



Newsletter FENCA °42 November–December 2008

Federation of European National Collection Associations FENCA

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Newsletter available in .pdf

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Second European Survey FENCA: part II

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I Board Meeting in Athens

The Board met in Athens on December 8th to discuss items scheduled during the AGM 2008.

The most important issues were:

1. **Congress in Prague 2009:**

The Board discussed frames of the programme and the subjects. Using your suggestions in the feedback form after the 4th World Congress the programme will contain:

- Field collection through Europe
- Data protection
- EU Law
- Conflict solution / or / Marketing in the debt collection business
- Late Payment Directive

The programme will be presented on Friday, 25.09.2009 only; and the congress will be finished by the Gala Diner (Friday night).

On Saturday FENCA will hold its AGM.

The registration will be opened from January 15th; and this year the registration will be online. Following your suggestion, the price of the conference will not contain the price of



*Merry Christmas and Happy
New Year !*

*Vesele vanoce a šťastny
novy rok !*

*Zalig Kerstfeest en
Gelukkig nieuw jaar!*

*Frohes Fest und guten
Rutsch ins neue Jahr !*

Καλά Χριστούγεννα και

The registration will be opened from January 15th, and this year the registration will be online. Following your suggestion, the price of the conference will not contain the price of the hotel. The registration form will provide you the option of booking the hotel Marriott (where FENCA negotiated best conditions for you—booking will be processed by FENCA); but it will be also possible to reserve only the conference, and take care of your own accommodation.

As an option there will be proposed a half day sight seeing trip (for all guests, who would like to spend the rest of the weekend in the « Golden City »), and an elegant diner and concert in a city restaurant on Saturday night (upon inscription on the registration form).

2. Revision of the statute

According to the order of AGM, the statute of FENCA will be revised:

- Time restriction for the Board: introduction of the maximal time in the Board / maximal possible number of re-elections
- Affiliate members: companies or associations; or outside Europe or second, third (....) association in the country

3. New survey FENCA

Survey FENCA conducted in 2006 and 2007 will be redesigned, shortened and conducted in a new form in 2009. All Delegates FENCA will be kindly asked for help in translation.

The second part of the survey 2006-2007 is presented in the Section II.

Kalà Xριστούγεννα και καλή χρονιά !

Buon Natale e felice anno nuovo !

God jul og godt nytt ar !

Feliz Natal e prospero ano novo !

Crăciun fericit si un an nou fericit !

!Feliz Navidad y prospero ano nuevo!

God jul och gott nytt ar !

Joyeux Noel et bonne annee !

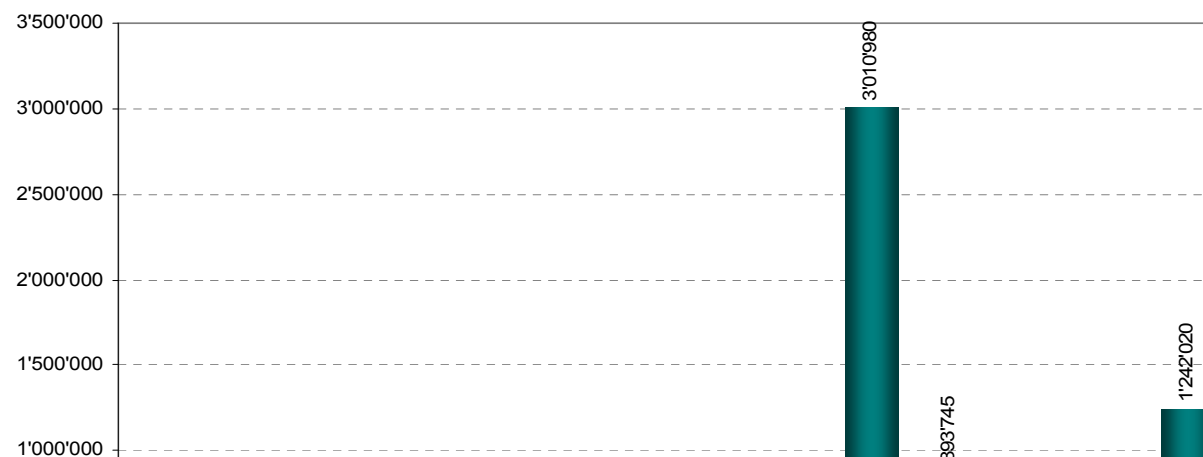
С Рождеством Христовым и С наступающим Новым Годом!

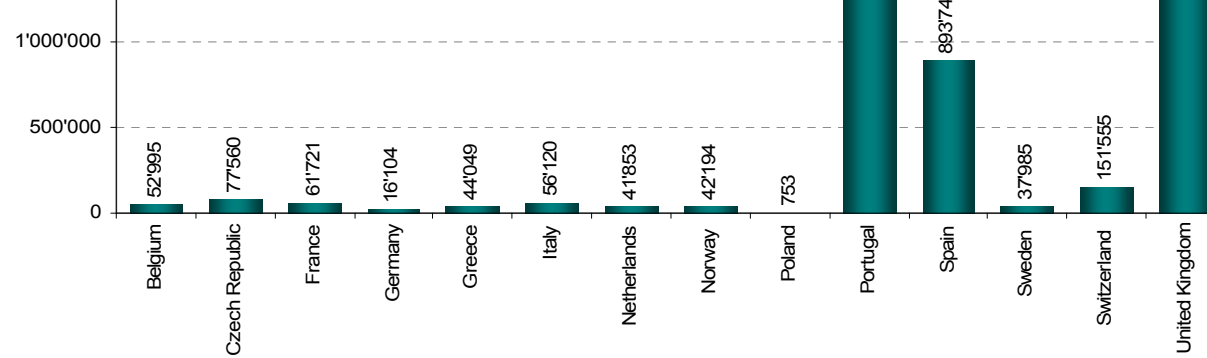
Wesołych Świąt i Szczęśliwego Nowego Roku!

