; the perception of harming the commercial relationship with the debtors is the main driver for collecting using internal procedures (54%, 50%, 8%, 47% and 47% respectively).

Commonly, companies have used collections services from a debt collections agency at some time even though on average, 20% affirmed to have used services from more external partners simultaneously. Higher percentages of loyalty among micro enterprises was reported (under 1 million Euro turnover) where almost 90% have used only one agency at a time.

Companies in Great Britain and Spain have shown a greater variability having used debt collections agencies simultaneously.

### **2.1.2 Extent to which companies use a collections agency (for domestic and/or international debtors)**

Companies with overdue receivables have declared that the majority of them were related to domestic trade (61% on average) and slightly less than 40% were from international exchanges. This proportion is similar for European and American countries but remarkably different across companies operating in the Asia-Pacific region, where almost half of overdue receivables were from export trade.

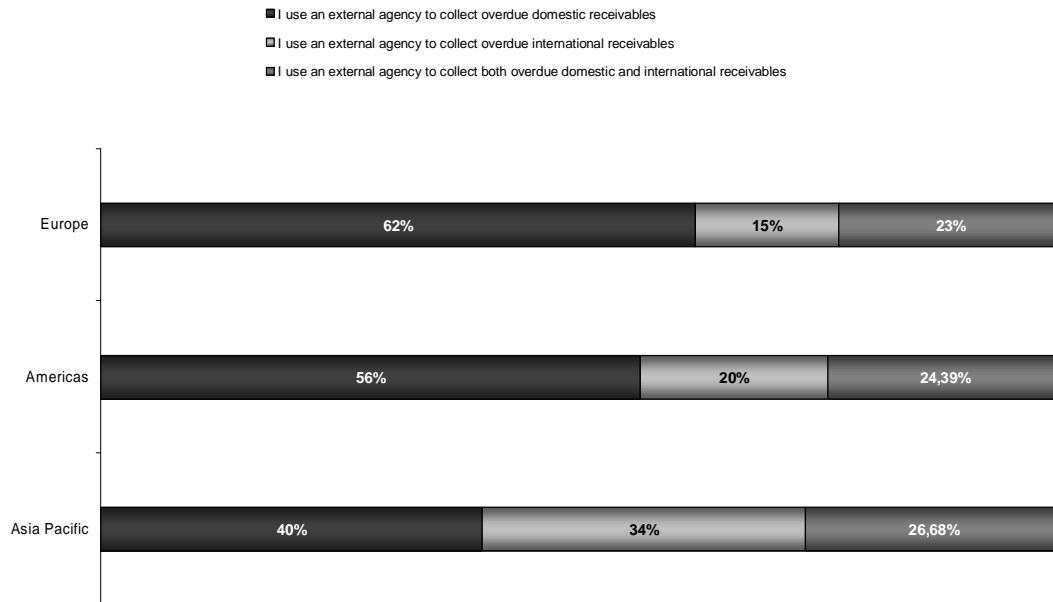
The balance between national and international overdue debts has affected the reason why companies have chosen to work with a debt collections agency (*Figure 5*).

Asia-Pacific countries have worked with a debt collections agency mainly for recovering international debts (34%) as the nature of their economy is strongly oriented to export.

In contrast to Asia-Pacific countries, European businesses mainly outsource their overdue domestic account receivables (62%) while only 15% have chosen a debt collections agencies for international debts.

20% of companies in the Americas have placed just their international debts with an external agency while a further quarter has sought these services for both national and international debts. However the majority relied on external agencies solely for domestic debts.

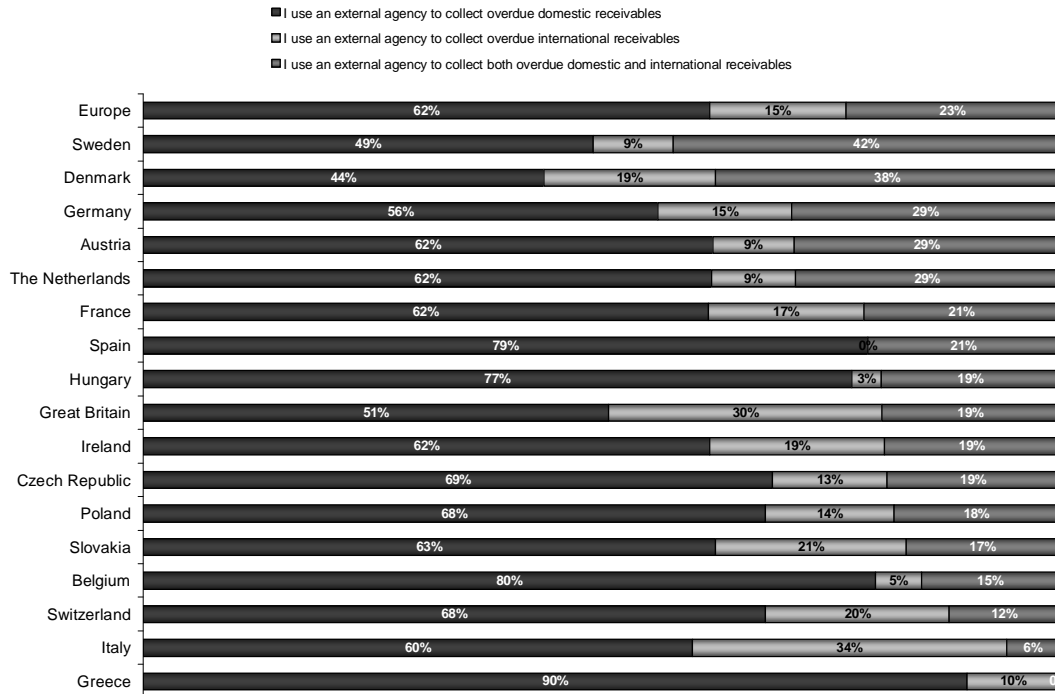
Figure 5 – *Extent to which companies have used an external agency to collect overdue receivables*



Basis: Companies that have used an external debt collections agency  
 Source: Global Collections Review - Autumn 2011

Italy, Great Britain and Slovakia are the countries with the higher percentage of companies that have worked with a debt collections agency for recovering strictly international debts (34%, 30% and 21% respectively). Other countries have used debt collections agencies for collecting a combination of national and international debts with higher percentages when compared to others (Sweden 42%, Denmark 38%, Germany, Austria and Netherlands 29%) (Figure 6).

Figure 6 - Extent to which companies have used an external agency to collect overdue receivables (Europe)

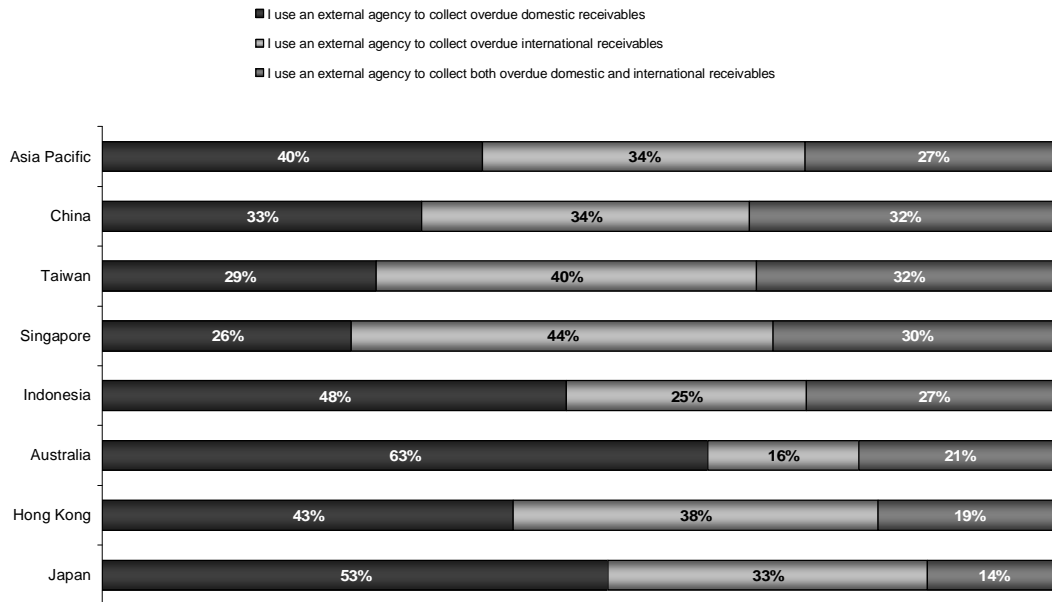


Basis: Companies that have used an external debt collections agency  
Source: Global Collections Review - Autumn 2011

Difficulties in dealing with international receivables have been faced by companies based in Taiwan, Singapore and, to a lesser extent, in Hong Kong which have asked the assistance of debt collections agencies for this type of debts (44%, 40% and 38% respectively) (Figure 7).

However, the general attitude of Asia-Pacific countries was to use a debt collections agency for recovering mainly a combination of national and international debts.

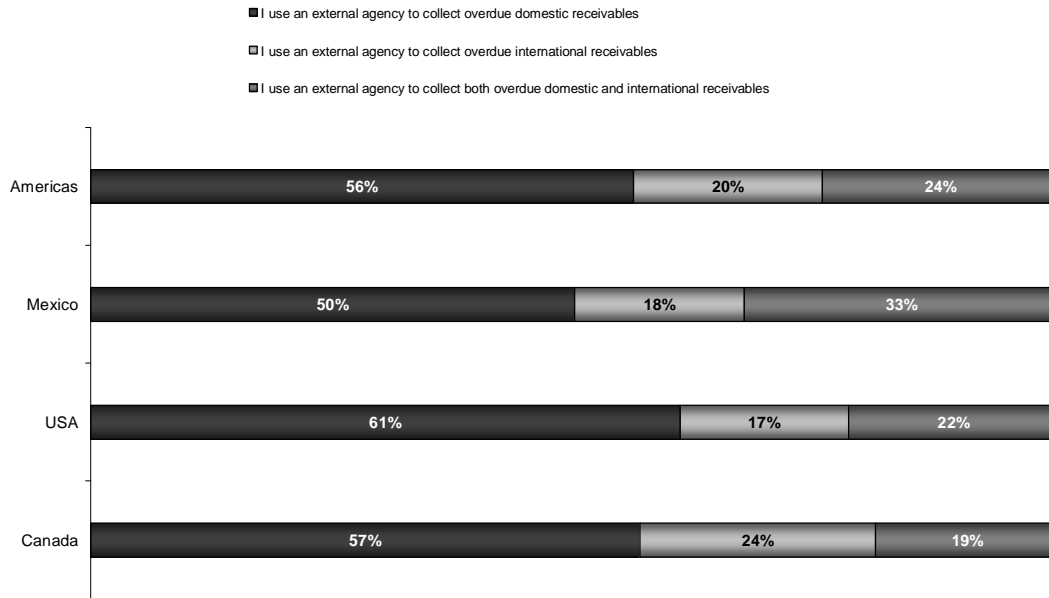
Figure 7 – Extent to which companies have used an external agency to collect overdue receivables (Asia Pacific)



Basis: Companies that have used an external debt collections agency  
 Source: Global Collections Review - Autumn 2011

Among American countries (*Figure 8*), the focus was mainly on collecting domestic debts, with the exception of Mexican companies, which have used debt collections agencies (DCAs) for recovery both international and a combination of debts.

Figure 8 – *Extent to which companies have used an external agency to collect overdue receivables (Americas)*



Basis: Companies that have used an external debt collections agency  
 Source: Global Collections Review - Autumn 2011

There is a tendency among manufacturing and financial services companies to be more likely to use DCAs for collecting international debts. The same trend is also shown by larger companies (over 100 million euro turnover).

## 2.2 Attitudes towards collections

### 2.2.1 Criteria ranking for choosing debt collections agencies

When asked to rank the importance of the differing criteria used for selecting a collections agency (Figure 9), there are three main factors that companies have indicated as drivers in this process:

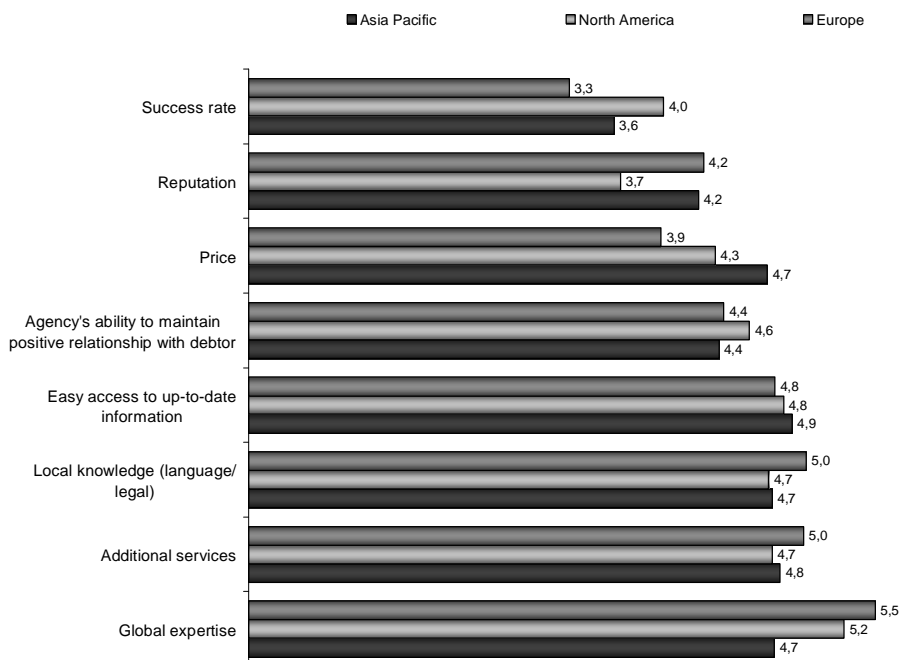
- n 'Success Rate'
- n 'Reputation'
- n 'Price'

On average, 'Global Expertise' and 'Additional Services' were regarded as the least important.

Among European countries, 'Success Rate' and 'Price' continue to be ranked as the two most important elements; while for companies in both the American and Asia-Pacific regions 'Reputation' plays an essential role (instead of 'Price') in guiding companies in their selection process.

Figure 9 – Criteria for selecting an external debt collections agency

1 = most important; ... 8 = least important



Basis: Companies that have used an external debt collections agency  
Source: Global Collections Review - Autumn 2011

Success rate was ranked first by nearly all countries with the exception of Greece that ranked 'Local Knowledge' and 'Price' more important than 'Success Rate'. The Czech Republic, Austria and Spain ranked 'Success Rate' more important than all other countries, while the 'Agency's ability to maintain a positive relationship' was ranked higher by Dutch and Greek companies when compared to others.

'Price' was the second key driver with the exceptions of Sweden, Denmark, Ireland and Switzerland where 'Reputation', 'Global Expertise' and 'Local Knowledge' were considered slightly more important.

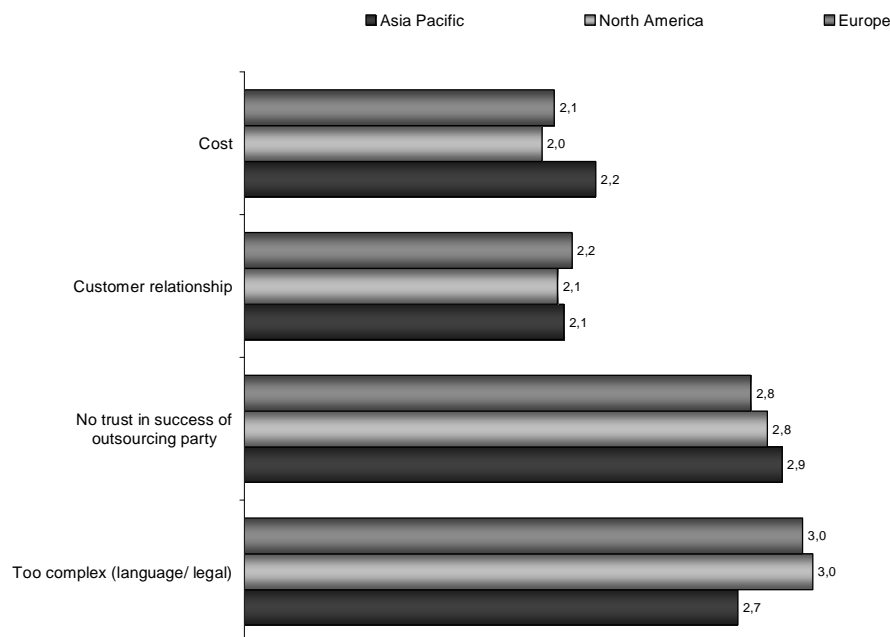
Irrespective of the company size and the economic sector, 'Success Rate', 'Reputation' and 'Price' were evaluated as main aspects for selecting a debt collection agency.

### 2.2.2 Reasons for not using debt collections agencies

Of the companies surveyed, 65% on average have not used a debt collections agency in the last 12 months. When inquiring why they chose not to use this method, the main reasons given were 'cost' and concerns about 'customer relationships' (Figure 10).

Figure 10 – Reasons for not using an external debt collections agency

1 = most important; ... 4 = least important



Basis: Companies that have not used an external debt collections agency  
Source: Global Collections Review - Autumn 2011

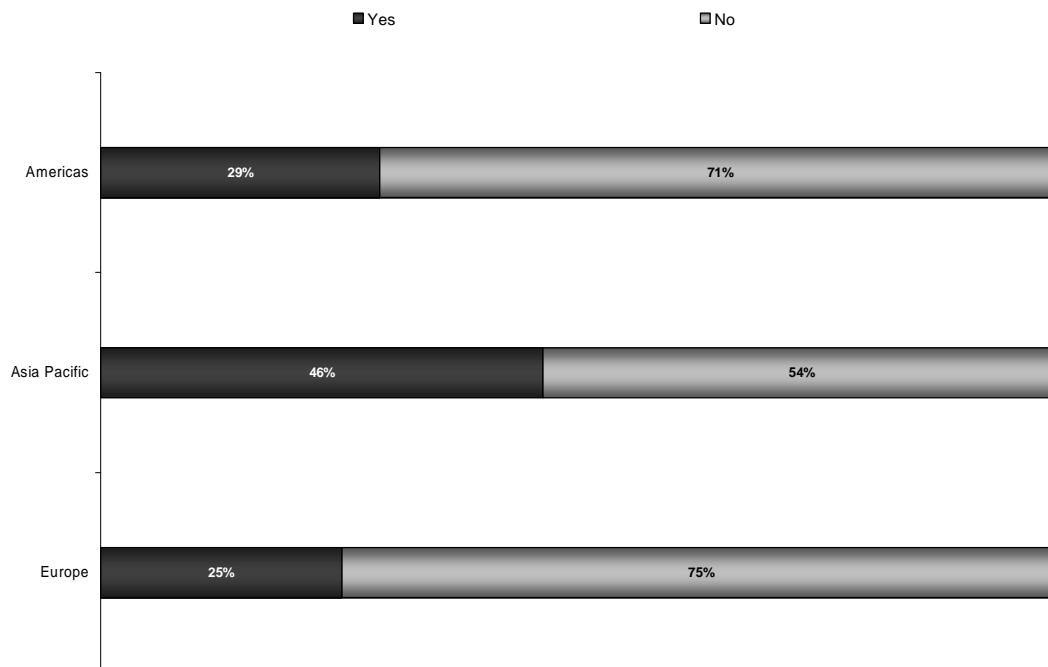
In times of crisis, the focus on cost cutting and the concern on maintaining positive commercial relationships with debtors, even though they were not good payers, penalised the use of debt collections agencies.