II FENCA Article: Second European Survey FENCA part II

In this edition is presented the second and last part of the Second European Survey FENCA 2006—2007.

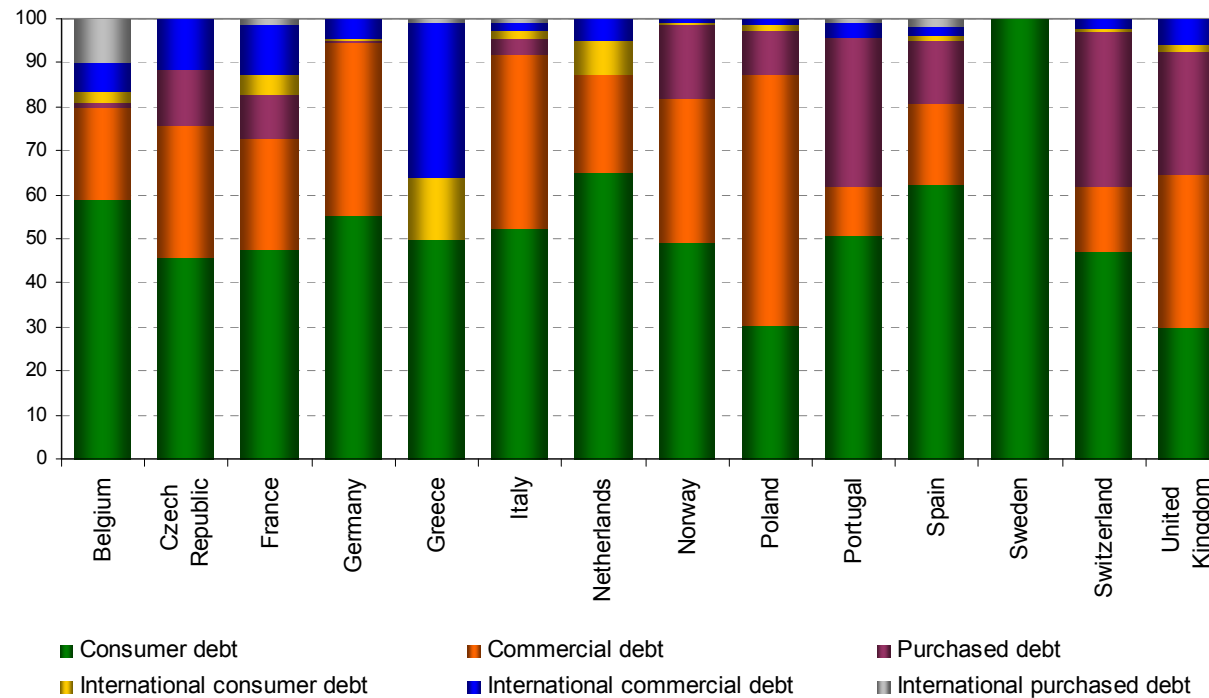
1. Average amount per customer collected





The average amount per customer collected amounts to 53 000 €. The exception is Portugal, which claims to have a small number of customers, but a significant amount of debt collected. Similar data come from UK. In both cases data are probably mistaken by responders.

2. Types of debt collected



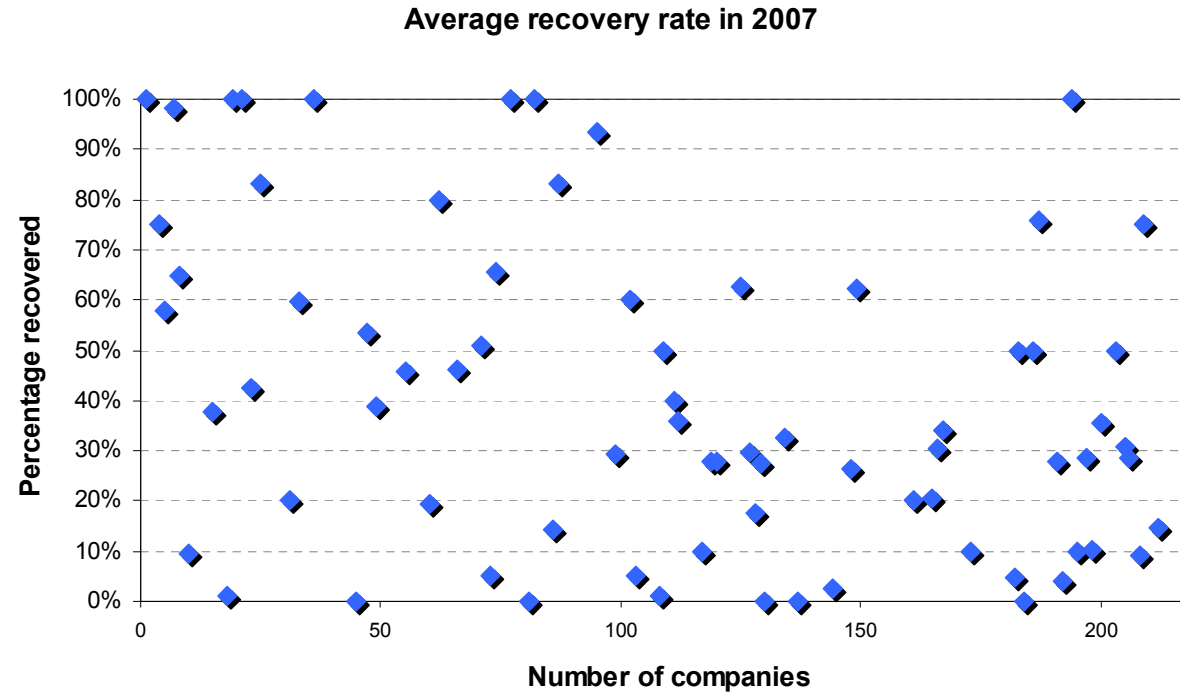
Type of debt collected varies from country to country. There is a significant share of consumer debt in the type of debt collected; depending of the country consumer debt constitutes between 45% and 60% of the total debt collected. Exceptionally, there is lower level of the consumer debt in Poland and UK, what can be explained by an important role of a bailiff in collections of such debts.

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Debt purchase constitutes marginal activity in almost half of our members; it is strongly developed only in Portugal, Switzerland and United Kingdom.

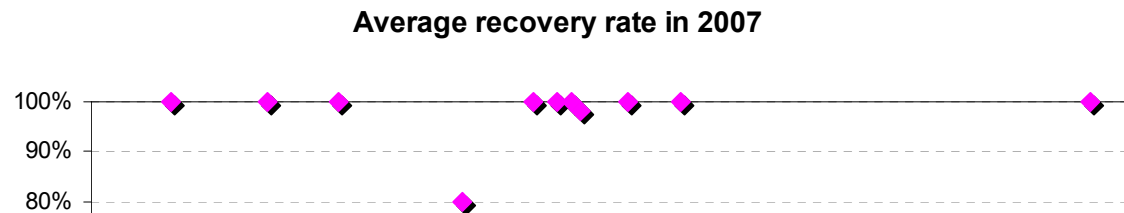
International activities still don't lie in the center of the interest of our responders. The most popular cross border activity is international commercial debt recovery; and only Greece and Netherlands perform a remarkable international consumer debt recovery.

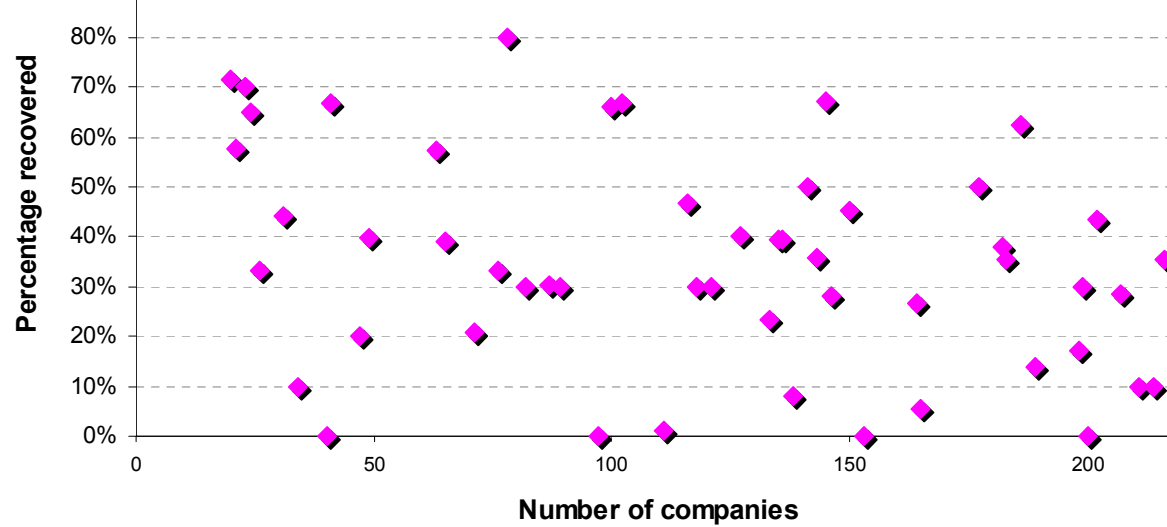
3. Consumer debt



The average recovery rate of consumer debt lies between 10% and 40%. Only few companies claim exceptionally the recovery rate between 40% and 80%; but this recovery rate concerns sums up to 500 000 €.