All countries ranked the reasons for not using an agency similarly.

### 2.2.3 Account receivables management methods

On average, 31% of companies claimed to have multiple locations in different countries (*Figure 11*), with almost half of respondents in Asia Pacific region claiming to have multiple locations.

Figure 11 – Companies with multiple locations in different countries



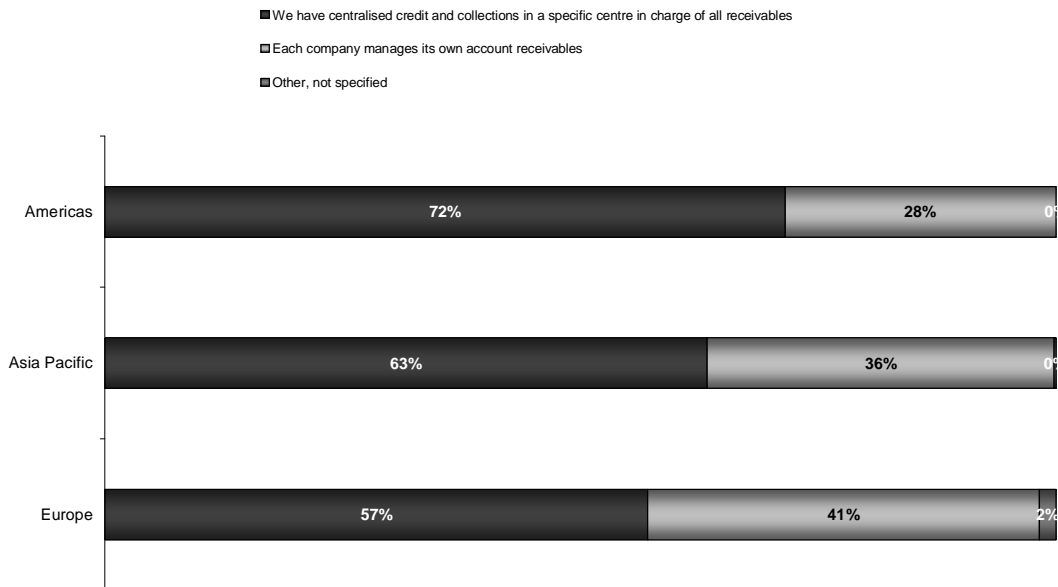
Basis: All interviewed companies  
Source: Global Collections Review - Autumn 2011

Having multiple locations in different countries is a common strategy of organising the business among medium and large companies (from 10 millions turnover). In this way, the centralisation of credit and collections processes represents the most common choice for more than 60% of respondents among mid and large companies.

The centralisation of account receivables has been an organisational choice also for companies working in manufacturing and financial services sectors (more than 60% of respondents).

Looking at the level of centralisation (*Figure 12*), all regions have displayed a high level of centralised credit and collections process, especially in the combined American markets where over 70% of respondents have declared that they deal with the process within one centralised unit.

Figure 12 – Ways the company is organised for managing its account receivables



Basis: Companies with multiple locations in different countries  
Source: Global Collections Review - Autumn 2011

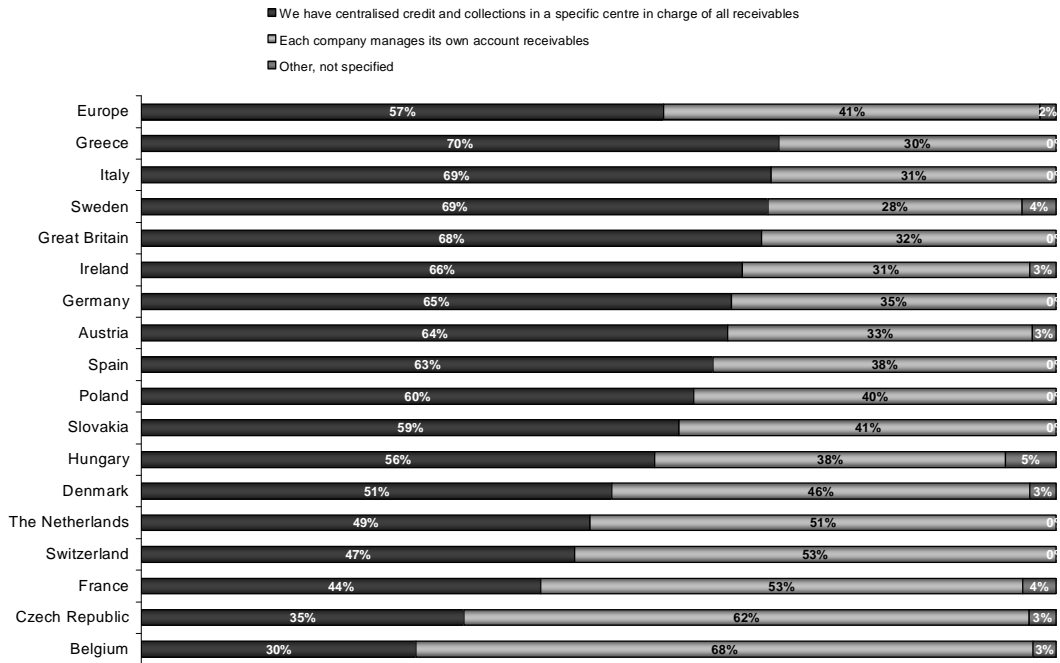
Among European countries there is a higher percentage of companies that have dealt with account receivables on their own (41%) especially in Netherlands, Switzerland, France, Czech Republic and Belgium where the percentage range from 51% to 68% (Figure 13).

Chinese and Australian companies deviate considerably from the average of their region (Figure 14). In China, where almost 50% of survey companies have affirmed to have multiple locations in different countries, respondents have shown the highest level of centralisation.

Australia has displayed a similar approach: 72% out of 21% that have claimed to have multiple locations, declared to deal with the credit and collections processes in a centralised unit.

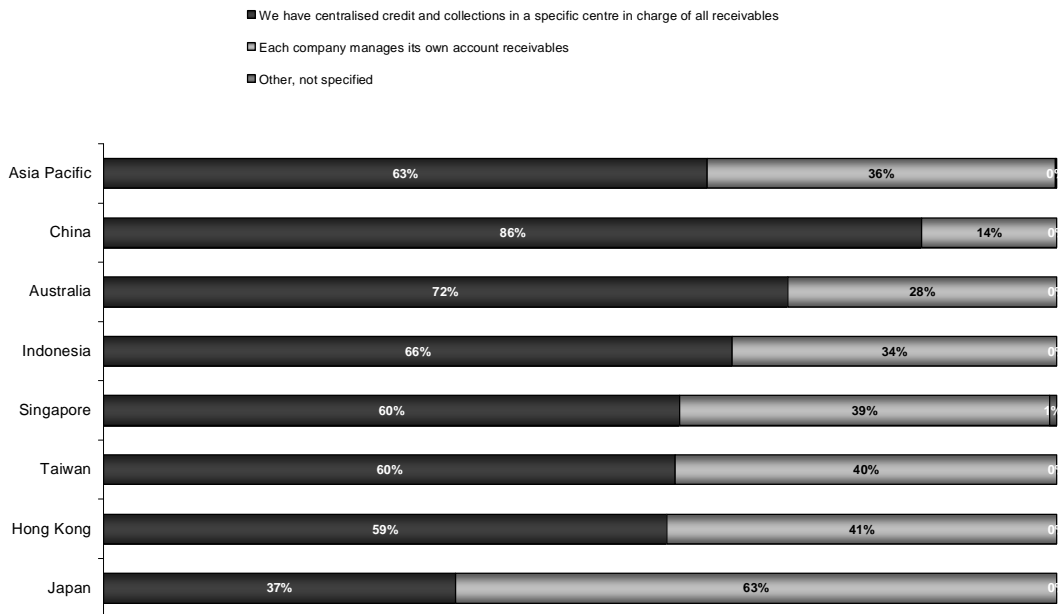
American companies have shown the same tendency to manage their account receivables in one centralised unit even though around 30% of respondents in each country have claimed to have multiple locations (Figure 15).

Figure 13 – Ways the company is organised for managing its account receivables (Europe)



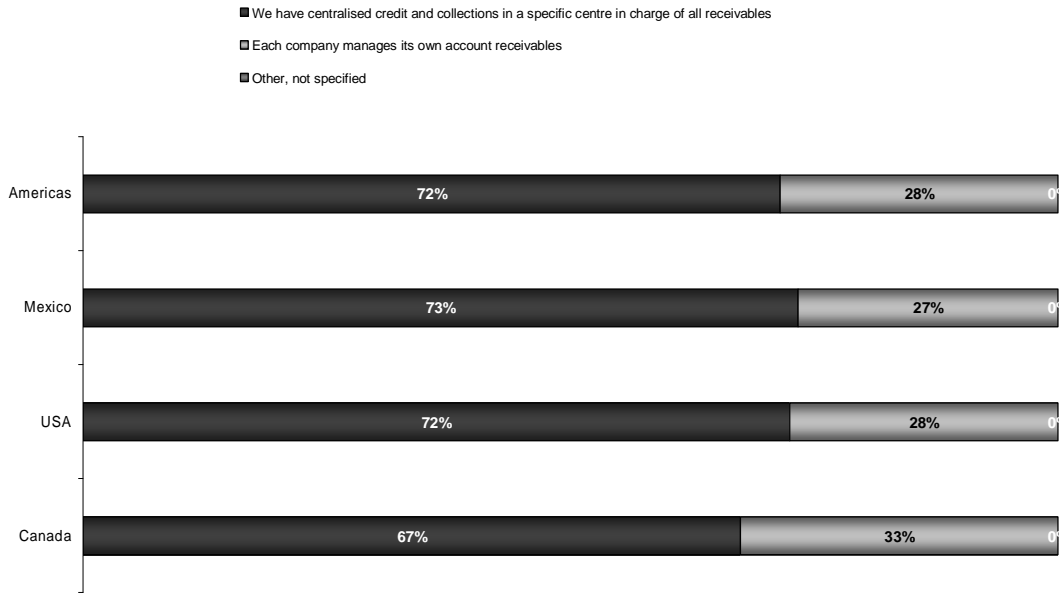
Basis: Companies with multiple locations in different countries  
Source: Global Collections Review - Autumn 2011

Figure 14 – Ways the company is organised for managing its account receivables (Asia Pacific)



Basis: Companies with multiple locations in different countries  
Source: Global Collections Review - Autumn 2011

Figure 15 – *Ways the company is organised for managing its account receivables (Americas)*



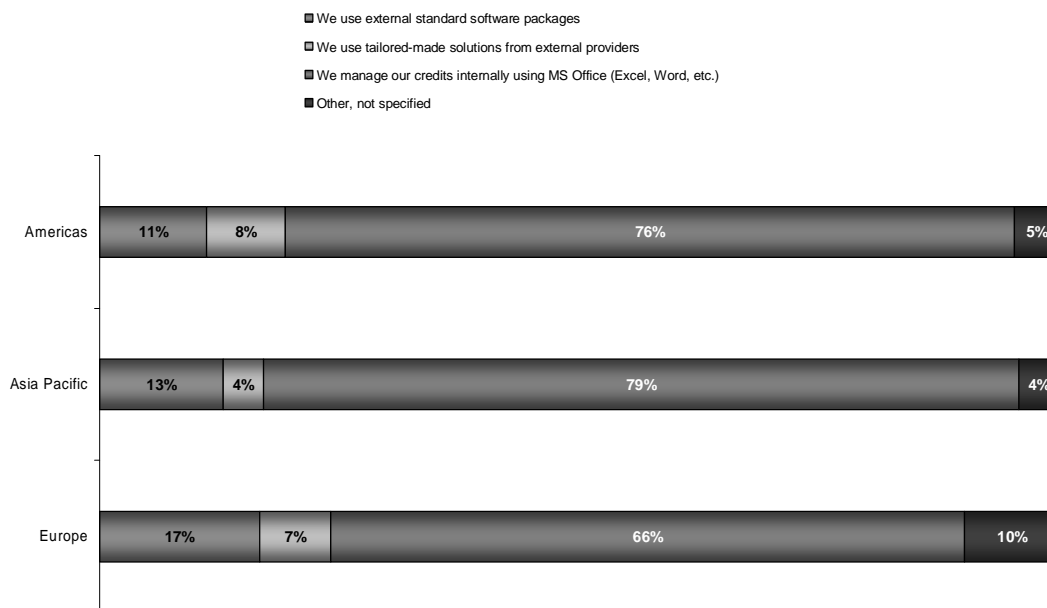
Basis: Companies with multiple locations in different countries  
Source: Global Collections Review - Autumn 2011

The companies interviewed indicated that they have used software tools for optimising the management of their accounts receivables and for standardising the procedures and work processes to collect outstanding debts. (Figure 16).

The majority of respondents (around 70% on average) have used MS Office and around 15% have used standard external software packages, only 7% confirmed that they have used tailored-made solutions and a further 7% have used software tools without specifications.

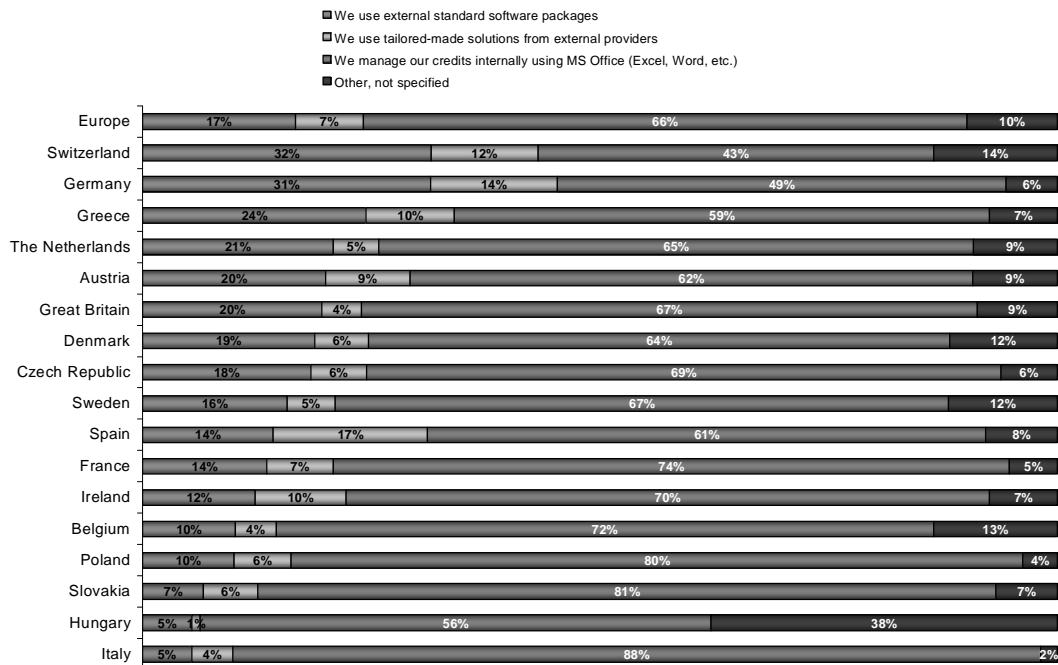
A significantly higher usage of external provider software was shown among German and Swiss companies where 45% and 43% of respondents respectively have used external software packages, although they were mainly standardised ones.