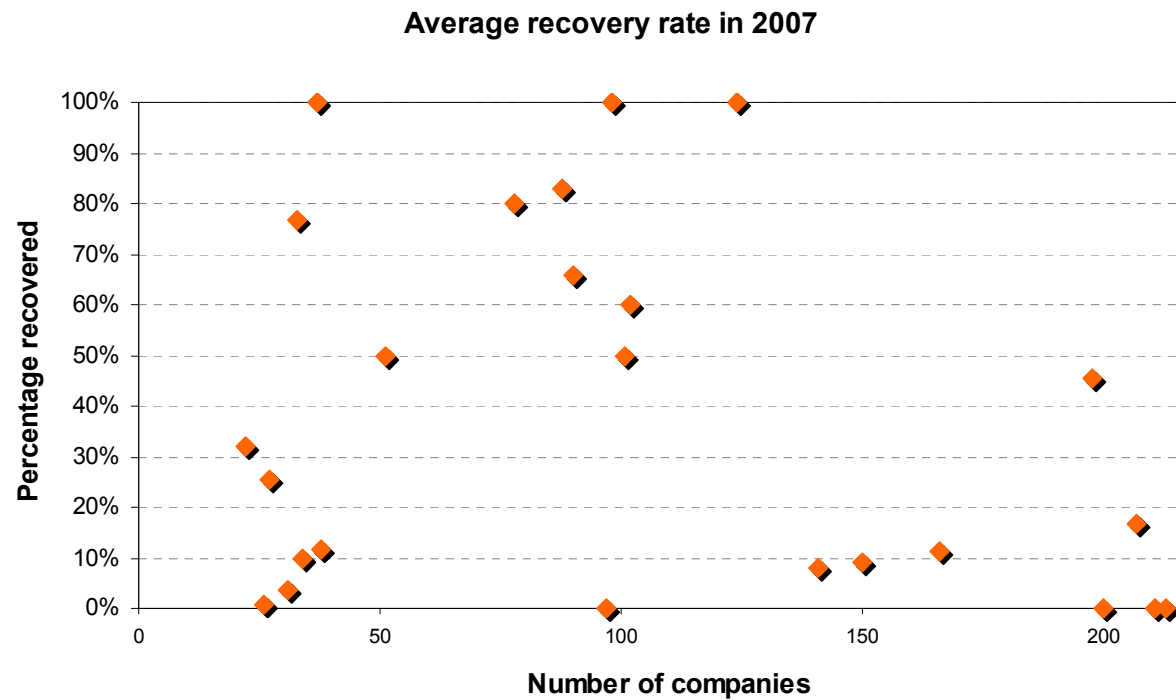
4. Commercial debt





The average recovery rate of commercial debt lies between 20% and 50%. This recovery rate functions for sums up to 240 Mio €. Higher recovery rate was noted for smaller sums, up to 3 Mio €.

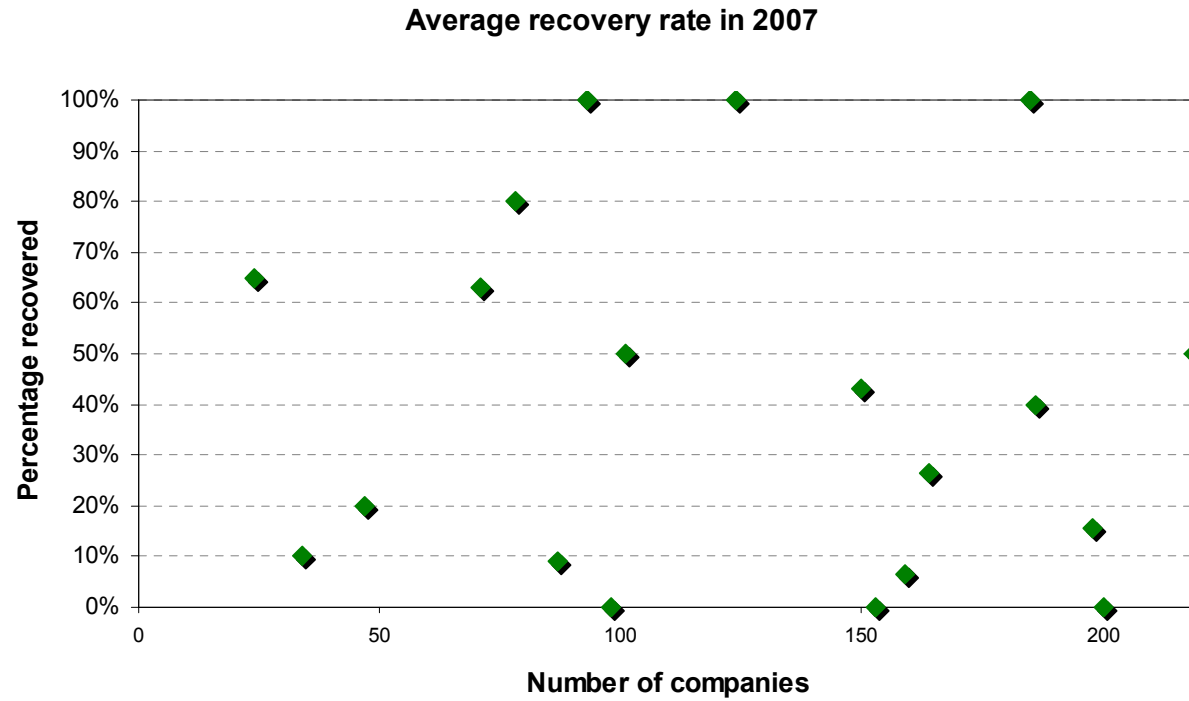
5. Purchased debt



The data provided can only serve as an idea of purchased debt recovery. High recovery rate

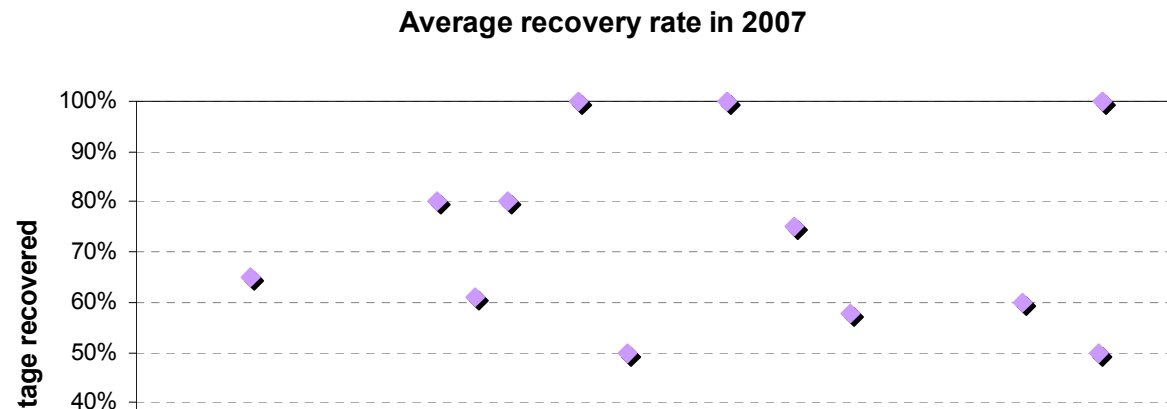
The data provided can only serve as an idea of purchased debt recovery. High recovery rate is claimed for small sums up to 4 400 000 €.

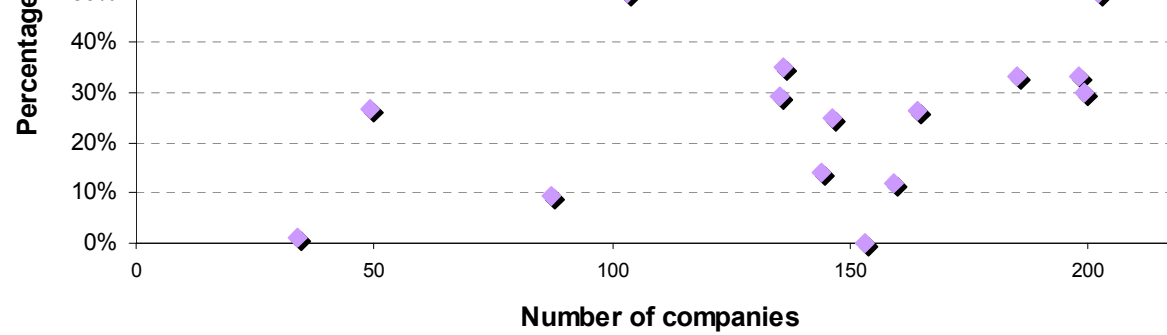
6. International consumer debt



As in the previous example, the average recovery rate of the international consumer debt can only serve as an idea. The high recovery rate is claimed for small sums.

7. International commercial debt

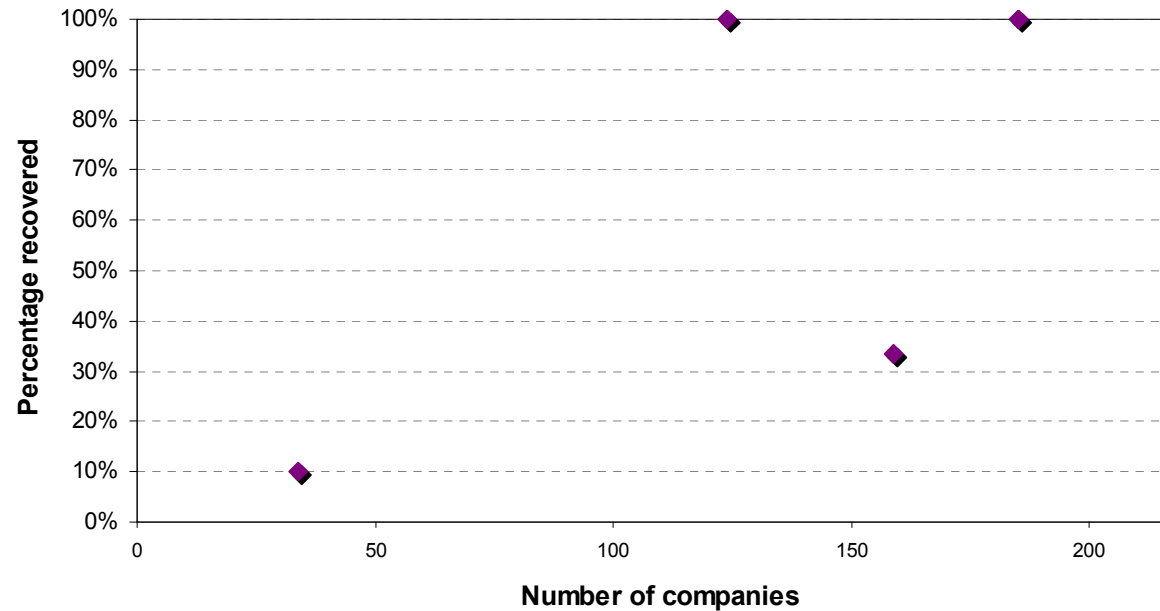




High recovery rate (above 50%) of the international commercial debt is claimed for amounts up to 4 Mio €.