Figure 16 – Extent to which companies have used credit management software tools for managing account receivables



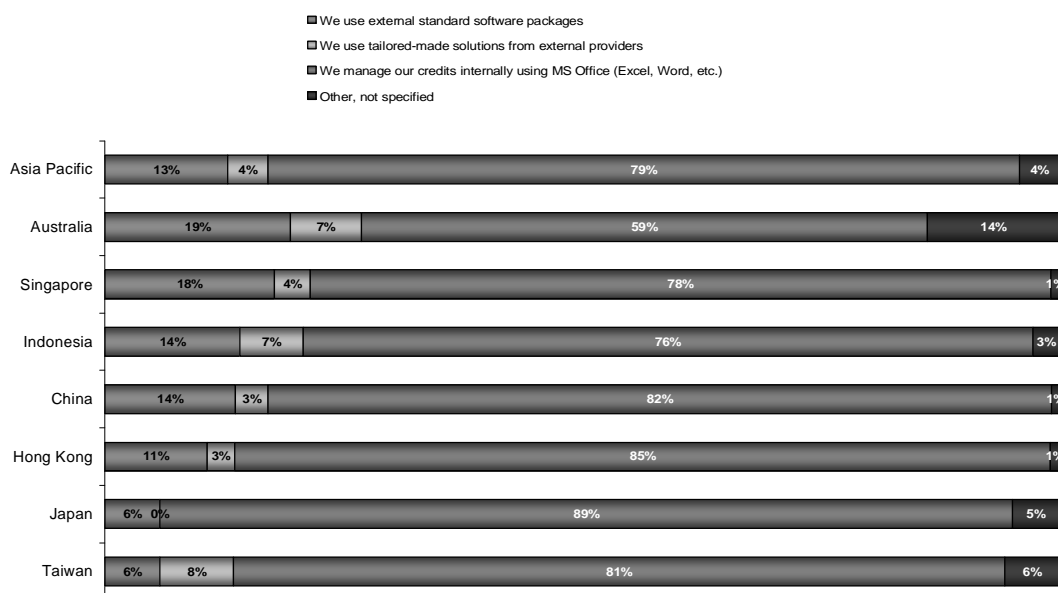
Basis: All interviewed companies  
 Source: Global Collections Review - Autumn 2011

Figure 17 – Extent to which companies have used credit management software tools for managing account receivables (Europe)



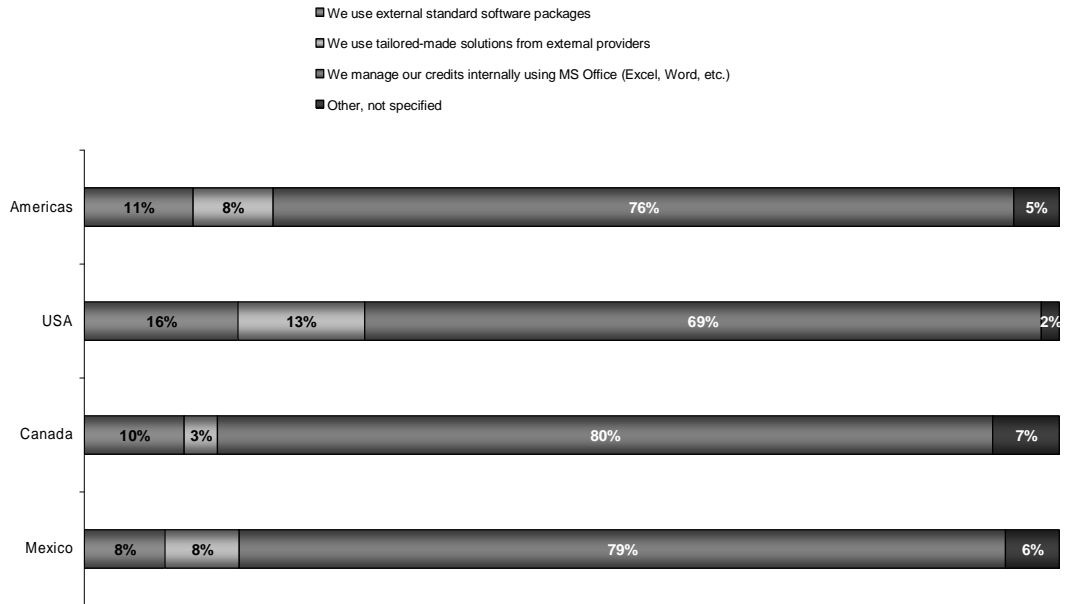
Basis: All interviewed companies  
Source: Global Collections Review - Autumn 2011

Figure 18 – Extent to which companies have used credit management software tools for managing account receivables (Asia Pacific)



Basis: All interviewed companies  
Source: Global Collections Review - Autumn 2011

Figure 19 – Extent to which companies have used credit management software tools for managing account receivables (Americas)



Basis: All interviewed companies  
 Source: Global Collections Review - Autumn 2011

## 2.3 Future development of the collections market

### 2.3.1 First party collections

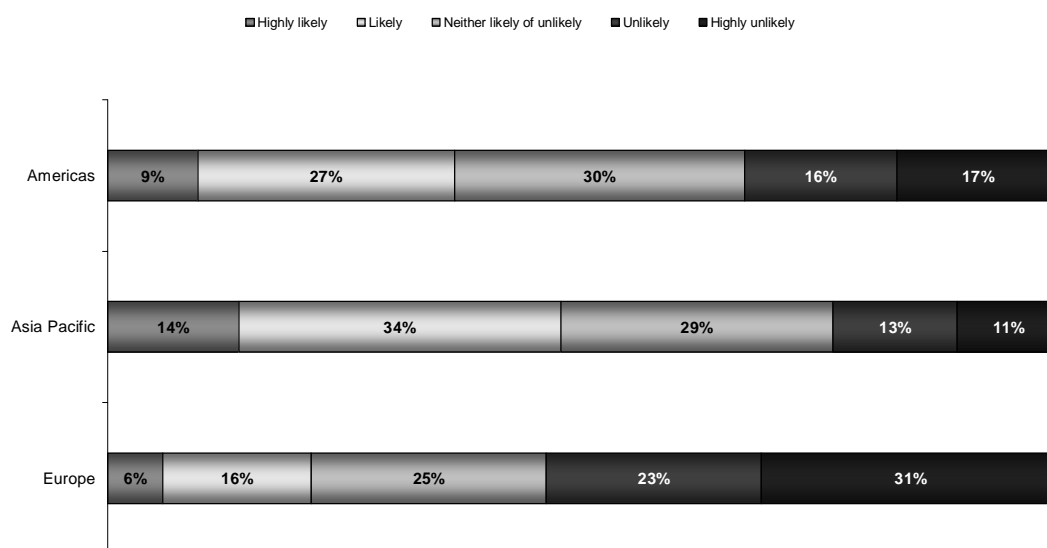
First party collections services are traditionally done either in the name of the creditor or by the creditors themselves. When done externally (by a DCA in the name of the creditor) it is a type of outsourcing. The work starts earlier in the process, typically as from the due date.

Caution still appears to be a key feature in the European approach toward outsourcing first party collections with around 22% of respondents declaring that they would be likely to adopt this approach during the next two years (*Figure 20*).

Likelihood is higher among companies in APAC region where approximately half of respondents would be willing to use this service in the near future.

Companies operating in the Americas appear to be driven by the same cautious approach of European companies: 36% of respondents affirmed that they would use the first party collections.

Figure 20 – Likelihood that companies will outsource their first party collections within the next 2 years

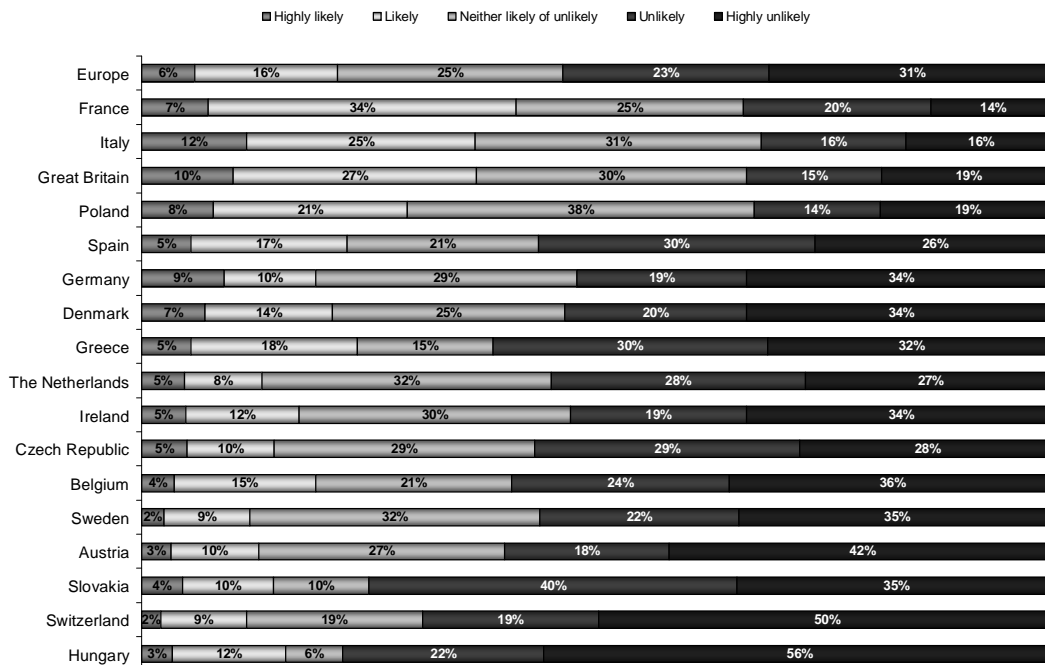


Basis: All interviewed companies  
 Source: Global Collections Review - Autumn 2011

At country level (*Figure 21*), French companies are the more likely to use an external party for their first party collections (41% of respondents) followed by British, Italian and Polish companies (37%, 37% and 29% respectively). Conversely, the least willing to outsource first party collections were Austrian, Slovakian, Swiss and Hungarian companies (with less than 15% of respondents).

Some opportunities might be seen in the Netherlands, Ireland and Sweden where the percentage of neutral respondents was around 30%.

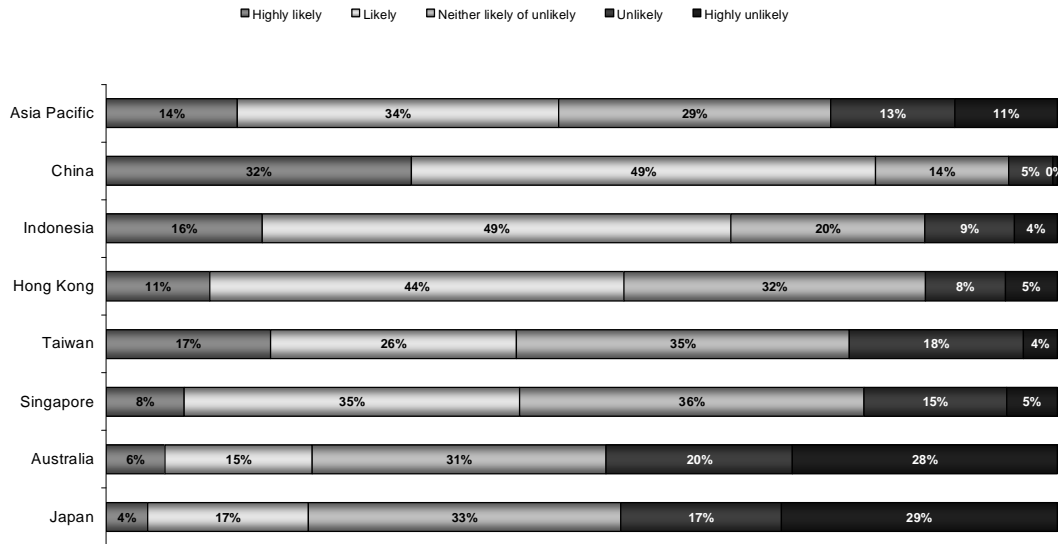
Figure 21 – Likelihood that companies will outsource their first party collections within the next 2 years (Europe)



Basis: All interviewed companies  
 Source: Global Collections Review - Autumn 2011

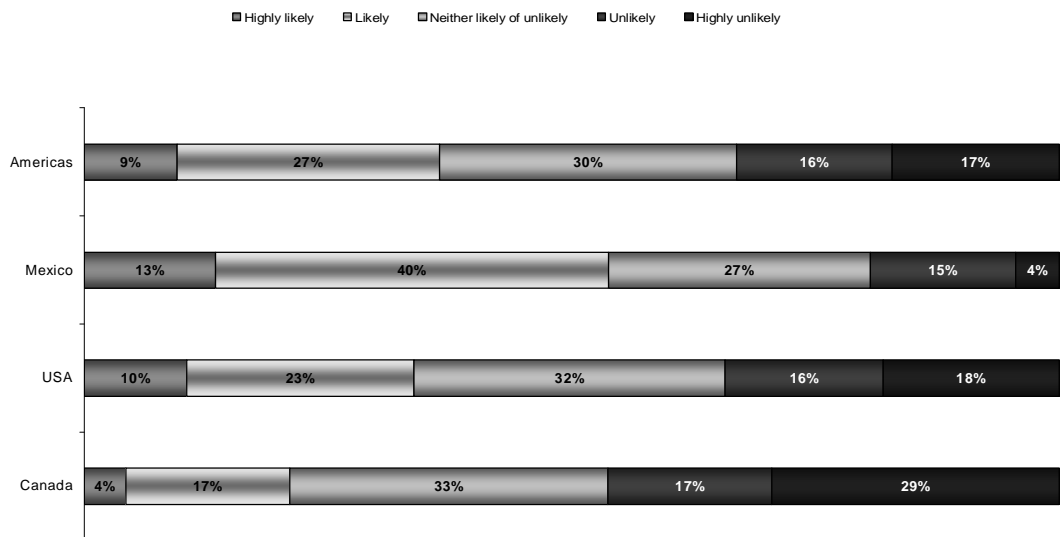
China, Indonesia and Hong Kong were the countries where companies have declared the highest likelihood to outsource the first party collections in the near future (Figure 22); while among American companies, those based in Mexico showed a relevant interest in outsourcing their first party collections: 53% of Mexican respondents declared it as likely or highly likely compared to the average of the region at 36% (Figure 23).

Figure 22 – Likelihood that companies will outsource their first party collections within the next 2 years (Asia Pacific)



Basis: All interviewed companies  
 Source: Global Collections Review - Autumn 2011

Figure 23 – Likelihood that companies will outsource their first party collections within the next 2 years (Americas)



Basis: All interviewed companies  
 Source: Global Collections Review - Autumn 2011

Mid-sized to large companies (10-100 million Euro turnover) seem more attracted by the opportunity to outsource first party collection (31%) along with companies working in the financial services sector (39%).

Pricing-wise, companies are only willing to pay a very low price for outsourcing first party collections: less than 5 euro, which is the same outcome as last year.

No significant differences have been observed by sector or by company size.

### 2.3.2 Final demand letter

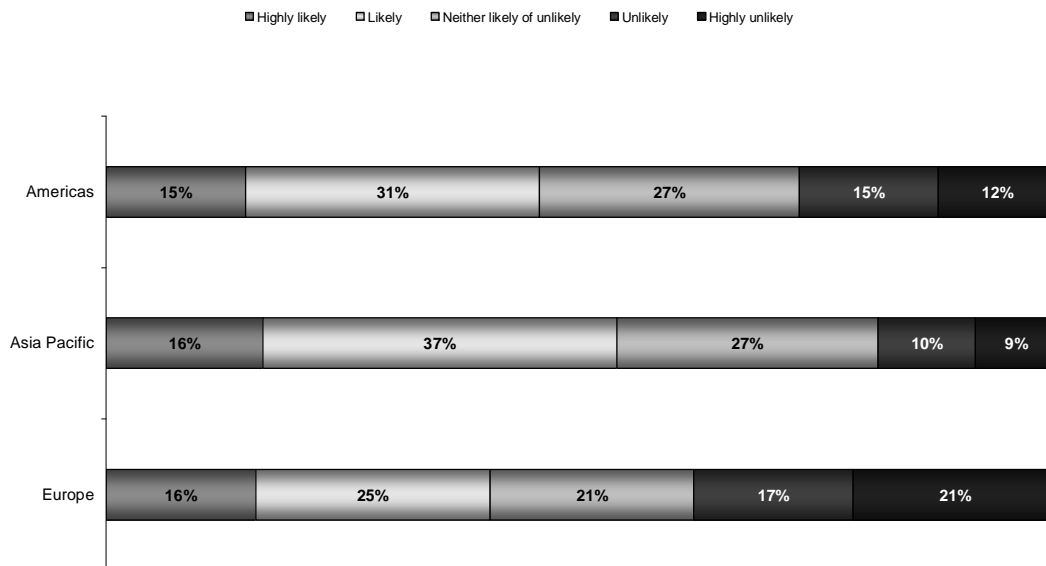
The final demand letter is a letter sent out by the creditor, normally using the headed notepaper of a DCA mentioned that if the debtor does not pay, the debt will be handed over to the DCA.

Caution still characterises the European approach toward final demand letters where, around 40% of respondents declared that they would be likely to adopt this approach during the next two years (*Figure 24*).

Likelihood is higher among companies in APAC region where more than half of respondents are willing to use this kind of service in the near future.

Companies operating in America region have shown a relevant interest in final demand letter.

Figure 24 – Likelihood that companies will use the final demand letter



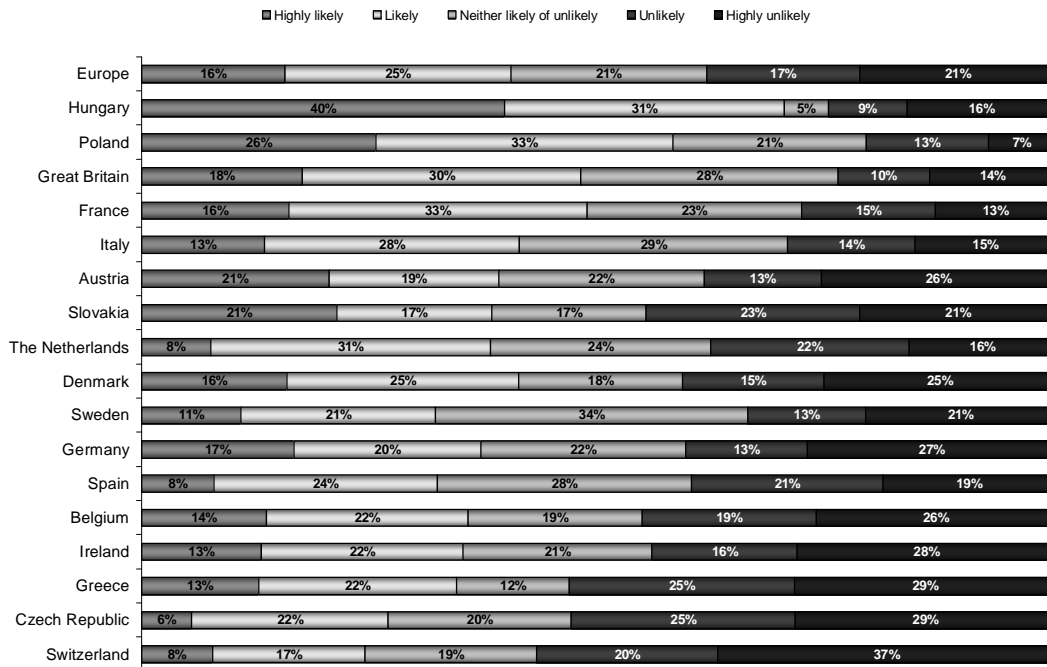
Basis: All interviewed companies  
 Source: Global Collections Review - Autumn 2011

In Europe the interest in final demand letter is particularly high in Hungary, Poland, Great Britain and France where more than half of the surveyed companies have declared their intention to use the final demand letter (*Figure 25*).

At the opposite end of the scale, the final demand letter has not been considered an attractive service for companies operating in Switzerland, Czech Republic and Greece.