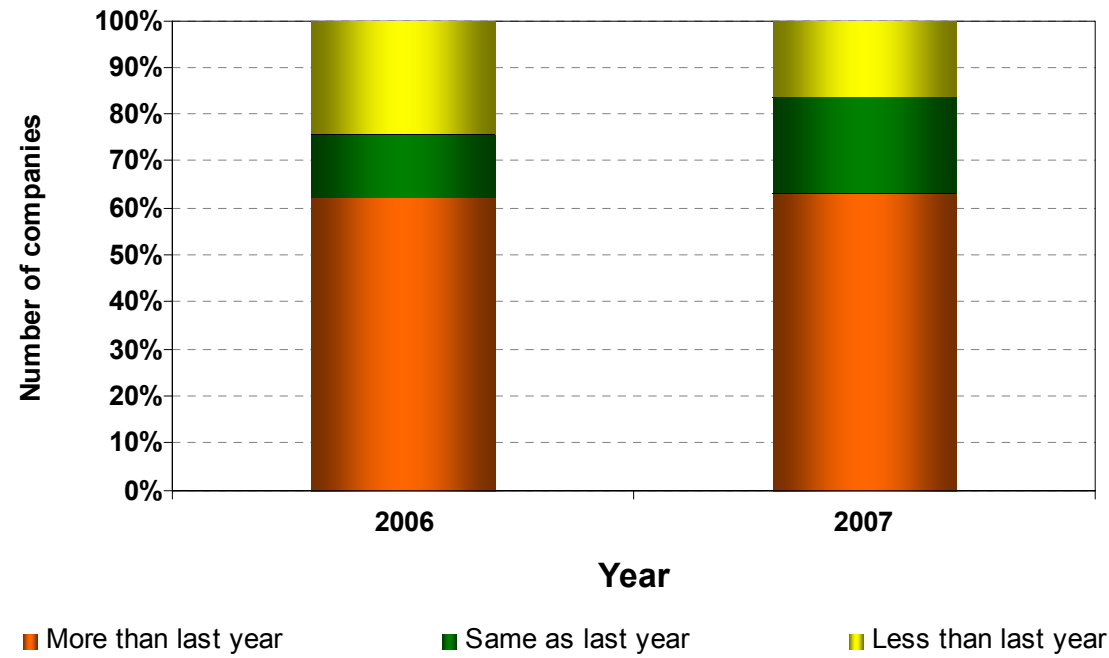
8. International purchased debt

Average recovery rate in 2007



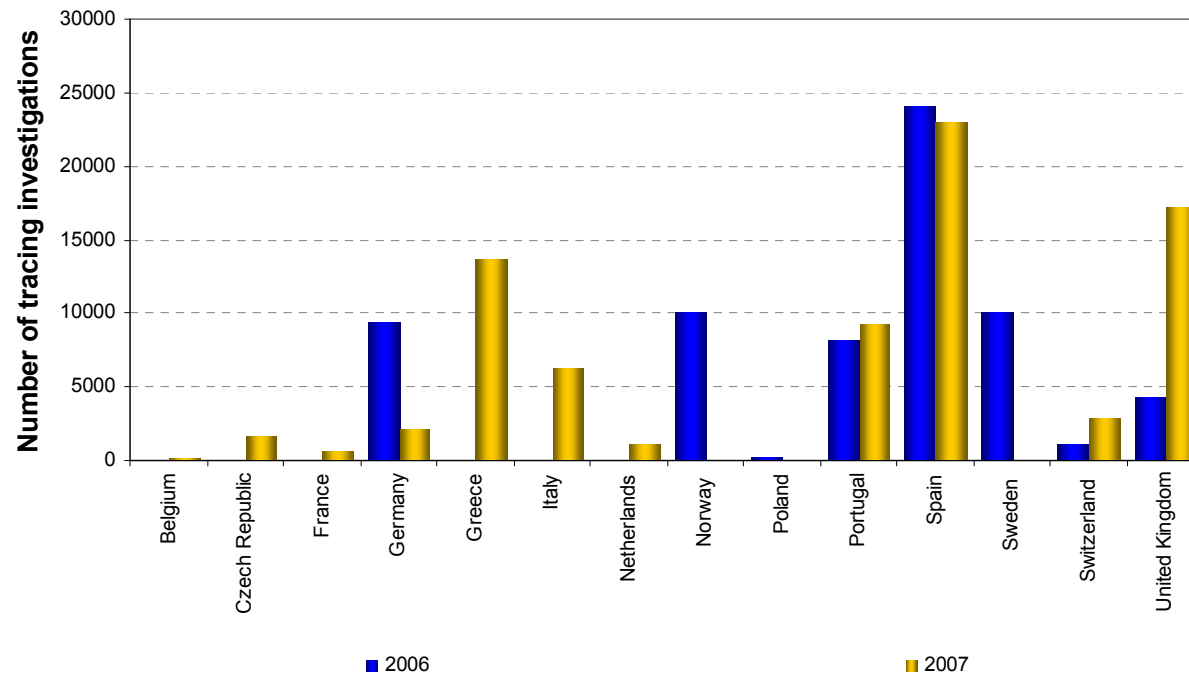
Recovery of 100% claimed for very small sums only (2000 €); recovery on the level of 30% for 1.3 Mio € of the international purchased debt.

9. Number of dossiers in the comparison to the previous year



The number of dossiers in the comparison to the previous year is slowly growing; what signifies a steady development of the industry.

10. Tracing investigations

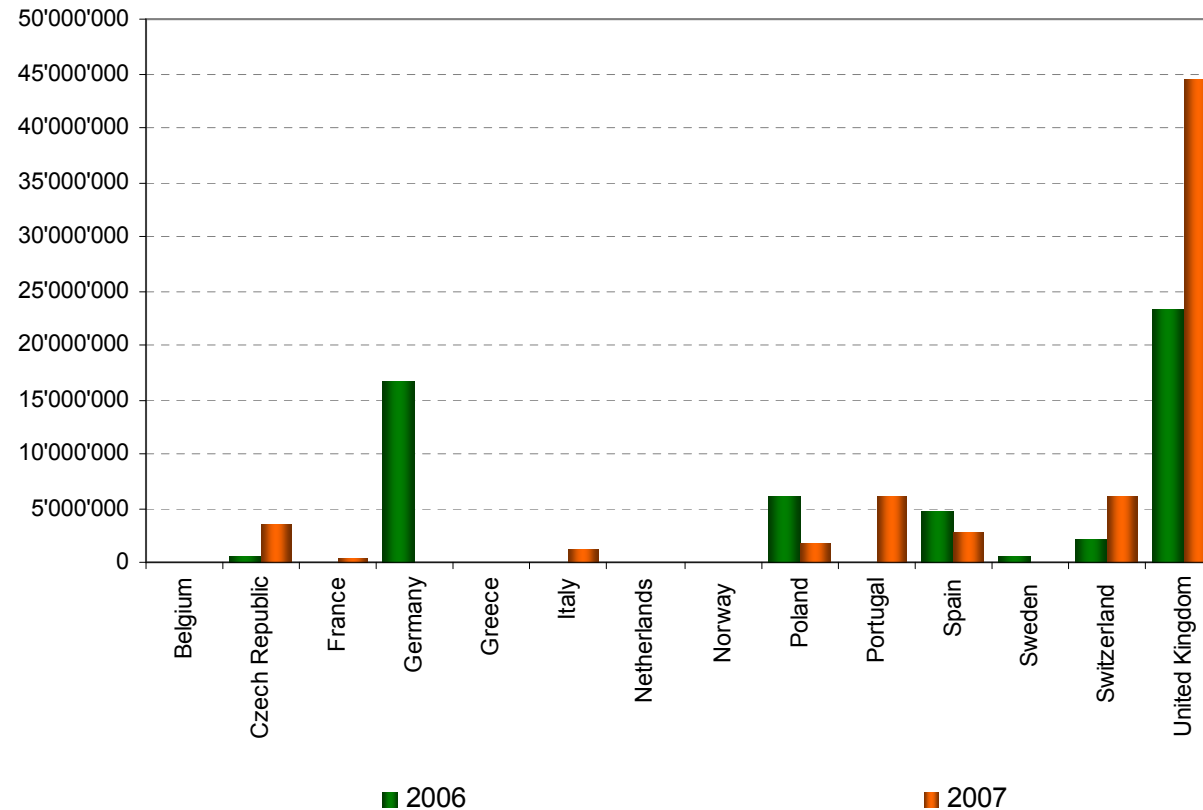


■ 2006

■ 2007

Tracing investigations are specific for particular countries. The highest level of tracing investigations is performed in Portugal and Spain and United Kingdom; what can be indirectly linked with the delays in payments and payment avoidance.

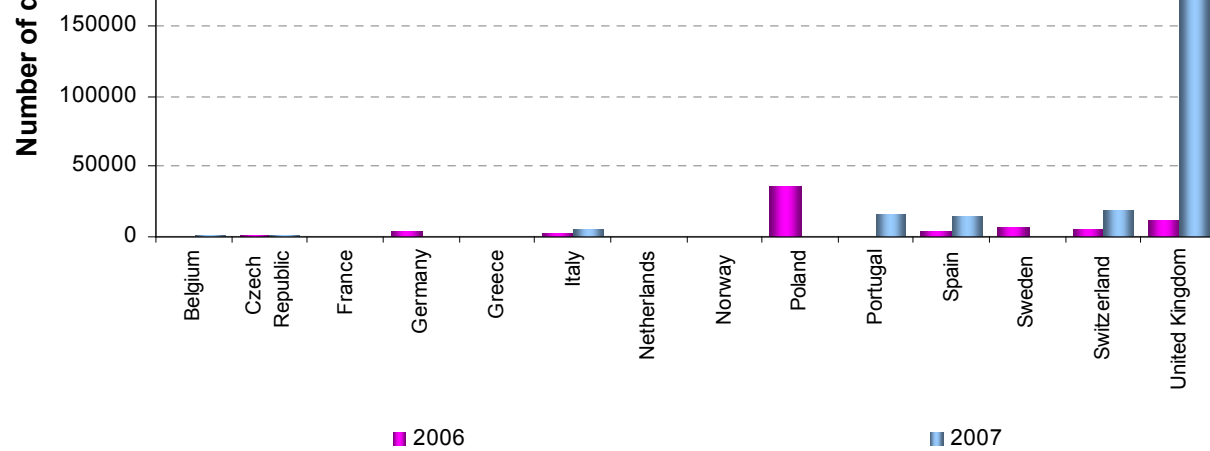
11. Debt purchase: value in €



Since years United Kingdom occupies place no 1 considering the value of a debt purchased, especially because of the strong position of the Debt Buyers and Sellers Group.