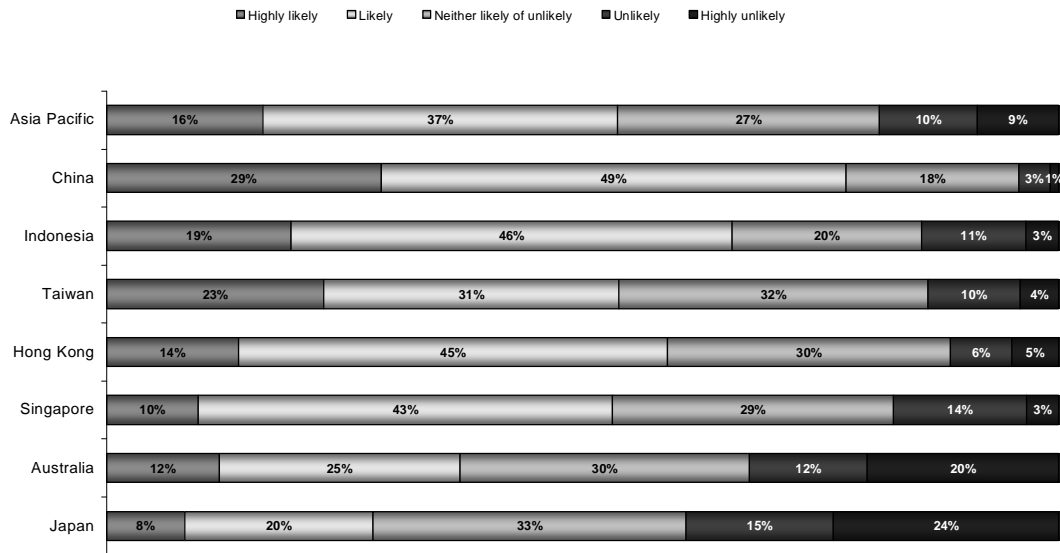
China and Indonesia are the countries with the highest interest in using final demand letters in the short term (Figure 26) and a similar approach has been shown by companies based in Mexico (Figure 27).

Figure 25 – Likelihood that companies will use the final demand letter (Europe)



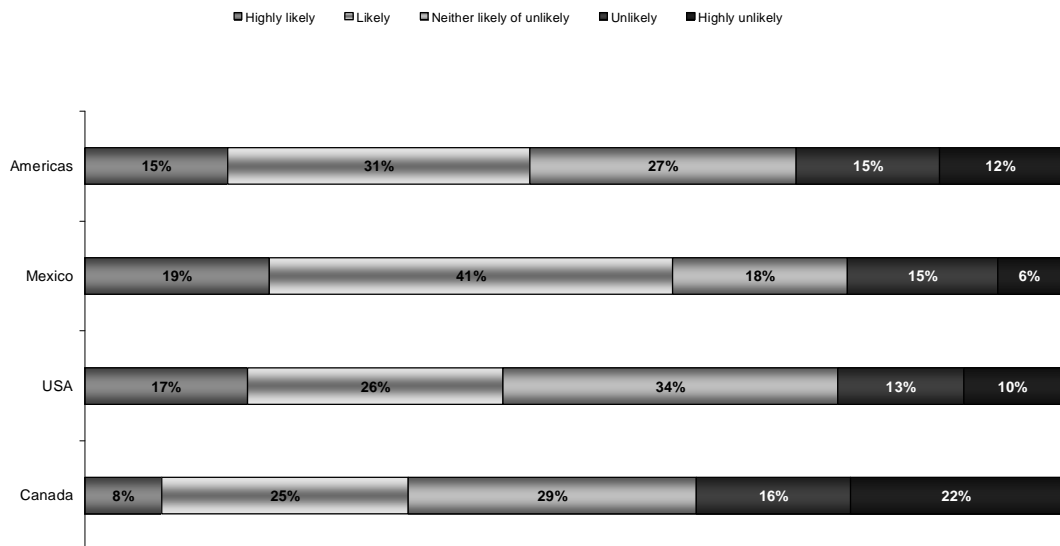
Basis: All interviewed companies  
 Source: Global Collections Review - Autumn 2011

Figure 26 – Likelihood that companies will use the final demand letter (Asia Pacific)



Basis: All interviewed companies  
 Source: Global Collections Review - Autumn 2011

Figure 27 – Likelihood that companies will use the final demand letter (Americas)



Basis: All interviewed companies  
 Source: Global Collections Review - Autumn 2011

## 3. Country reports

### 3.1 Australia

#### KEY FINDINGS – COUNTRY SPECIFIC

- n The use of internal resources as a method of dealing with debts in Australia is higher than in other countries surveyed
- n Debt collections agencies are used in Australia mainly for domestic cases
- n 'Success rate', followed by 'Reputation' were the key-drivers while selecting DCA in Australia
- n 'Customer relationship' protection and 'Cost' were the most important reasons of refusing the cooperation with external agencies
- n Australian companies seem to be quite interested in final demand letter

#### Ways in which companies dealt with their overdue invoices in the past 12 months

The use of internal resources was the most popularly chosen method of dealing with overdue invoices in Australia over the last 12 months – 80% of companies surveyed in this country declared that they used it and this percentage was significantly higher than in many other countries surveyed. The assistance of debt collections agencies was the second most important one (31%), while 26% of Australian companies collected with the assistance with a law office or attorney and about 7% sold their debts. These results are unchanged in comparison with 2010.

Looking at the loyalty of Australian companies, 84% of the ones that decided to be assisted by a DCA used only one of them, whereas 16% claimed to cooperate with two or more simultaneously.

#### Extent to which companies use a collections agency (for domestic and/or international debts)

Looking at the scope of DCA's usage in Austria, the majority of the companies interviewed (63%) chose to be assisted by them specifically in domestic cases. 16% cooperated with external agencies exclusively while dealing with international debts and 21% for the combination of these two.

#### Criteria ranking for choosing debt collections agencies

Following the general trend, 'Success rate' followed by 'Reputation' were the most important criteria considered by Australian companies while choosing debt collections agency.

#### Reasons for not using debt collections agencies

Similar to other countries surveyed, the concern about 'Customer relationship' followed by 'Cost' were the key-drivers for companies in Australia while taking a decision about using an external agency.

### **Account receivables management methods (the usage of software and level of centralization)**

The same as in other countries, the majority of Australian companies (59%) relied on MS Office tools while managing their accounts receivables. 19% decided to use standardized external software packages and 7% opted for a tailor-made solution.

Looking at the level of centralization of accounts receivables management, 72% out of the 21% of Australian companies that claimed to have multiple international locations declared to deal with the process within one centralized unit. 28% executed this in a decentralized way (each company managing its own accounts receivable)

### **Future developments**

The companies surveyed in Australia did not show any particular interest in outsourcing first party collections within the next 2 years – only 21% described it as likely or highly likely, 48% declared the opposite and the remaining 31% remained neutral. However, Australia's price expectations regarding this service did not differ significantly from the average worldwide level.

On the other hand, a relatively high percentage of Australian companies (37%) showed an interest in using the final demand letter while a similar percentage (32%) described it as unlikely or highly unlikely to use it and 30% did not have any particular opinion. Their price expectations for this service are in line with the worldwide average.

## 3.2 Austria

### KEY FINDINGS – AUSTRIA SPECIFIC

- n The use of law offices or attorneys as a method of dealing with debts in Austria is higher than in other countries surveyed
- n Debt collections agencies are used in Austria mainly for domestic but also for international cases
- n 'Success rate', followed by 'Price' and 'Reputation' were key-drivers while selecting DCA in Austria
- n 'Customer relationship' protection and 'Cost' were the most important reasons of not cooperating with external agencies
- n Austrian companies seem quite interested in final demand letters

### Ways in which companies dealt with their overdue invoices in the past 12 months

The use of a law office or attorney was the most popularly chosen method of dealing with overdue invoices in Austria over the last 12 months – almost 49% of companies surveyed in this country declared to use it and this percentage was significantly higher than in many other countries surveyed.

The assistance of debt collections agencies was the second most important one (46%). At the same time, only 38% of Austrian companies collected internally (so significantly less than in other countries surveyed) and about 8% sold their debts. These results constitute a significant change compared to the last year, when Austria was one of the countries with the highest share of companies collecting internally.

Looking at the loyalty of Austrian companies, 82% of the ones that decided to be assisted by a DCA used only one, whereas 18% claimed to cooperate with two or more of them simultaneously.

### Extent to which companies use a collections agency (for domestic and/or international debts)

Looking at the scope of DCA's usage in Austria, the majority of the companies interviewed (62%) chose to be assisted by them specifically in domestic cases. 7% cooperated with external agencies exclusively while dealing with international debts and 31% for the combination of these two.

### Criteria ranking for choosing debt collections agencies

Following the general tendency, 'Success rate' followed by 'Price' and 'Reputation' were the most important criteria considered by Austrian companies while choosing debt collections agency.

### Reasons for not using debt collections agencies

Similarly to other countries surveyed, the concern about 'Customer relationship' followed by 'Cost' were the key-drivers for companies in Austria while taking a decision about refusing the cooperation with an external agency.

### Account receivables management methods (the usage of software and level of centralization)

The same as in other countries, the majority of Austrian companies (59%) relied on MS Office tools while managing their accounts receivable. 23% decided to use standardized external software packages and this percentage was significantly higher than in other countries interviewed. At the same time 10% opted for a tailor-made solution.

Looking at the level of centralization of AR management, 64% out of the 32% of Austrian companies that claimed to have multiple international locations declared to deal with the

process within one centralized unit. 33% chose a decentralized approach with each company managing its own accounts receivables.

### **Future developments**

Companies surveyed in Austria did not show any particular interest in outsourcing first party collections within the upcoming 24 months – only 14% described it as likely or highly likely, whereas 60% declared the opposite and the remaining 26% remained neutral. However, Austrian price expectations regarding this service did not differ significantly from the average European level.

On the other hand, a relatively high percentage of Austrian companies (37%) showed an interest in final demand letters. Nonetheless, a similar percentage (39%) described it as unlikely or highly unlikely to use it and 24% did not have any particular opinion. Their price expectations as for this service are slightly below the European average and significantly below the worldwide one.

### 3.3 Belgium

#### KEY FINDINGS – BELGIUM SPECIFIC

- n The use of a lawyer or attorney to assist with debt collection continues to be higher in Belgium than in other countries
- n Debt collection agencies were used mainly to deal with domestic debts
- n 'Success rate' and 'Reputation' were the most important criteria when choosing a collections agency in 2011
- n 'Cost' and 'Customer relationship' remain the most important reasons for not using an outsourcing party
- n The share of Belgian companies with international locations that do not deal with AR management within a centralised unit is significantly higher than in other countries surveyed

#### Ways in which companies dealt with their overdue invoices in the past 12 months

During the last 12 months about 60% of companies used the assistance of law offices for collecting outstanding invoices, around 21% contacted a debt collection agency, 47% used internal resources for that purpose, while slightly over 17% decided to sell the debt.

Compared to the previous year, the use of law offices in Belgium has increased and continued to be significantly higher than in many of the other countries surveyed. The popularity of debt selling and using DCAs in Belgium seems to be unchanged in comparison with 2010, while the usage of internal resources has decreased.

90% of the enterprises that used services of debt collection agencies in 2011, claimed to use just one at any time, which confirms the loyalty demonstrated by Belgian companies in the past.

#### Extent to which companies use a collections agency (for domestic and/or international debts)

Among the 21% of Belgian companies surveyed that have used external collection agencies, 80% used them only for domestic debts, 5% specifically for international ones while 15% for both types. Additionally, the share of enterprises using external agency only to deal with domestic debts during the past 12 months was significantly higher in Belgium than in other countries surveyed.

Compared to the previous year, in 2011, fewer Belgian companies have used DCAs for collecting both domestic and international debts, which has been accompanied by an increase in their use only for domestic debts and a decrease in their use strictly for international collection.

#### Criteria ranking for choosing debt collections agencies

'Success rate' has been ranked as a top reason to choose a collections agency by Belgian companies, followed by 'Reputation' and 'Price'. The ranking has changed in comparison with 2010, when 'Price' was claimed to be the most important driver of choice.

#### Reasons for not using debt collections agencies

Similarly to previous surveys, the cost and the protection of customer relationship have been the main reasons to refuse the assistance of external agency while collecting outstanding receivables in Belgium. Having the perception that the activity is too complex continues to be the least likely reason to take this decision for Belgian enterprises. This ranking follows the trend presented by the majority of the countries surveyed in 2011.

#### Accounts receivable management methods (the usage of software and level of centralization)

The usage of MS Office tools has been the most popular method of optimising the management of accounts receivable among Belgian companies (around 72%). About 10% of

them have used external standardized software packages, while 4.5% have chosen tailor-made external systems. Around 13.5% dealt with the problem using other methods.

25% of companies surveyed in Belgium claimed to have multiple locations in different countries. Among them over 67% claimed to deal with the management of their accounts receivables on their own, while only 30% did it within a centralised unit. Compared to the other countries surveyed, the share of Belgian enterprises dealing with receivables in a decentralized way is significantly higher.

### **Future developments**

When investigating the future development of first party collections, Belgian companies reported not to be particularly interested in outsourcing them in the next 24 months. About 60% declared it unlikely or highly unlikely while only 19% showed an interest. The price expectations of Belgian companies regarding the first party collections service are in line with the ones of the majority of the countries surveyed. Almost 60% of Belgian companies are willing to pay up to 8 Euros per invoice for this kind of service and their price expectations seem to be on a similar level as of the European average.

As regards the final demand letter, almost 36% of Belgian companies showed an interest in using this kind of service in the next 24 months, while 45% declared it to be unlikely or highly unlikely. As for the price, 52% of Belgian companies would agree to pay up to 7 Euros per invoice for this service and generally their price expectations are in line with the worldwide ones.

## 3.4 Canada

### KEY FINDINGS – CANADA SPECIFIC

- n Own management was the most popular method of dealing with overdue invoices in Canada, but other ones were also widely used
- n Canadian companies value the assistance of DCAs both in domestic and international cases
- n 'Reputation' of DCA is a significantly more important selection criteria in Canada than in other countries
- n 'Cost' and 'Customer relationship' protection were the main reasons of refusing the assistance of external agencies in Canada.
- n Canadian companies are not particularly interested in final demand letter or first party collections outsourcing

### Ways in which companies dealt with their overdue invoices in the past 12 months

In line with tendencies presented in other countries, in-house collections was the most popularly chosen method of dealing with overdue invoices in Canada during the past 12 months – 72% of companies claimed to choose this method and this percentage was significantly higher than in many other countries surveyed.

Debt collections agencies and lawyers were almost equally popular and used respectively by 32% and 27% of Canadian companies. At the same time, 10% of them decided to sell their debts. This distribution of preferences generally resembles the one demonstrated by Canadian enterprises in the previous survey. However, there was a slight increase observed in the popularity of DCAs, meanwhile the share of companies using debt sell decreased.

Looking at the loyalty to external agencies, Canada seems to follow general worldwide trends with 80% of companies declaring to be loyal just to one DCA, whereas 20% claimed to cooperate with two or more simultaneously.

### Extent to which companies use a collections agency (for domestic and/or international debts)

57% of Canadian companies reported to cooperate with external agencies specifically while collecting domestic overdue receivables. 24% used their assistance to deal with international debts, while the remaining 19% – for the combination of these two. This distribution did not change significantly compared with the one presented by Canadian enterprises in the last year survey.

### Criteria ranking for choosing debt collections agencies

'Price', 'Reputation' and 'Success rate' were the three top-ranked criteria taken into consideration while choosing a debt collections agency by Canadian companies. This ranking resembles the one presented by them in the last year survey and 'Reputation' continues to be a significantly more important driver of this choice in Canada than in other countries.

### Reasons for not using debt collections agencies

Similar to other countries, 'Cost' and a concern about 'Customer relationship' were the main reasons of refusing the assistance of external agencies in Canada.

### Account receivables management methods (the usage of software and level of centralization)

Canadian companies trusted mainly in MS Office tools in order to optimize their AR management process – nearly 80% claimed to use them. 10% opted for standardized external software package and 3% - for the tailor-made ones.

24% of companies interviewed in Canada reported to have multiple locations in many different countries. Out of these, 67% carried out the accounts receivable management process within one centralized unit, whereas 33% decided to do this in a decentralized way.

### **Future developments**

Canadian companies were not particularly interested in outsourcing first party collections with only 21% declaring an interest, while 33% remained neutral and 46% described it as unlikely or highly unlikely to use it during the next two years. The price they are willing to pay for this kind of service is slightly below the world average and about 63% of them would not agree to pay more than an equivalent of 8 Euros.

The situation looks similar also when it comes to the final demand letter. Only 33% of Canadian companies said that it is likely or highly likely that they use it during the next 24 months. At the same time, 38% expressed a lack of interest and 29% remained neutral. The price that Canadian companies would be willing to pay for this kind of service is around both worldwide and North America average.

## 3.5 China

### KEY FINDINGS – CHINA SPECIFIC

- n Law offices was more commonly chosen method of dealing with overdue invoices in China than in other countries
- n 'Success rate' continued to be the undeniably most important criterion when selecting a DCA, followed by 'Agency's ability to maintain positive relationship with debtor'
- n 'Cost' along with 'Customer relationship' were the main reasons of refusing the assistance of debt collections agency
- n There is quite a lot of interest in using first party collections and final demand letter in China, compared with other countries and they are also willing to pay a relatively high price for outsourcing first party collections

### Ways in which companies dealt with their overdue invoices in the past 12 months

During the last 12 months, more than 70% of Chinese companies surveyed claimed to use law offices or attorneys in order to deal with overdue invoices, making it the most popularly chosen method. The second one was asking the assistance of debt collections agencies used by 60% of Chinese enterprises, followed closely by internal resources (58%) and selling debts (21%). The share of companies choosing the last method is significantly higher in Hong Kong than in other countries surveyed.

Over 78% of the companies using with debt collection agencies declared to cooperate only with one of them whereas the remaining 22% used two or more simultaneously which makes Chinese companies quite loyal to their collections partner.

### Extent to which companies use a collections agency (for domestic and/or international debts)

More than 30% of Chinese companies assisted by DCAs while dealing with overdue invoices used them particularly to collect international debts. At the same time, another third used external agency specifically to collect domestic debts and a further 32% have dealt with both domestic and international ones.

### Criteria ranking for choosing debt collections agencies

'Success rate' was, beyond question, the most important criteria considered by Chinese companies while selecting a DCA. The second ranked criterion, scored on average very dissimilarly, was the 'Agency's ability to maintain positive relationship with debtor'.

### Reasons for not using debt collections agencies

Following an approach presented by the majority of countries examined, Chinese companies chose the cost of collecting externally and the importance of the customer relationship as the most important reasons of refusing the assistance of debt collection agency.

### Account receivables management methods (the usage of software and level of centralization)

The usage of MS office remains the most popular method of facilitating AR management among companies in China (82%), although some of them opted for standardised software packages (14%) and this is in line with the indicated preferences among other countries.

Around 49% of the surveyed Chinese companies declared to have multiple locations in various countries. Among them, 86% chose to manage its account receivables within one centralized unit, whereas only 14% claimed that every company deals with that process separately.

### **Future developments for the collections market**

When examining the likelihood of outsourcing their first party collections during the next 24 months, the majority of Chinese companies appeared to be interested in this kind of service (81%), whereas only 5% found it unlikely or highly unlikely. As for price expectations, around 60% of them would pay more than 8 Euros per invoice.

As regards the final demand letter, 78% of Chinese companies declared to be interested and this share was significantly higher than in other countries surveyed. At the same time, 4% of enterprises surveyed in China described the likelihood of using this sort of letter as unlikely or highly unlikely. Around 57% of them would be willing to pay up to 10 Euros for each demand letter.

## 3.6 Czech Republic

### KEY FINDINGS – CZECH REPUBLIC SPECIFIC

- n The use of a law office/attorney is significantly higher while the use of DCA's is significantly lower in Czech Republic than in other countries
- n Debt collections agencies' assistance is required mainly while dealing with domestic debts
- n 'Success Rate' and 'Price' are closely competing and undeniably the most important criteria considered when selecting an external agency by Czech companies
- n 'Cost' and 'Customer relationship protection' are the main reasons of declining the assistance of DCA in Czech Republic
- n Czech companies do not show any particular interest in outsourcing first party collections or in using final demand letters

### Ways in which companies dealt with their overdue invoices in the past 12 months

The use of a law office or attorney was the most popular method of dealing with overdue invoices – 74% of Czech companies claimed to use this method, making this percentage significantly higher than in other countries surveyed. Only 26% managed this process using internal resources, which constitutes a difference compared to the majority of other countries where this approach is the most popular method of dealing with overdue invoices. 22% of companies in the Czech Republic cooperated with a debt collection agency and 17% chose to sell their debts.

The Czech results from 2011 differ considerably from the ones obtained the last year, when own management was the most popularly chosen method. Nonetheless, what remained unchanged during this time is a relatively high popularity of legal collections and low usage of DCAs.

Among the Czech companies that chose to be assisted by external agencies, 84% remained loyal just to one of them whereas 16% used two or more at the same time.

### Extent to which companies use a collections agency (for domestic and/or international debts)

Czech companies chose to be assisted by debt collection agencies mainly to deal with domestic invoices (69%) and this share is higher than in many other countries surveyed. 12% of them used external agencies specifically for international debts, while the remaining 19% for the combination of these two.

### Criteria ranking for choosing debt collections agencies

'Success rate' followed by 'Price' were undeniably the most important criteria considered by Czech companies while selecting debt collections agency. There was a big difference in their average score with the 'Ability of maintaining a positive relationship with debtor' chosen as the 3<sup>rd</sup> position of the Czech ranking. The order of key-drivers of this choice in Czech Republic resembles the one obtained in past surveys.

### Reasons for not using debt collections agencies

'Cost' and a concern about 'Customer Relationship' were most important reasons of not using DCAs by Czech enterprises, which is in line both with general tendencies worldwide and with past results for this country.

### Account receivables management methods (the usage of software and level of centralization)

Similar to other countries surveyed, the majority of Czech companies (70%) relied on MS Office tools while dealing with their credit management. Looking at other software packages, 18% opted for the standard and 6% for the tailor-made ones. This distribution of preferences stayed relatively in line with both European and worldwide average.

18% of the companies interviewed in Czech Republic declared to have multiple locations in various countries. Out of them, 35% dealt with their AR management within one centralized unit while the remaining 65% carried out this process in a decentralized way. The level of centralization of among Czech companies was significantly lower than in many other countries surveyed.

### **Future developments**

Investigating the future development of first party collections, Czech companies did not report to be particularly interested in this kind of service – only 15% declared it to be likely or highly likely to use it within the next 24 months, whereas 57% expressed a lack of interest and 28% remained neutral. There are also reluctance to paying a higher price for this service with 77% reporting that they would not pay more than the equivalent of 8 Euros per invoice.

As regards the demand letter, the situation looks similar; only 27% of companies interviewed in Czech Republic expressed an interest in it, while 53% described it to be unlikely or highly unlikely and 20% remained indifferent. Looking at price expectations, they are below the average in Czech Republic; 83% of respondents would not agree to pay more than an equivalent of 7 Euros for each letter.

## 3.7 Denmark

### KEY FINDINGS – DENMARK SPECIFIC

- n Own management continued to be the most popular method of dealing with overdue receivables
- n 'Success rate' was undoubtedly the most important driver while choosing DCA by Danish companies
- n 'Reputation' was a much less important criterion for choosing DCA in Denmark than in other countries
- n 'Customer relationship protection' became a key-driver when declining to cooperate with DCAs
- n The share of Danish companies having multiple international locations is higher than in other countries, but is not accompanied by significantly higher share of enterprises dealing with AR within one centre

### Ways in which companies dealt with their overdue invoices in the past 12 months

Over the past 12 months most of the Danish companies surveyed (63%) were using internal resources to deal with the collection process. Almost 29% decided to use debt collection agencies, 40% chose to be assisted by law office or attorney, while slightly over 7% sold the debt.

The behaviour of Danish companies generally remained unchanged compared to 2010 - although there was a decrease observed in the use of internal resources in favour of other methods. Own management continued to be the most popular method of dealing with overdue invoices.

78% of the Danish companies that used external agencies in 2011 used just one DCA, while the remaining 22% chose to be assisted by two or more of them simultaneously.

### Extent to which companies use a collections agency (for domestic and/or international debts)

Out of the 29% of Danish companies that used debt collection agencies, around 44% claimed to need their assistance specifically in collecting domestic debts, 19% only in international ones and 37% used this method to deal with both types of debts. The results for 2011 are relatively in line with the ones obtained in the previous year, with a slight decrease in the use of DCAs exclusively for domestic receivables.

The conduct of Danish companies in this aspect did not differ significantly from the one presented by other countries surveyed in 2011.

### Criteria ranking for choosing debt collections agencies

'Success rate' was the most important reference point while making choice of DCA by Danish companies. On average it was scored much higher than any other criterion considered. At the same time, 'Reputation' was scored as the last one in the ranking and was regarded as a significantly less important driver in Denmark than in the other countries surveyed.

Compared with previous surveys, in 2011 'Price' and the 'Ability to maintain a positive relationship with a debtor' have been scored lower in the ranking by Danish companies.

### Reasons for not using debt collections agencies

The apprehension of harming the relationship with debtor was the main reason of refusing the assistance of DCAs by Danish companies. This constitutes a change, compared to the previous surveys, when cost was chosen to be the most important criterion. In 2011 cost was scored as the second reason and its rate this year was significantly lower in Denmark than in many other countries surveyed.

### **Account receivables management methods (the usage of software and level of centralization)**

Internal usage of MS Office tools remained the most commonly chosen solution supporting the management of account receivables in Denmark – almost 64% of the companies surveyed opted for this method. Out of external solutions, 19% of Danish enterprises used standard packages while 6% chose the tailored-made ones.

36% of the companies surveyed in Denmark claimed to have multiple locations in different countries and this share is significantly higher than in many other countries surveyed. Nonetheless, there was a relative equilibrium observed as regards the level of AR management among them; 51% dealt with this process within one unit and 46% conducted it in a decentralized way.

### **Future developments**

Around 54% of companies surveyed in Denmark claimed to be uninterested in outsourcing first party collections in future, while almost 21% declared their interest in the next 24 months to be likely or highly likely. With respect to the price expectations, 70% of Danish companies reported to be willing to pay up to 8 Euros per invoice for this kind of service. Denmark seems to follow overall tendencies presented by the other countries surveyed, both in terms of level of interest and price expectations regarding first party collections outsourcing.

Final demand letters were reported to be interesting for 41% of Danish companies but at the same time other 40% affirmed to be neutral in using this kind of service. 66% would agree to pay up to 7 Euros for each demand letter send. Generally, Danish price expectations are slightly below the worldwide average.

## 3.8 France

### KEY FINDINGS – FRANCE SPECIFIC

- n Selling debt was more commonly chosen as a method of dealing with overdue invoices in France than in other countries
- n 'Success rate' continued to be the most important criterion while selecting DCA, followed by 'Price' and 'Easy access to up to date information'
- n 'Cost' along with 'Customer relationship' were the main reasons of refusing the assistance of debt collections agency
- n There is quite a lot of interest in using final demand letter in France, compared with other countries and it is also willing to pay a relatively high price for this service

### Ways in which companies dealt with their overdue invoices in the past 12 months

During the last 12 months, almost half of French companies surveyed claimed to use internal resources in order to deal with overdue invoices, making own management the most popularly chosen method. The second one was debt selling, used by 35% followed closely by law office or attorney (32%) and debt collection agencies (31%).

The share of companies choosing the last method continued to be significantly higher in France than in other countries surveyed, which reaffirms the results from the past. Generally, the whole distribution of French companies' preferences as for the methods of dealing with debt remained relatively unchanged compared to 2010.

Over 91% of the companies using with debt collection agencies declared to cooperate only with one of them whereas the remaining 9% used two or more simultaneously which makes French companies quite loyal in comparison with other countries examined and is consistent with past results for France.

### Extent to which companies use a collections agency (for domestic and/or international debts)

Almost 62% of French companies assisted by DCAs while dealing with overdue invoices used them particularly to collect domestic debts. At the same time 17% used external agency specifically to collect international debts and 21% to deal both with domestic and international ones. This distribution goes along with overall trend presented by the majority of other countries surveyed in 2011.

### Criteria ranking for choosing debt collections agencies

'Success rate' was, beyond question, the most important criteria considered by French companies when selecting a DCA. The subsequent ones, which scored on average, very similarly were 'Price' and 'Easy access to up to date information'. The last one is relatively high in the French ranking compared to the other countries surveyed.

As in previous years, in 2011 there was also a clear gap observed between the average level of importance assigned to 'Success rate' in comparison with the following factors. On the other hand, it is worth noticing that in the past 'Reputation' used to be ranked as the third key driver, while this year it has fallen onto fourth position in favour of 'Easy access to up to date information'.

### Reasons for not using debt collections agencies

In line with the approach presented by the majority of countries studied, French companies chose the cost of collecting externally and the importance of the customer relationship as the most important reasons of refusing the assistance of debt collection agency. The result for France seems to be constant in time too, since the ranking of refusal reasons in 2011 was in line with the ones obtained in past surveys.

**Account receivables management methods (the usage of software and level of centralization)**

The usage of MS office remains the most popular method of facilitating AR management among companies in France (74%), although some of them opted for standardised software packages (14%) or tailor-made solutions (7%). This distribution of preferences remains in line with the one presented by the majority of other countries surveyed.

Around 27% of the French companies interviewed, declared to have multiple locations in various countries. Among them, 44% chose to manage its account receivables within one centralized unit, whereas 53% claimed that every company deals with that process separately.

**Future developments for the collections market**

When examining the likelihood of outsourcing their first party collections during the next 24 months, 41% of French companies appeared to be interested in this kind of service, whereas 34% found it unlikely or highly unlikely. As for price expectations, around 60% of them would afford to pay up to 8 Euros per invoice and on average they are disposed to pay more than in other European countries.

As regards the final demand letter, 48% of French companies declared to be interested and this share was significantly higher than in other countries surveyed. At the same time, 34% of enterprises surveyed in France described the likelihood of using this sort of letter as unlikely or highly unlikely. Around 71% of them would be willing to pay up to 10 Euros for each demand letter but on average they can afford to pay more than average both in Europe and worldwide.

## 3.9 Germany

### KEY FINDINGS – GERMANY SPECIFIC

- n The use of own management and law office or attorney for collecting debts remained high but at the same time the popularity of debt collection agencies increased
- n 'Success Rate' and 'Price' were confirmed to be the most important factors while selecting a debt collection agency
- n 'Cost' followed closely by 'Customer relationship protection' were the most important reasons for rejecting the assistance of DCAs while collecting debt
- n German companies continued to show higher interest in using external software tools for optimizing AR management compared with other countries

### Ways in which companies dealt with their overdue invoices in the past 12 months

Own management occurred as the most popular method of dealing with overdue invoices among German companies, during the last 12 months – almost 49% of them claimed to use this method. The use of a law office or attorney turned out to be almost equally preferred method since it was used by 43% of German enterprises. At the same time, 37% of German companies decided to use the assistance of a debt collection agency to facilitate the AR management process, whereas 14% decided to sell their debt.

Although internal collection remained the most popularly chosen method of dealing with overdue invoice in Germany, the share of companies using it has decreased compared with 2010, meanwhile the usage of DCAs has grown significantly.

Of the 37% German enterprises using DCAs, 73% claimed to be assisted just by one of them, while the remaining 27% reported to cooperate with two or more simultaneously. The level of loyalty presented by German companies seems to follow general tendencies.

### Extent to which companies use a collections agency (for domestic and/or international debts)

56% of the German companies collecting externally chose to be assisted by DCA specifically to collect domestic debts, 14% only to the international ones and the remaining 30% used these services to deal with both types of debts.

Compared to 2010, the use of DCAs, particularly for international debts, has decreased in favour of two other solutions.

### Criteria ranking for choosing debt collections agencies

'Success rate' continued to be the most important factor for German companies when selecting a debt collection agency, which confirms the preferences shown by them in the past. It is followed by 'Price' and 'Reputation' which were regarded as equally important in 2011. Also 'Easy access to up to date information' was ranked similarly to the previous ones, which suggests that German companies' choice of DCA is usually based on multiple criteria analysis.

### Reasons for not using debt collections agencies

'Cost', followed closely by 'Customer relationship protection' were considered to be the most important criteria when rejecting the cooperation of DCAs by German companies in 2011, which generally confirms preferences shown in 2010. Nevertheless, in the past, 'Customer relationship protection' was ranked as first and 'Cost' as second.

### Account receivables management methods (the usage of software and level of centralization)

As regards credit management software tools, over the last 12 months 31% of German companies were optimizing the AR management using external standard software packages, 14% - a tailor-made ones while almost a half of them managed their credit internally, using MS Office tools. Interest in the usage of external software packages shown by German

enterprises continues to be significantly higher than in other countries, confirming the preferences demonstrated in the past.

Around 31% of the companies examined in Germany claimed to have multiple locations in various countries. Among them, 65% managed the account receivables within one centralized unit, while the rest chose a decentralized method.

### **Future developments**

Looking at the predicted demand of outsourcing first party collections by German companies in the next 2 years, 19% declared it to be likely or highly likely to use it, whereas around a half of them found it unlikely or highly unlikely. Regarding the price expectations, around 57% of German companies would be willing to pay up to 8 Euros per invoice for this type of service.

Investigating a level of interest in usage of final demand letter, around 37% of German companies found this kind of service attractive whilst 40% seemed to be uninterested. Over a half of them would pay only up to 7 Euros for each final demand letter.

German preferences related to first party collections and final demand letter are relatively in line with the ones presented by the majority of other countries surveyed, both in terms of the degree of interest and price expectations.

## 3.10 Great Britain

### KEY FINDINGS – GREAT BRITAIN SPECIFIC

- n The use of DCAs is significantly higher than in the other countries
- n The use of DCAs exclusively for collecting international debts is higher than in other countries
- n 'Success rate' was undeniably the most important criteria considered when choosing a DCA
- n 'Cost' was a key-driver of rejecting cooperation with a DCA
- n The interest in final demand letter seems to be higher in Great Britain than in other countries
- n The share of British companies having multiple international locations is higher than in other countries, but is not accompanied by significantly higher share of enterprises dealing with AR within one centre

### Ways in which companies dealt with their overdue invoices in the past 12 months

Following the tendency presented by the majority of all the companies surveyed worldwide, own management was the most popularly chosen method of dealing with overdue invoices in the UK over the last 12 months – almost 60% of the companies interviewed declared using internal resources for that purpose. At the same time, 42% of them claimed to cooperate with debt collections agencies, making the use of DCAs significantly higher in Great Britain than in many other countries surveyed (especially in Europe). Moreover, there is a growing trend observed in their use within the UK, compared with the past.

As regards other methods of dealing with debt collections, 32% of British companies cooperated with law offices or attorneys and only 10% sold their debt. The last one constitutes a significant decrease compared with past year.

Of the British companies using DCA's assistance, 63% cooperated just with one, while the rest (37%) used 2 or more simultaneously. British enterprises were found to be significantly less loyal than the ones in the majority of other countries surveyed.

### Extent to which companies use a collections agency (for domestic and/or international debtors)

In 2011 around a half of British companies cooperating with DCAs used their assistance specifically to deal with domestic debts, 20% for the international ones, whereas the remaining 30% for the combination of these two. The use of an external agency exclusively while dealing with international invoices in the UK this year remained higher than in other countries surveyed but at the same time decreased compared to the past year, in favour of domestic collections.

### Criteria ranking for choosing debt collections agencies

'Success rate' was undeniably the most important criteria considered by British companies while choosing a debt collections agency. The next two in the ranking – 'Price' and 'Reputation' were scored on average very closely, yet there was a significant gap between their average rank and the rank of 'Success rate'. Compared with the last year's survey the cost of service lost its importance as a driver of choice – in the past 'Price' used to be on the first place in the ranking.

### Reasons for not using debt collections agencies

'Cost' followed by 'Customer relationship protection' were chosen to be the main concerns when rejecting the use of DCAs as a method of dealing with overdue invoices. The same as in the past, when ranking reasons for why companies are not using a debt collections agency, Great Britain did not differ significantly the worldwide and European average.

### **Account receivables management methods (the usage of software and level of centralization)**

For optimising the management of their account receivables, British companies relied mainly on MS Office tools (67%) while external standard software packages and tailored-made solutions were used respectively by 20% and 4%.

42% of the companies interviewed in the UK in 2011 claimed to have multiple locations in various countries and this percentage was significantly higher than in other countries surveyed. Among them, 68% dealt with all overdue invoices within one centralized unit and the rest (32%) conducted this process in a decentralized way, which goes along with European and worldwide tendencies.

### **Future developments**

37% of British companies declared an interest in outsourcing their first party collections within the next 24 months, 33% described it as unlikely or highly unlikely, while the rest remained neutral. This distribution is similar to the one presented by the majority of other countries surveyed. As regards the price, 60% of the companies said they would pay up to 8 Euros for this kind of service. Generally, British companies are willing to pay slightly more than the ones from other countries surveyed, especially in Europe.

48% of the British companies reported to be interested in a final demand letter and this percentage is much higher than in other countries. They are also willing to pay more for this type of service, especially compared with other European countries.

## 3.11 Greece

### KEY FINDINGS – GREECE SPECIFIC

- n The use of a lawyer or attorney to assist with debt collection is higher in Greece than in other countries
- n Debt collection agencies were used strictly to deal with domestic debts
- n 'Price' and 'Local knowledge' were the most important criteria when choosing a collections agency in 2011
- n 'Cost' and 'Customer relationship' are the most important reasons for not using an outsourcing party

### Ways in which companies dealt with their overdue invoices in the past 12 months

During the last 12 months more than 60% of companies used the assistance of law offices for collecting outstanding invoices, with more than half used internal resources. At the same time only 6% contacted debt collections agency, while 2% decided to sell the debts.

70% of the enterprises that used services of debt collection agencies in 2011, claimed to use just one, which confirms the loyalty of Greek companies.

### Extent to which companies use a collections agency (for domestic and/or international debts)

Among the 6% of Greek companies surveyed that have used external collection agencies, 90% used them only for domestic debts and 10% specifically for international ones.

### Criteria ranking for choosing debt collections agencies

'Price' and 'Local knowledge' have been ranked as top reasons to choose a debt collections agency by Greek companies, followed by the 'Agency's ability to maintain positive relationship with debtors.

### Reasons for not using debt collections agencies

Similar to all other countries, the cost and the protection of customer relationship have been the main reasons to refuse the assistance of external agency while collecting outstanding receivables in Greece.

### Account receivables management methods (the usage of software and level of centralization)

The use of MS Office tools has been the most popular method of optimising the management of accounts receivables among Greek companies (around 59%). A large group of companies have used external standardised software solutions (24%) while 10% of them have used external tailor-made packages instead.

16% of companies surveyed in Greece claimed to have multiple locations in different countries. Among them 30% claimed to deal with the management of their accounts receivables on their own, while only 70% did it within a centralised unit.

### Future developments

When investigating the future development of first party collections Greek companies reported not to be particularly interested in outsourcing them in the next 24 months. Around 60% declared it unlikely or highly unlikely while only 23% showed an interest. The price expectations of Greek companies regarding the first party collections service are in line with the ones of the majority of the countries surveyed. Almost 60% of Greek companies are willing to pay up to 8 Euros per invoice for this kind of service and their price expectations seem to be on the level of European average.

As regards the final demand letter, 35% of Greek companies have shown an interest in using this kind of service in the next 24 months, while 73% declared it to be unlikely or highly unlikely. As for the price, 52% of Greek companies would agree to pay up to 7 Euros per invoice for this service and generally their price expectations are in line with the worldwide ones.

## 3.12 Hong Kong

### KEY FINDINGS – HONG KONG SPECIFIC

- n Companies in Hong Kong have dealt with overdue invoices using a number of methods
- n 'Agency's ability to maintain positive relationship with debtor' and 'Reputation' were the most important criteria while selecting DCA, followed by 'Price' and 'Success Rate'
- n 'Cost' along with 'Customer relationship' were the main reasons of declining the assistance of debt collections agency
- n There is quite a lot of interest in using final demand letter in Hong Kong, compared with other countries and they are also willing to pay a relatively high price for this service

### Ways in which companies dealt with their overdue invoices in the past 12 months

During the last 12 months, almost a half of interviewed companies based in Hong Kong claimed to use internal resources in order to deal with overdue invoices, making own management the most popularly chosen method. The other two alternative methods were debt collections agency and law office or attorney (40% respectively) while selling debts was the last preferred way to deal with overdue invoices (22%).

Over 75% of the companies using debt collection agencies declared to cooperate only with one of them whereas the remaining 25% used two or more simultaneously which makes companies in Hong Kong quite loyal.

### Extent to which companies use a collections agency (for domestic and/or international debts)

Almost 40% of companies in Hong Kong assisted by DCAs while dealing with overdue invoices used them solely to collect international debts. At the same time 43% used external agencies specifically to collect national debts and 19% to deal both with domestic and international ones.

### Criteria ranking for choosing debt collections agencies

'Agency's ability to maintain positive relationship with debtor' was the most important criteria considered by Hong Kong companies when selecting a DCA. The subsequent ones were 'Reputation' and 'Global Expertise', which scored on average the same'.

### Reasons for not using debt collections agencies

Following an approach presented by the majority of countries surveyed, companies in Hong Kong chose the cost of collecting externally and the importance of the customer relationship as the most important reasons of refusing the assistance of debt collection agency.

### Account receivables management methods (the usage of software and level of centralization)

The usage of MS office remains the most popular method of facilitating AR management among companies in Hong Kong (85%), although some of them opted for standardised software packages (11%).

Around 65% of interviewed companies in Hong Kong declared to have multiple locations in various countries. Among them, 59% chose to manage its account receivables within one centralized unit, whereas 41% claimed that every company deals with that process separately.

### Future developments for the collections market

When examining the likelihood of outsourcing their first party collections during the next 24 months, 55% of Hong Kong companies appeared to be interested in this kind of service, whereas only 13% found it unlikely or highly unlikely. As for price expectations, around 40% of them would pay up to 8 Euros per invoice.

As regards the final demand letter, 59% of Hong Kong companies declared to be interested and this share was significantly higher than in other countries surveyed. At the same time, only 11% of enterprises surveyed in Hong Kong described the likelihood of using this sort of letter as unlikely or highly unlikely. Around 65% of them would be willing to pay up to 10 Euros for each demand letter.

### 3.13 Hungary

#### KEY FINDINGS – HUNGARY SPECIFIC

- n The use of internal resources is significantly higher than in other countries, while the popularity of DCAs remains relatively low
- n Hungarian companies chose to be assisted by an external agency mainly to collect domestic debts
- n 'Success rate' and 'Price' were main key-drivers of debt collection agency selection in Hungary
- n 'Cost' was the main reason of refusing cooperation with DCA
- n Hungarian companies are interested in final demand letter but they are only willing to pay a low price for this service

#### Ways in which companies dealt with their overdue invoices in the past 12 months

75% of Hungarian companies – significantly more than in other countries interviewed – dealt with their overdue invoices throughout own management. The second most popularly chosen method was the assistance of law office/attorney – 43% of enterprises in Hungary chose this method. The usage of debt collection agencies level of 19%, is significantly lower than in the majority of other countries surveyed. Also the usage of debt selling is very low in Hungary – only 3% of companies opted for this method. This distribution of preferences resembles the one obtained in past survey for Hungary

Among the Hungarian companies that chose to be assisted by DCAs, 80% remained loyal just to one while the remaining 20% used two or more at the same time.

#### Extent to which companies use a collections agency (for domestic and/or international debtors)

77% of the companies in Hungary cooperated with DCAs specifically while dealing with domestic debts and this percentage is high compared to other countries surveyed. Only 3% used this method exclusively while collecting international overdue receivables, whereas 20% for a combination of these two.

#### Criteria ranking for choosing debt collections agencies

Following the tendency presented in the majority of the countries surveyed, evaluating the performance of DCAs, Hungarian companies paid attention mainly to 'Success rate' and 'Price'. The 3<sup>rd</sup> criterion considered was 'Reputation' which moved up compared to the last year ranking. 'Global expertise' was ranked in the fourth position and on average significantly higher than in other countries.

#### Reasons for not using debt collections agencies

The same as in the majority of other countries surveyed 'Cost' and 'Customer relationship protection' were considered to be the most important criteria while declining the cooperation with debt collections agencies in Hungary.

#### Account receivables management methods (the usage of software and level of centralization)

The majority of Hungarian companies relied on MS Office Tools while dealing with account receivables management. Only 6% claimed to use external packages: 5% the standardized and 1% the tailor-made ones. A very high percentage of Hungarian companies (38%) declared to use other undefined solutions to deal with their credit management.

35% of companies interviewed in Hungary declared to have multiple locations in many different countries. Out of these, 56% dealt with all AR management within one centralized

unit, whereas 38% did it in a fully decentralized way (each company managing its own account) and the remaining 6% claimed to use other methods.

### **Future developments**

Looking at the possible future development of first party collections outsourcing, Hungarian companies reported to be uninterested in this kind of service, compared to the other countries examined. Only 16% view it as likely or highly likely to outsource their first party collections whereas 78% described it as unlikely or highly unlikely. The remaining 6% reported to be undecided. As regards the price expectations they are also well below both European and worldwide average – over 95% of Hungarian companies said that would not pay for this service more than an equivalent of 5 Euros per invoice.

On the other hand the final demand letter has a potential to become a commonly used solution in Hungary – 77%, so significantly more than in the majority of the other countries surveyed expressed an interest in using it during the next 24 months. In spite of the relatively high level of interest, Hungarian companies are not willing to pay a lot for this service – over 95% declared that would pay only up to an equivalent of 7 Euros for each demand letter.

## 3.14 Indonesia

### KEY FINDINGS – INDONESIA SPECIFIC

- n Collecting internally was the most popular method of dealing with overdue invoices even though the plurality of collections methods appears to characterise the Indonesian companies
- n Debt collections agencies were used for dealing with domestic but also international receivables
- n 'Reputation' and 'Success Rate' were the key drivers in choosing external agency
- n 'Customer relationship protection' and 'Cost' were the most important reasons given to reject the assistance of a DCA
- n Indonesian enterprises were more likely to outsource first party collections and use final demand letter than in other countries and they would be willing to pay a slightly higher price for these services

### Ways in which companies dealt with their overdue invoices in the past 12 months

70% of companies surveyed in Indonesia carried out collections procedures internally. Although own management is the most popular method also in the majority of other countries, in Indonesia this share is exceptionally high, similar to other countries in the Americas and European regions.

Looking at external solutions, Indonesian companies showed the same preference for legal procedures and debt collections agencies – 4% cooperated with law office or attorney, and 40% used the assistance of debt collections agency. Selling debt was quite popular in Indonesia where more than 20% of respondents declared to use this method.

Among the 40% of Indonesian companies that declared using DCAs, 80% claimed that they were cooperating with only one agency at a time and these enterprises seem to be loyal to their debt collections agency similar to other countries.

### Extent to which companies use a collections agency (for domestic and/or international debts)

48% of the companies using debt collection agencies cooperated with them exclusively to collect domestic debts. A further quarter used their assistance specifically for international debts and the remaining 27% used debt collections agency for the combination of domestic and international debts.

### Criteria ranking for choosing debt collections agencies

'Reputation' followed by 'Success rate' and 'Local knowledge' were the most important criteria considered by Indonesian companies when selecting a DCA.

### Reasons for not using debt collections agencies

'Customer relationship protection' and 'Cost' were undoubtedly the most important reasons given for collecting internally among companies in Indonesia.

### Account receivables management methods (the usage of software)

For optimizing the management of their accounts receivables, Indonesian companies relied mainly on MS Office tools (76%). However, 14% claimed to use external standard software packages while only 7% the tailor-made ones.

47% of companies interviewed in Indonesia declared to have multiple locations in many different countries. Among them 66% managed their accounts receivable within one centralized unit, while 34% chose a decentralized method.

### **Future developments**

As regards first party collections, the majority of Indonesian companies declared to be interested in it (65%), while only 13% described it as unlikely or highly unlikely.

Looking at the price expectations, around 50% of Indonesian companies would pay between 5 and 12 Euros per invoice for this kind of service.

The situation looks similar also when it comes to final demand letter, 65% of companies based in Indonesia described it to be likely or highly likely to use it while only 14% did not show any interest. More than 60% of Indonesian enterprises would be willing to pay between 7 to 15 Euros for this kind of service.

## 3.15 Ireland

### KEY FINDINGS – IRELAND SPECIFIC

- n The use of internal resources is significantly higher than in other countries, while the popularity of DCAs remains relatively low
- n Irish companies chose to be assisted by an external agency mainly to collect domestic debts
- n 'Success rate' and 'Reputation' were main key-drivers of debt collection agency selection in Ireland
- n 'Cost' was the principal reason of refusing cooperation with DCA
- n Irish companies did not appear to be particularly interested either in first party collections or final demand letters

### Ways in which companies dealt with their overdue invoices in the past 12 months

81% of Irish companies used internal recourses while dealing with overdue receivables during the last 12 months and this percentage was significantly higher than in many other countries surveyed. Among the external solutions, the most popularly chosen one in Ireland was law office/attorney – over 31% of enterprises declared to be assisted by them. Debt collections agencies were chosen by only 20% of Irish companies interviewed. The use of debt sale was minor – only 2% declared to use this method.

As regards the loyalty of Irish companies cooperating with DCAs, 76% of them stuck just to one agency, while the remaining 24% chose to be assisted by two or more simultaneously.

### Extent to which companies use a collections agency (for domestic and/or international debtors)

62% of Irish companies interviewed declared to be assisted by a debt collections agency specifically while collecting domestic debts. 19% used this method while dealing with international overdue receivables and the other 19% - for the combination of domestic and international. The share of companies using DCAs exclusively for dealing with domestic debts increased significantly compared to the results from the past survey.

### Criteria ranking for choosing debt collections agencies

'Success rate' and 'Reputation' was found to be the most important criteria while selecting a debt collections agency by Irish companies. 'Local knowledge' was scored in third place and at the same time its average rank was significantly higher than in other countries surveyed. 'Price' was the fourth and it was scored lower than the average for Europe and world, which confirms the tendency shown by Irish companies in the past.

### Reasons for not using debt collections agencies

Similar to other countries, 'Cost' and 'Customer relationship protection' were the main reasons for refusing the assistance of debt collections agencies by Irish companies.

### Account receivables management methods (the usage of software and level of centralization)

While dealing with accounts receivable management process, Irish companies relied mainly on MS Office tools – 70% of them declared to use this solution. 12% opted for standardized external software packages while 10% for the tailor-made ones.

24% of companies interviewed in Ireland declared to have multiple locations in many different countries. Among them 66% managed their accounts receivable within one centralized unit, while 33% used a decentralized method.

### **Future developments**

As regards the forecasted future demand on first party collections outsourcing, Irish companies did not report to be particularly interested in this kind of service. Only 17% described it as likely or highly likely to use within the next 24 months, 30% remained neutral, while the other 53% declared it to be at least unlikely.

Also the interest of Irish companies in final demand letter is not very high compared with other countries surveyed – 35% found this kind of service appealing, 21% did not have an opinion about it and the remaining 44% described the possibility of using it within the next 24 months as unlikely or highly unlikely. Although the level of interest in this kind of services is lower in Ireland than in other countries, the price expectations of Irish companies in this aspect stayed in line with European tendencies.

## 3.16 Italy

### KEY FINDINGS – ITALY SPECIFIC

- n The legal procedure for collecting debts was preferred in Italy when using external parties
- n When using an external agency, Italian companies collected mainly domestic debts
- n 'Success rate' and 'Price' were the key-drivers while choosing DCA; 'Global expertise' ranked as the 3<sup>rd</sup> reason and was regarded as more important than in other countries
- n 'Cost' and 'Customer relationship protection' were the main reasons for not using a collections agency
- n Italian companies were relatively likely to outsource their first party collections and use a final demand letter

### Ways in which companies dealt with their overdue invoices in the past 12 months

Similar to many other countries surveyed, the majority of Italian companies (52%) claimed to collect internally during the past 12 months. 44% used a law office or attorney, making this way of dealing with debts more popular than in many other countries surveyed. 28% of Italian companies was assisted by DCAs, while 10% sold their debt. The interest in usage of DCAs increased, compared with the previous year.

Regarding the loyalty, 85% of the companies used just one company at the same time, which is in line with general tendencies.

### Extent to which companies use a collections agency (for domestic and/or international debts)

58% of Italian companies that decided to cooperate with debt collections agency used their assistance specifically to collect domestic debts, whereas 34% exclusively for the international ones. The remaining 6% used DCAs to deal with both domestic and international invoices. Compared to the last year, more companies cooperated with DCAs only while collecting domestic debt.

### Criteria ranking for choosing debt collections agencies

Similarly to the majority of other European countries surveyed 'Success rate' followed by 'Price', were considered to be the most important criteria while choosing debt collections agencies. 'Global expertise' was ranked in the 3<sup>rd</sup> position, together with 'Reputation' and was considered more important than in many other countries surveyed.

### Reasons for not using debt collections agencies

'Cost' and 'Customer relationship protection' were chosen to be the most important reasons of refusing cooperation with external agencies while dealing with overdue invoices. This is in line both with what Italian companies declared last year and with general tendencies presented worldwide in 2011.

### Account receivables management methods (the usage of software and level of centralization)

88% of Italian companies interviewed dealt with AR management using MS Office tools. This percentage is significantly higher than in the majority of other countries surveyed, especially European ones. As regards external solutions, the standardized and tailored-made ones were equally popular in Italy.

22% of Italian companies declared to have multiple locations in different countries. Out of these, 70% centralized the management of accounts receivables within one unit and this share is higher than in the majority of other countries interviewed, especially in Europe. The remaining 30% dealt with this process in a decentralized way.

### **Future developments**

37% of Italian companies expressed an interest in outsourcing their first party collections within the next 24 months, whereas 32% described it as unlikely and highly unlikely. Compared to other countries surveyed, particularly in Europe, Italian enterprises seem to be more willing to use this sort of service. Relatively high interest was also confirmed in their price expectations - on average they are prepared to pay more for outsourcing first party collections than companies in other countries surveyed.

The situation is similar when it comes to the final demand letter – 41% of Italian businesses declared to be interested in using it which stays in line with worldwide tendencies but is higher than Europe. Italian companies are also willing to pay higher price for this kind of service, than enterprises in other countries surveyed.

## 3.17 Japan

### KEY FINDINGS – JAPAN SPECIFIC

- n Japanese companies have dealt with overdue invoices using a range of methods
- n Japanese companies chose to be assisted by an external agency mainly to collect domestic debts
- n 'Success Rate' and 'Global Expertise' were the most important criteria while selecting DCA.
- n 'Cost' along with 'Customer relationship' were the main reasons of rejecting the assistance of a debt collections agency

### Ways in which companies dealt with their overdue invoices in the past 12 months

During the last 12 months, slightly more than 50% of interviewed companies based in Japan claimed to use internal resources in order to deal with overdue invoices making own management the most popularly chosen method. The other two common alternative methods were law office or attorney (51%) and debt collections agencies (34%), while selling debts was the last preferred way to deal with overdue invoices (16%).

Over 80% of the companies using debt collection agencies declared to cooperate only with one of them whereas the remaining group used two or more simultaneously which makes Japanese companies quite loyal.

### Extent to which companies use a collections agency (for domestic and/or international debts)

Slightly more than 50% of companies based in Japan that have been assisted by DCAs while dealing with overdue invoices used them particularly to collect domestic debts. At the same time 33% used external agency specifically to collect international debts and 14% to deal both with domestic and international ones.

### Criteria ranking for choosing debt collections agencies

'Success Rate' was the most important criteria considered by Japanese companies when selecting a DCA, followed by 'Global Expertise'.

### Reasons for not using debt collections agencies

Following the approach presented by the majority of countries examined, companies in Japan chose the cost of collecting externally and the importance of the customer relationship as the most important reasons of refusing the assistance of debt collection agency.

### Account receivables management methods (the usage of software and level of centralization)

The majority of Japanese companies made the usage of MS office the most popular method of facilitating AR management (89%), very few have adopted standardised external packages (6%) and none of respondents have opted for tailored-made solutions.

31% of interviewed companies in Japan declared to have multiple locations in various countries. Among them, 37% chose to manage their account receivables within one centralized unit, whereas the majority claimed that every company deals with that process separately.

### Future developments for the collections market

When examining the likelihood of outsourcing their first party collections during the next 24 months, only 21% of Japanese companies appeared to be interested in this kind of service, whereas 46% found it unlikely or highly unlikely. As for price expectations, around 73% of them would afford to pay up to 8 Euros per invoice.

As regards the final demand letter, 28% of Japanese companies declared to be interested and this share was significantly lower than in other countries surveyed. Around 82% of them would be willing to pay up to 10 Euros for each demand letter.

## 3.18 Mexico

### KEY FINDINGS – MEXICO SPECIFIC

- n In-house collections was the most popular method of dealing with overdue invoices, followed by law office/attorney
- n External agencies' assistance is used in Mexico for both domestic and international cases
- n 'Reputation' followed by 'Success rate' and ability to maintain positive 'Relationship with debtor' were the key-drivers while selecting DCAs by Mexican companies
- n 'Customer relationship' protection and 'Cost' were the most important criteria considered when choosing not to use a debt collections agency
- n Mexican companies are extraordinarily interested both in first party collections outsourcing and in final demand letter and declared to be willing to pay a relatively high price for these types of service

### Ways in which companies dealt with their overdue invoices in the past 12 months

Own management was the most popular method of dealing with overdue invoices in Mexico during the last 12 months and the share of companies choosing it (75%) is higher than in other countries. The second most popular solution was the assistance of law office/attorney which was chosen by 37% of Mexican companies. 24% declared to use debt collections agency and around 10% sold their debts. The distribution resembles the one obtained for Mexico in the past survey.

Looking at the loyalty of Mexican companies, 73% of them declared to cooperate just with one agency whereas the remaining 27% claimed to be assisted by two or more of them at the same time.

### Extent to which companies use a collections agency (for domestic and/or international debts)

Half of the Mexican companies being assisted by DCAs used them particularly to collect overdue domestic receivables, 18% exclusively for the international ones and 32% for the combination of these two. Compared with previous results the share of companies choosing DCAs specifically and only for domestic cases has decreased.

### Criteria ranking for choosing debt collections agencies

The ranking of criteria that Mexican companies consider while selecting a collections agency differs significantly from the world average. In Mexico 'Reputation' was chosen to be the most important key-driver, followed by 'Success rate' and 'Debtor relationship' protection. 'Price', being considered one of the most important criteria in the majority of other countries, was ranked in Mexico in fourth place. Although the ranking differs also from the one presented by Mexican companies in the past, both of them reaffirm a high importance of 'Success rate' and a relatively low (compared to other countries) role of 'Price'.

### Reasons for not using debt collections agencies

The same as in the majority of other countries surveyed a concern about 'Customer relationship' followed by 'Cost' were ranked as the two top-reasons of refusing the cooperation with debt collections agencies in Mexico.

### Account receivables management methods (the usage of software and level of centralization)

Similar to the majority of other countries surveyed the highest share of Mexican companies (79%) relied on MS Office tools while managing their accounts receivables. 8% opted for external standardized solutions and the same percentage – for tailor-made ones.

30% of Mexican companies declared to have multiple locations in many different countries. 73% of them claimed to deal with the accounts receivables management process within one

centralized unit while the remaining 27% carried it out in a decentralized way with each company managing its own accounts.

### **Future developments**

Investigating the future of first party collections and final demand letter, Mexican companies reported to be extraordinarily interested in both of them. 53% considered it likely or highly likely to outsource their first party collections. 27% remained neutral and only 20% declared not to be interested in this kind of service at all.

When it comes to final demand letter, 60% of companies expressed an interest in using this kind of service in the upcoming 24 months. At the same time 22% viewed it as unlikely or highly unlikely whereas and 18% did not have a clear opinion about it.

As regards the price expectations, in case of both kinds of services, Mexican companies reported to be willing to pay slightly more than the worldwide average.

## 3.19 Poland

### KEY FINDINGS – POLAND SPECIFIC

- n Own management is the most popular method in Poland while dealing with overdue invoices, but the usage of external agencies and law offices/attorneys is also high
- n Debt collections agencies assistance is required mainly while dealing with domestic debts
- n 'Success Rate' is beyond question the most important criterion considered while selecting an external agency
- n 'Cost' was the main reasons of declining the assistance of DCA in Poland
- n Polish companies show a particular interest in final demand letter, but they are only willing to pay a low price for that kind of service

### Ways in which companies dealt with their overdue invoices in the past 12 months

During the past 12 months, 58% of Polish companies dealt with overdue invoices using internal resources, 38% cooperated with debt collection agencies 42% were assisted by law office or attorney and 9% sold their debts. The distribution of preferences of Polish enterprises seems to be relatively in line with European and worldwide ones. In the past selling debt used to be significantly more popular in Poland than in other countries but in this year the tendency had changed and the usage of this method in Poland goes along with the average.

From the Polish companies using the DCAs assistance over the past 12 months, 76% used claimed to cooperate only with one of them at the same time, whereas the remaining 24% - with two or more simultaneously.

### Extent to which companies use a collections agency (for domestic and/or international debts)

68% of Polish respondents assisted by DCAs during the collections procedure declared cooperating with them specifically for managing domestic debts and this share is higher than in many other countries surveyed. At the same time, 14% used this method exclusively to deal with international invoices whereas the remaining 18% - for the combination of these two.

### Criteria ranking for choosing debt collections agencies

'Success rate' was chosen as the most important criterion when selecting a debt collections agency by Polish companies. The next ones in the ranking were 'Global expertise' (on average ranked as more important in Poland than in other countries surveyed) and 'Ability to maintain a positive relationship with debtor'. 'Price' was ranked in fourth place, which constitutes a significant difference compared to the past survey when it used to be ranked as the most important key-driver of DCA's selection choice.

### Reasons for not using debt collections agencies

In line with companies in other countries, while justifying the refusal of external agency assistance, Polish respondents cared mainly about the 'Cost' and the risk of harming their 'Customer relationship'.

### Account receivables management methods (the usage of software and level of centralization)

80% of Polish companies declared that they use MS Office tools to manage their accounts receivables internally. Although this method is generally the most popularly chosen one, both in Europe and worldwide, the percentage is significantly higher in Poland than in many other countries surveyed. Looking at external solutions, 10% of respondents in Poland opted for standardized external packages and 6% for the tailor-made ones.

26% of the companies surveyed in Poland claimed to have multiple locations in different countries. 40% of them declared to deal with AR management process within one centralized

unit, while the remaining 60% opted for a decentralized process. This distribution seems consistent with the European average.

### **Future developments**

29% of companies interviewed in Poland declared to be interested in outsourcing first party collections, 33% described it as unlikely or highly unlikely, while 38% remained neutral. Compared to other countries surveyed the forecasted demand on this kind of service can be relatively high (especially looking at European standards) but also the percentage of enterprises that remain indifferent is above the average. Looking at price expectations, Poland does not differ significantly from European and worldwide average – 70% of Polish respondents would be willing to pay up to an equivalent of 8 Euros per invoice for this kind of service.

59% of Polish companies – significantly more than in other countries surveyed – claimed to be interested in final demand letter. Only 20% of them described it to be neutral to use it and roughly the same percentage remained neutral. Nonetheless, the average price that they are willing to pay is below the European and worldwide standards – 85% of Polish respondents would not agree to pay more than 10 Euros per each letter.

## 3.20 Singapore

### KEY FINDINGS – SINGAPORE SPECIFIC

- n Companies in Singapore have dealt with overdue invoices using a range of methods
- n 'Success rate' and 'Reputation' were the most important criteria while selecting DCA
- n 'Cost' along with 'Customer relationship' were the main reasons of refusing the assistance of debt collections agency
- n There is quite a lot of interest in using final demand letter and, slightly less in outsourcing first party collections in Singapore

### Ways in which companies dealt with their overdue invoices in the past 12 months

During the last 12 months, more than 60% of interviewed companies based in Singapore claimed to use internal resources in order to deal with overdue invoices, making own management the most popularly chosen method. The other two alternative methods were law office or attorney (47%) and debt collections agency (33%), while selling debts was the way to deal with overdue invoices chosen by 10% of respondents.

Over 80% of the companies using debt collection agencies declared to cooperate only with one whereas the remaining fifth used two or more simultaneously which makes companies in Singapore quite loyal.

### Extent to which companies use a collections agency (for domestic and/or international debts)

44% of companies in Singapore assisted by DCAs while dealing with overdue invoices used them strictly to collect international debts. At the same time 30% used external agency specifically to collect both domestic and international debts while a further quarter has used a DCA for handling only domestic debts.

### Criteria ranking for choosing debt collections agencies

In common with the majority of countries, 'Success rate' was the most important criteria considered by Singapore companies while selecting a DCA. 'Reputation', ranked as a very close second place

### Reasons for not using debt collections agencies

Following the findings presented by the majority of countries surveyed, companies based in Singapore chose the cost of collecting externally and the importance of the customer relationship as the most important reasons of refusing the assistance of debt collection agency.

### Account receivables management methods (the usage of software and level of centralization)

The use of MS office remains the most popular method of facilitating AR management among companies in Singapore (78%), although a good percentage of respondents opted for standardised software packages (18%).

65% of interviewed companies in Singapore declared to have multiple locations in various countries. Among them, 60% chose to manage its account receivables within one centralized unit.

### Future developments for the collections market

When examining the likelihood of outsourcing their first party collections during the next 24 months, 43% of companies based in Singapore appeared to be interested in this kind of service, while only 20% found it unlikely or highly unlikely. As for price expectations, around 60% of them would pay up to 8 Euros per invoice.

As regards the final demand letter, 53% of Singaporean companies declared to be interested in this service. At the same time, 17% of enterprises surveyed in Singapore described the likelihood of using this sort of letter as unlikely or highly unlikely. Around 80% of them would be willing to pay up to 10 Euros for each demand letter.

## 3.21 Slovakia

### KEY FINDINGS – SLOVAKIA SPECIFIC

- n The assistance of lawyers is the most popular method of debt collection in Slovakia, while the use of DCAs is relatively low
- n DCAs are used mostly when collecting domestic as well as international debts
- n 'Success rate' and 'Price' and ability to maintain a positive relationship with debtor were the main drivers when choosing a debt collections agency in Slovakia
- n 'Cost' and a concern about 'Customer relationship' were the main reasons for rejecting cooperation with DCAs
- n Slovakian companies were quite interested in final demand letters, but the price they are willing to pay for that is relatively low.

### Ways in which companies dealt with their overdue invoices in the past 12 months

The use of a law office/attorney, with 76% of companies declaring to use it, remained the most popular method of dealing with overdue invoices in Slovakia. This percentage was significantly higher than in other countries surveyed. The second preferred method was in-house collections (53%). Also, 17% of Slovakian companies cooperated with an external agency and 15% sold their debts

Examining the loyalty of Slovakian companies, 80% of enterprises cooperated just with one agency, whereas the remaining 20% - with two or more at the same time.

### Extent to which companies use a collections agency (for domestic and/or international debts)

As regards to the scope of DCA usage in Slovakia, 63% of enterprises used their assistance exclusively while collecting domestic debts, 21% - only the international ones and the remaining 16% for the combination of these two. Compared to previous year, the share of exclusively domestic debts decreased.

### Criteria ranking for choosing debt collections agencies

'Success rate' followed by 'Price' and the 'Ability of maintaining a positive relationship with debtor' were the most important criteria considered by Slovakian companies while selecting a debt collections agency. Slovakia seems to follow the tendency presented by the majority of the companies surveyed in other countries. Compared to the past, the last criterion mentioned has gained a lot of importance – in the previous survey the "Debtor relationship" was scored as much less important.

### Reasons for not using debt collections agencies

In line with general tendencies, 'Cost' and a concern about 'Customer relationship' were chosen as most important criteria when choosing not to use debt collections agencies in Slovakia.

### Account receivables management methods (the usage of software and level of centralization)

The same as in the majority of other countries surveyed, Slovakian companies relied mainly on MS Office tools while managing their accounts receivable – almost 81% of them claimed to do so. The two types of external solutions found to be almost equally popular in Slovakia – 7% of companies opted for standardized software packages, meanwhile 6% - for the tailor-made ones.

Only 8% of enterprises on Slovakia claimed to have multiple locations in many different countries. Out of these, 59% carried out the AR management procedure within one centralized unit and 41% opted for a decentralized approach.

### **Future developments**

Looking at the forecast demand on first party collections outsourcing, Slovakian companies did not reported to be particularly interested in this kind of service – only 14% described it as likely or highly likely to use this kind of service in the next 2 years. At the same time 75% denied to have any interest in it and 11% remained neutral. When it comes to the price expectations, they are far below the European and worldwide average – 86% of Slovakian companies declared to be willing to pay only up to 8 Euros per invoice for this kind of service.

On the other hand the interest in final demand letter in Slovakia was relatively high – 38% of companies described it to be likely or highly likely to use this kind of service within the next 24 months, 44% showed no interest and 18% did not have clear opinion. The same was found for first party collections, Slovakian price expectations are below both worldwide and European average – over 90% of companies interviewed reported not to be willing to pay more than the equivalent of 10 Euros per invoice for this kind of service.

## 3.22 Spain

### KEY FINDINGS – SPAIN SPECIFIC

- n Collecting internally was the most popular method of dealing with overdue invoices and the percentage of companies using this method is higher in Spain than in other countries surveyed
- n Debt collections agencies were used mainly for dealing with domestic receivables
- n 'Success Rate' and 'Price' were the key drivers in choosing an external agency
- n 'Customer relationship protection' was the most important reason for rejecting the assistance of a DCA
- n The use of tailor-made external software packages when dealing with AR management was higher in Spain than in other countries
- n Spanish enterprises were on average equally likely to outsource first party collections and use final demand letter as other European countries, but they are only willing to pay a low price for these services

### Ways in which companies dealt with their overdue invoices in the past 12 months

Almost 87% of companies surveyed in Spain carried out collections procedures internally. Although own management is the most popular method also in the majority of other countries, in Spain this share is exceptionally high. Looking at external solutions, Spanish enterprises show preference for legal procedure – 50% cooperated with a law office or attorney while only 19% used the assistance of a debt collections agency. Selling debt was unpopular in Spain – less than 1% of companies declared to use this method. Compared to the past, the popularity of in-house and legal collections has increased, and the use of DCAs stayed at the same, relatively low level.

Among the 19% of Spanish companies that declared using DCAs, 37% claimed that they were cooperating with more than one agency simultaneously, whereas the remaining 63% used just one of them at the same time. Spanish enterprises seem to be less loyal than the ones in other countries surveyed.

### Extent to which companies use a collections agency (for domestic and/or international debts)

83% of the companies using debt collection agencies cooperated with them exclusively to collect domestic debts and this percentage is much higher than in other countries surveyed. The remaining 17% used their assistance specifically for international debts. Among the Spanish companies surveyed, none of them used DCAs for a combination of domestic and international debts. These results differ significantly from those obtained in the past but they may not express the real preferences on the Spanish market due to the small sample size.

### Criteria ranking for choosing debt collections agencies

'Success rate' followed by 'Price' were the most important criteria considered by Spanish companies when selecting DCAs. Moreover, 'Price' was on average scored higher than in other countries. This constitutes a change compared to the past when price was not considered as a key-driver of this choice in Spain.

### Reasons for not using debt collections agencies

'Customer relationship protection' was undoubtedly the most important reason to not use an external agency in Spain, which confirms results obtained in the past. The second reason in the ranking was 'Cost'. The feeling that the procedure is too complex (due to language or legal complications) was, on average, scored lower in Spain than in other countries surveyed. This may be explained by the significant dominance of domestic collections on this market.

**Account receivables management methods (the usage of software)**

For optimizing the management of their accounts receivables, Spanish companies relied mainly on MS Office tools (62%). However, 14% of them claimed to use external standard software packages and 18% the tailor-made ones. The last percentage was significantly higher than in many other countries surveyed which reaffirms results obtained in the past.

**Future developments**

As regards first party collections, 22% of Spanish companies declared to be interested, while a similar percentage remained neutral and 52% described it as unlikely or highly unlikely. This distribution is relatively in line with preferences presented in other European countries surveyed. On the other hand, having a look at price expectations, almost 80% of Spanish companies would not pay more than 5 Euros per invoice for this kind of service and the average price they would be willing to pay is below both European and worldwide average.

The situation looks similar also when it comes to final demand letter, 32% of Spanish enterprises interviewed, described it to be likely or highly likely to use it, 28% remained indifferent, whereas the remaining 40% did not present any interest. This distribution is similar to the whole European region, but on average Spanish enterprises are willing to pay less for this kind of service than companies in other countries – 80% would not pay more than 7 Euros per each letter.

## 3.23 Sweden

### KEY FINDINGS – SWEDEN SPECIFIC

- n The use of an external agency was higher in Sweden than other countries meanwhile the cooperation with a law office/attorney was much less popular
- n The usage of DCAs while dealing with international cases in Sweden is high, especially compared to European standards
- n 'Success rate' and 'Reputation' are key-drivers of debt collections agency selection in Sweden
- n 'Customer relationship protection' was the main criterion considered while refusing DCA's assistance by Swedish companies
- n Swedish enterprises are not particularly interested in outsourcing first party collections or using final demand letters

### Ways in which companies dealt with their overdue invoices in the past 12 months

Using internal resources was the most popular method of dealing with overdue invoices in Sweden during the last 12 months – 63% of companies surveyed declared to use this method. Cooperating with DCAs was the second most popularly chosen one – half of the Swedish companies used external agencies and this share was significantly higher than in other countries. On the other hand, legal procedures were a much less popular method of dealing with debts in Sweden than in other countries and was used only by 9% of interviewed enterprises. At the same time 10% of them decided to sell their debt. These results resemble those obtained for Sweden in the past.

Among the companies that used DCA's assistance, 85% remained loyal just to one of them, while the remaining 15% claimed to cooperate with more than one simultaneously.

### Extent to which companies use a collections agency (for domestic and/or international debts)

Out of Swedish companies using external agencies, almost half used them specifically to deal with domestic invoices and this percentage was lower than in many other European countries surveyed. At the same time 9% of enterprises in Sweden used this method exclusively while dealing with international debts, whereas 42% for the combination of domestic and international. This distribution resembles the one presented by Swedish companies in the past.

### Criteria ranking for choosing debt collections agencies

'Success Rate' and 'Reputation', followed closely by 'Price' were key-drivers while selecting debt collections agency by Swedish companies.

### Reasons for not using debt collections agencies

'Customer relationship' and 'Cost' were the main reasons for not using an external agency by Swedish companies which is in line both in general tendencies observed worldwide in 2011 and with past preferences demonstrated in Sweden.

### Account receivables management methods (the usage of software and level of centralization)

67% of Swedish companies surveyed relied on MS Office tools when managing their accounts receivables. 16% claimed to use external standard software packages for that purpose, while 5% chose tailor-made solutions. The remaining 12% opted for other alternatives. The distribution of preferences presented in Sweden is generally similar to the European and worldwide one.

27% of companies surveyed in Sweden claimed to have multiple locations in various countries. Out of them, 69% declared to centralize the AR management within one unit and 28% dealt with this process in a decentralized way (each company managing its own

accounts). The percentage of enterprises with centralized AR management in Sweden is quite high compared to other countries surveyed.

### **Future developments**

Looking at the likelihood of outsourcing first party collections during the next 2 years, Swedish companies were more reluctant than the European and worldwide average – only 11% declared an interest, while over half of them described it as unlikely or highly unlikely and the rest remained indifferent. Compared to the past year the interest in this kind of service decreased. Price expectations in Sweden regarding first party collection are generally in line with the ones of other European countries – around 74% would not pay more than the equivalent of 8 Euros per invoice.

When it comes to the final demand letter, 32% of Swedish enterprises claimed that this proposal seems appealing to them but roughly the same percentage (34%) reported to be uninterested. The rest remained neutral. This distribution stays in line with the average of European preferences, the same as the one of price expectations - roughly 80% of Swedish companies would be disposed to pay up to 10 Euros for each letter.

## 3.24 Switzerland

### KEY FINDINGS – SWITZERLAND SPECIFIC

- n DCAs and lawyers were found to be equally popular methods of collecting overdue receivables in Switzerland during the past 12 months
- n Swiss companies used external agencies' assistance both while collecting domestic and international debts
- n 'Success rate', 'Reputation' and 'Additional services' were the key-drivers of DCA's selection in Switzerland; 'Price', scored as fourth, is relatively less important than in other countries
- n 'Customer relationship' protection followed by 'Cost' were the most important reasons of choosing not to cooperate with an external agency
- n Swiss companies show low interest in outsourcing first party collections and using final demand letter during the next two years

### Ways in which companies dealt with their overdue invoices in the past 12 months

In line with other countries surveyed, in-house collections is a preferred method of dealing with overdue invoices in Switzerland – over 67% of Swiss companies claimed to use it. The second most popularly chosen one was the assistance of external agency (22%), followed closely by law office/ attorney (20%). 9% of companies interviewed in Switzerland decided to sell their debts. Compared with the previous year there was a decrease observed in the use of DCAs in favour of lawyers. It is also worth noting that compared to other countries in Switzerland more companies use only one method of dealing with overdue invoices instead of combining different techniques.

Looking at the loyalty of Swiss companies to debt collections agencies, 84% of them declared to cooperate just with one at the same time whereas the remaining 16% worked with more than one simultaneously.

### Extent to which companies use a collections agency (for domestic and/or international debts)

68% of companies in Switzerland decided to cooperate with debt collections agency specifically while dealing with domestic debts, 20% exclusively with international ones and 12% – the combination of these two. This distribution is relatively in line with the European region, whereas compared with other countries worldwide, the share of Swiss enterprises using DCAs only for domestic collections is relatively high.

### Criteria ranking for choosing debt collections agencies

'Success rate' followed by 'Reputation' and 'Additional services' were the most important criteria while choosing the debt collections agency by the companies in Switzerland. 'Price' was ranked in fourth place, lower than in the majority of other countries surveyed. This constitutes a change, compared to the previous year, when 'Price' was ranked as second and 'Additional services' were not considered to be such an important driver of choice.

### Reasons for not using debt collections agencies

'Customer relationship' together with 'Cost' were the most important reasons of choosing not to cooperate with DCAs when collecting overdue invoices by enterprises in Switzerland.

These top-criteria remained unchanged compared with the previous survey and Swiss companies follow the general tendency demonstrated both in Europe and worldwide.

### Account receivables management methods (the usage of software and level of centralization)

Looking at software tools used in the credits management process, Swiss companies demonstrated a slightly distinct behaviour from the one presented in the majority in other countries surveyed. Although the MS Office tools were the most popularly chosen solution in

Switzerland, only 43% of companies declared to use it and this percentage was lower than in other countries interviewed. Relatively large parts of Swiss enterprises (32%) opted for standardized external packages, while 12% claimed to use the tailor-made ones.

20% of the companies surveyed in Switzerland claimed to have multiple locations in many different countries. Out of these, 47% dealt with accounts receivable management within one centralized unit, whereas the remaining 53% decided to do this in a decentralized way with each company managing its own credit.

### **Future developments**

Swiss companies presented a very low interest in first party collections outsourcing within the next 24 months. Only 11% described this option as likely or highly likely, while 69% reported to be uninterested and the remaining 20% did not have any specific opinion. Nevertheless, the average price that Swiss companies are willing for this kind of service does not differ significantly from the European average.

The situation looks similar when it comes to the interest in final demand letter – only 25% of companies in Switzerland found it likely or highly likely to use it during the next two years, 57% expressed a lack of interest and 18% remained neutral. The same as in case of first party collections, in spite of the relatively low interest in this kind of service, the Swiss price expectations does not differ significantly from the overall European ones.

## 3.25 Taiwan

### KEY FINDINGS – TAIWAN SPECIFIC

- n Companies in Taiwan have dealt with overdue invoices using a range of methods
- n 'Success rate' and 'Agency's ability to maintain positive relationship with debtor' were the most important criteria while selecting DCA
- n 'Cost' along with 'Customer relationship' were the main reasons of rejecting the assistance of debt collections agency
- n There is quite a lot of interest in outsourcing first party collections and using final demand letter among companies based in Taiwan

### Ways in which companies dealt with their overdue invoices in the past 12 months

In the past year, around 60% of surveyed companies based in Taiwan claimed to use a law office or attorney in order to deal with overdue invoices, making legal procedures the most popularly chosen method. Half of respondents have used debt collections agency (51%) and collected internally (44%), while selling debts was the preferred method for 17% of companies.

75% of the companies using debt collection agencies declared to cooperate only with one of them whereas the remaining 25% used two or more simultaneously, making Taiwanese companies quite loyal to their debt collections agency.

### Extent to which companies use a collections agency (for domestic and/or international debts)

40% of companies in Taiwan assisted by DCAs when dealing with overdue invoices used them strictly to collect international debts. At the same time 32% used external agency specifically to collect both domestic and international debts while a further third has used a DCA for handling only domestic debts.

### Criteria ranking for choosing debt collections agencies

'Success rate' was the most important criteria considered by Taiwan companies when selecting a DCA. The second was the 'Agency's ability to maintain positive relationship with debtor'.

### Reasons for not using debt collections agencies

Following the approach adopted by the majority of countries studied, companies in Taiwan chose the cost of collecting externally and the importance of the customer relationship as the most important reasons of rejecting the assistance of debt collection agencies.

### Account receivables management methods (the usage of software and level of centralization)

The use of MS office remains the most popular method of facilitating AR management among companies in Taiwan (81%), although a few of them opted for tailored-made solutions (8%) and standardised software packages (6%).

Around 40% of interviewed companies in Taiwan declared to have multiple locations in various countries. Among these, 60% chose to manage account receivables within one centralized unit.

### Future developments for the collections market

When examining the likelihood of outsourcing their first party collections during the next 24 months, 43% of Taiwan companies appeared to be interested in this kind of service, whereas 22% found it unlikely or highly unlikely. As for price expectations, around 50% of them would be prepared to pay up to 8 Euros per invoice.

As regards the final demand letter, 54% of Taiwan companies declared to be interested. At the same time, only 14% of enterprises surveyed in Taiwan described the likelihood of using this sort of letter as unlikely or highly unlikely. Around 65% of them would be willing to pay up to 10 Euros for each demand letter.

## 3.26 The Netherlands

### KEY FINDINGS – THE NETHERLANDS SPECIFIC

- n The use of an external agency was higher in Netherlands than other countries while ‘own management’ was much less popular
- n The assistance of external debt collections agencies was used for dealing with both domestic and international debts
- n ‘Price’ and ‘Success Rate’ were the key drivers in choosing an external agency
- n ‘Concern about relationship with debtor’ was most important reason for not choosing an external agency
- n In the Netherlands companies were not be particularly interested in first party collections
- n Dutch companies show certain interest in demand letter but they are only willing to pay a low price for that service

### Ways in which companies dealt with their overdue invoices in the past 12 months

Unlike the majority of countries surveyed, the Netherlands is characterised by a low percentage of companies collecting internally over the last 12 months – only 23% of Dutch enterprises claimed to use this method. On the other hand the use of debt collection agencies at 70% continued to be significantly higher than both in Europe and worldwide and has grown compared to last year. 20% of Dutch companies claimed to deal with overdue invoices using legal methods and 4% sold their debts. Compared to other countries, companies in the Netherlands tend to use only one method of dealing with overdue invoices rather than combining different techniques.

At the same time, Dutch companies that cooperated with DCAs were relatively loyal – 90% used only one agency while the remaining 10% decided to cooperate with more than one simultaneously.

### Extent to which companies use a collections agency (for domestic and/or international debts)

62% of Dutch companies that used external agencies to deal with outstanding receivables cooperated with them particularly to collect domestic debt. At the same time, 9% of interested enterprises used DCAs specifically for international debts and 29% for the combination of these two. Compared with the last year, the percentage of Dutch companies using agencies to deal exclusively with domestic debts has increased quite significantly and become close to the European average.

### Criteria ranking for choosing debt collections agencies

‘Price and ‘Success Rate’ ranked as the most important reasons for selecting a collection agency in the Netherlands. The ‘Ability to maintain a positive relationship with the debtor’ ranked 3<sup>rd</sup>. The ranking remained unchanged since the last year.

### Reasons for not using debt collections agencies

The apprehension of harming relations with debtor together with cost was ranked as the most important reasons of refusing the cooperation with DCA by Dutch companies. The ranking resembles the one obtained for the Netherlands in the past.

### Account receivables management methods (the usage of software and level of centralization)

Dutch enterprises showed a relatively high interest in using external standard software packages to manage their accounts receivables – 21% of them opted for this solution. 5% relied on tailor-made solutions and the majority (65%) managed their AR using MS tools.

25% of the companies surveyed in the Netherlands claimed to have multiple locations in various countries. Out of these, half declared to deal with accounts receivables management within one centralized unit, whereas another half carried out this process in a decentralized way.

### **Future developments**

Only 13% of the Dutch companies surveyed, significantly less than in other countries, declared to be interested in outsourcing first party collections during the next 24 months. About one third of them remained indifferent, while 55% expressed a distinct lack of interest. On average they are not willing to spend a lot on this service – over 50% stated that 5 Euros per invoice would be a maximum. This reaffirms the tendencies observed in the Netherlands previously.

Higher interest was shown in the final demand letter – 38% of companies said that it is likely or highly likely for them to use it. An identical percentage showed no interest, while 24% remained neutral. On average Dutch companies do not want to pay a high price for this service – 82% claimed to be willing to pay only up to 10 Euros per letter.

## 3.27 United States

### KEY FINDINGS – UNITED STATES SPECIFIC

- n Own management is the most popular method of dealing with overdue invoices; debt selling is more popular than in other countries,
- n Debt collections agency assistance is required mainly while dealing with domestic debts
- n 'Success Rate' and 'Reputation' are closely competing and undeniably the most important criteria considered while selecting an external agency by American companies
- n 'Cost' and 'Customer relationship protection' are the main reasons of choosing not to use a DCA in the United States
- n American companies demonstrated interest both in outsourcing first party and in using the final demand letter

### Ways in which companies dealt with their overdue invoices in the past 12 months

Over the past 12 months 70% of American companies dealt with overdue invoices using their internal resources. Looking at external solutions, the most popularly chosen in the US is debt collections assistance (35%) followed closely by law office/attorney (32%). Finally, 22% of American companies decided to sell their debts and this percentage is significantly higher than in many other countries surveyed. This distribution of preferences resembles the one obtained in the past survey.

Among the American companies that used DCAs when dealing with overdue invoices, 74% remained loyal just to one whereas 26% decided to cooperate with two or more simultaneously.

### Extent to which companies use a collections agency (for domestic and/or international debts)

61% of American companies using the assistance of debt collections agencies cooperated with them specifically when dealing with domestic receivables. At the same time 17% used DCA's services exclusively for international debts and the remaining 22% - for the combination of both types of debts.

### Criteria ranking for choosing debt collections agencies

'Success rate' and 'Reputation', followed closely by 'Price' were the main criteria considered by American companies when selecting a debt collection agency. The ranking is similar to the one obtained for the US in the past, except the 'Ability to maintain a positive relationship with debtor' used to be ranked higher in the past.

### Reasons for not using debt collections agencies

The same as in the majority of other countries surveyed 'Cost' and a concern about 'Customer relationship' were the main reasons to refuse the assistance of debt collections agencies by the companies in the US.

### Account receivables management methods (the usage of software and level of centralization)

70% of American companies relied on MS Office Tools in order to deal with their overdue invoices. As regards other possible solutions, 16% of them chose external standard software packages, whereas 13% used tailor-made solutions.

33% of American companies declared to have multiple locations in many different countries. Investigating the level of centralization of their credits' management, 72% of them claimed to have one centralized unit to deal with this process, while the remaining 28% carried it out in a decentralized way with each company managing its own account receivables.

### **Future developments**

As regards the future demand for first party collections outsourcing by American companies, 33% reported to be interested in this kind of service (likely or highly likely to use it during the next 24 months), the same percentage declared it to be unlikely or highly unlikely and the rest remained neutral.

Compared to worldwide tendencies the interest in the US seems to be slightly higher than average. Also looking at price expectations, American enterprises are prepared to pay slightly more for first party collections than those surveyed in other countries – 44% of them claimed to be able to afford paying more than the equivalent of 8 Euros for this kind of service.

43% of American companies declared an interest in using final demand letters 34% remained indifferent and 23% described it to be unlikely or highly unlikely. At the same time, the overall level of interest in final demand letters does not deviate much from the worldwide average. Also the price that enterprises in USA are willing to pay for this kind of service does not differ significantly from the worldwide norm.

## 4. Survey design

### 4.1 Survey background

For internationally active companies, it is vital to have good knowledge of the payment practices and collections behaviour of potential customers located in the countries with which they either currently do business or plan to do business in the future, as an incorrect decision may result in serious cash flow problems.

This applies to companies of all sizes, as large businesses are particularly exposed to poor payment behaviour due to the volume of their international transactions, while smaller ones often learn the hard way that they have incorrectly assessed the payment behaviour of their international business partners.

Atradius conducts regular surveys on corporate payment and collections behaviour across a range of countries and the findings are published in the *Atradius Payment Practices Barometer* and *The Global Collections Review*. This survey is conducted twice a year and is the fourth time that the *Global Collections Review* has been published since its inception in 2009. In this wave of research, approximately 5,400 companies were interviewed and the panel included 27 countries (Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, France, Germany, Great Britain, Greece, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Mexico, the Netherlands, Poland, Singapore, Slovakia, Spain, Sweden, Switzerland, Taiwan, and United States).

The interviews were all conducted exclusively for Atradius and there was no combination of topics.

This report presents the results of the evaluation of collections behaviour and it includes only countries for which completed responses are available.

### 4.2 Sample overview

Country (n = 5.399)	n	%
Belgium	168	3.1%
Germany	210	3.9%
Italy	208	3.9%
The Netherlands	212	3.9%
France	205	3.8%
Spain	201	3.7%
Sweden	202	3.7%
Denmark	201	3.7%
Great Britain	210	3.9%
Ireland	145	2.7%
Austria	205	3.8%
Greece	203	3.8%
Switzerland	192	3.6%
Poland	203	3.8%
Czech Republic	200	3.7%
Hungary	209	3.9%
Slovakia	201	3.7%
Australia	194	3.6%
China	215	4.0%

Hong Kong	202	3.7%
Taiwan	197	3.6%
Singapore	207	3.8%
Indonesia	201	3.7%
Japan	207	3.8%
USA	210	3.9%
Canada	190	3.5%
Mexico	201	3.7%
<b>Turnover(n=5.399)</b>	<b>n</b>	<b>%</b>
Micro enterprise (under 1 mill. Euros)	1,869	34.6%
Small enterprise (1-10 mill. Euros)	1,692	31.3%
Medium/Large enterprise (10-100 mill. Euros)	1,111	20.6%
Large enterprise (over 100 mill. Euros)	727	13.5%
<b>Economic sector (n=5.399)</b>	<b>n</b>	<b>%</b>
Manufacturing	1,250	23.2%
Wholesale/Retail/Distribution	1,335	24.7%
Services	2,319	43.0%
Financial services	495	9.2%

Where a single answer is possible, it may occur that the results are a percent more or less than a 100% when the results are added up. This is the consequence of rounding off the results. We have chosen not to adjust the results so the outcome would fit to a 100%, with the purpose of representing the individual results as precisely as possible

### 4.3 Objectives

The “Global Collections Review” has the following objectives:

- n** Determine the collections behaviour: How have you dealt with overdue invoices over the last 12 months?
- n** Determine the usage of external collections agencies: Have you used the collections service from just one DCA at a time or have dealt with more than one DCA simultaneously? – Do you use an external agency to collect overdue domestic or international receivables?
- n** Determine the criteria for selecting external collections agencies: Which criteria do you use in selecting an external agency for collecting your overdue receivables?
- n** Identifying and understanding the reasons for not using external agencies: What are the primary reasons why you do not use an external collections agency?
- n** Identify the way companies manage their account receivables: how is your company organised for managing its account receivables?
- n** Evaluating further developments in the collections market: Will your company be outsourcing its first party collections within the next 2 years? – Will your company use the final demand letter?

## 4.4 Survey scope

### Basic population:

- n Companies from 27 countries were monitored: Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, France, Germany, Great Britain, Greece, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Mexico, the Netherlands, Poland, Singapore, Slovakia, Spain, Sweden, Switzerland, Taiwan and USA
- n The appropriate contacts for accounts receivable management were interviewed

### Selection process

- n Internet survey: companies were selected and contacted by use of an international internet panel. At the beginning of the interview, a screening for the appropriate contact and for quota control was conducted n=5.399 persons were interviewed in total (approx. n= 145-215 persons per country)
- n In each country, a quota was maintained according to three rough industry categories and two classes of company size.
- n As to Spain, the sample has been extended with the inclusion of the businesses with turnover under 1 million euro
- n Interview: Web-assisted personal interviews (WAPI) of approx. 12 minutes duration

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