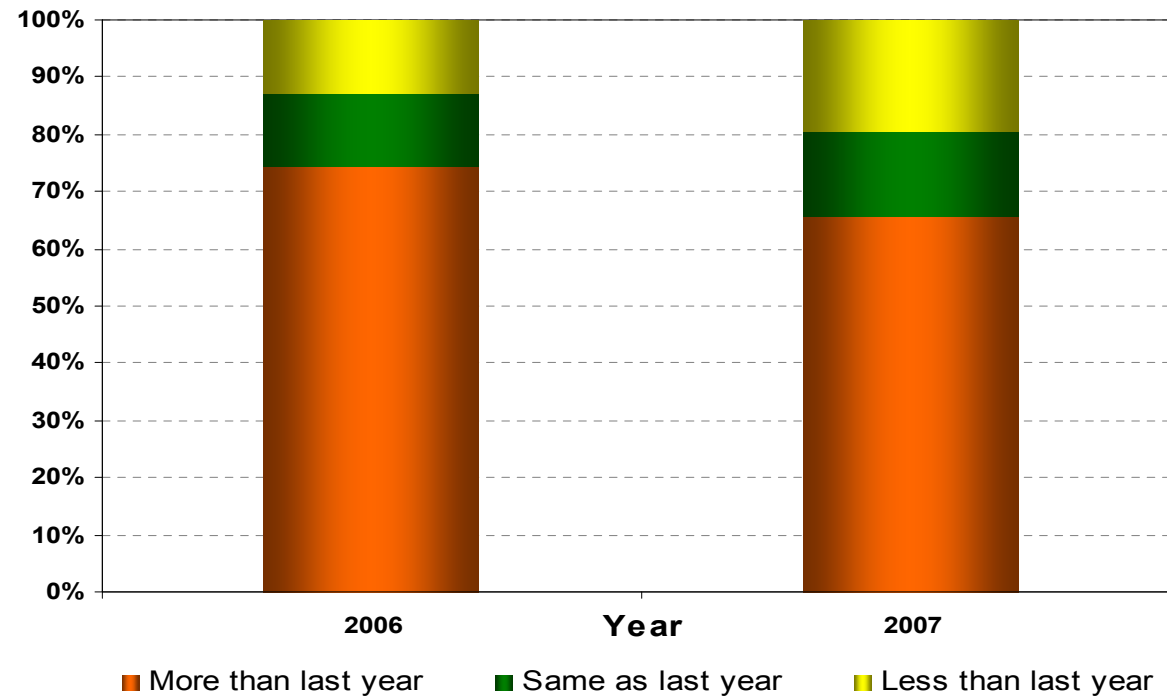
12. Debt purchase: number of dossiers





Consequently, the number of dossiers of debt purchased is linked with the value of the debt purchased; United Kingdom distances all other European countries.

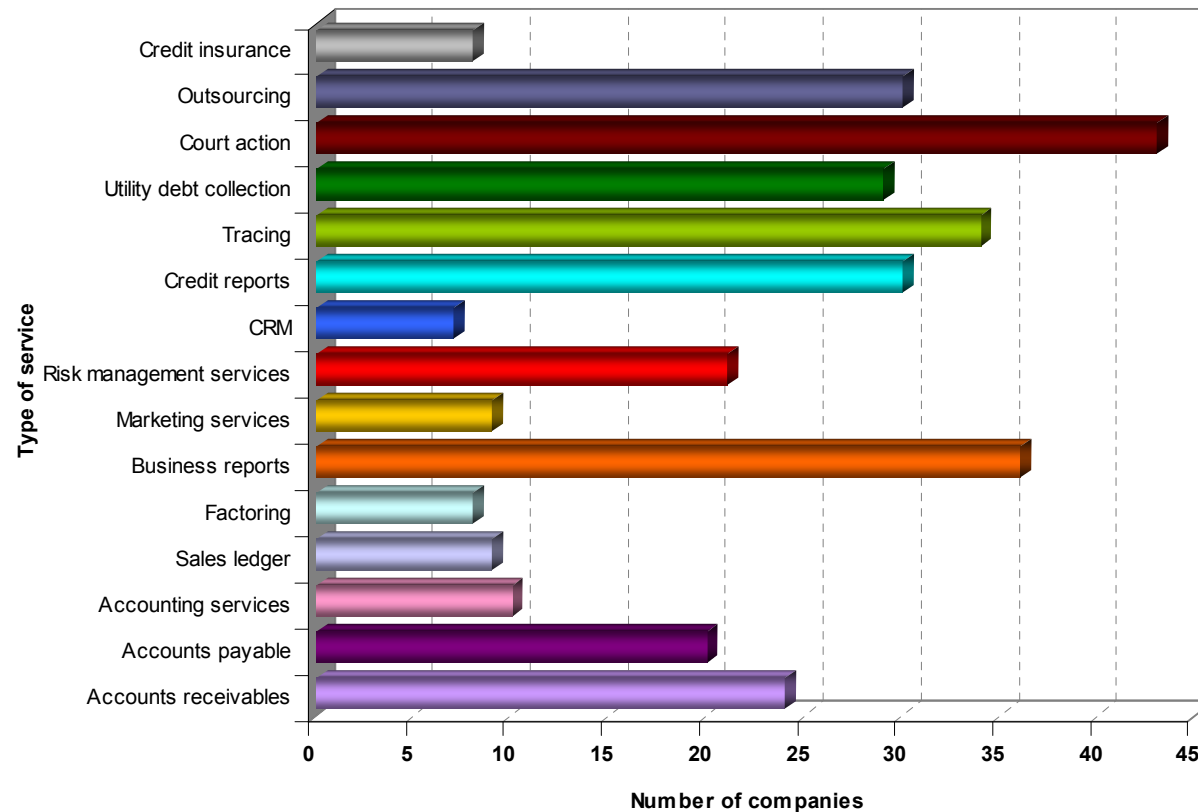
13. Debt purchase: number of dossiers in the comparison to the previous year



Over 60% of principal players of the market of debt purchase declare that the number of dossiers is steadily growing. The branch is still in the process of development and consecutive years will influence directions of its growing.

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14. Additional services rendered by collection companies in 2007



The most common additional services rendered by collection companies are: court procedures, business reports, tracing and credit reports.

III News from Brussels

News from Brussels November 2008

On November 13th Executive Director FENCA participated in the European Multiplier Conference organized in Brussels. The subject of the conference was "InCaS - Intellectual Capital Statement - A new approach to make SMEs successful". The conference was supported by the Commission of the European Union and under a special patronage of Günther Verheugen, Commissioner of the European Commission for Enterprise and Industry.

Genesis of InCaS

The first idea of Intellectual Capital management appeared at the end of '60 but finally was not developed until 2005. In 2005 Germany led a successful pilot project, which got transformed into a European Commission project in 2006. Two and half years later the project entered the phase of implantation and dissemination through the European Union.

What is InCaS?

It is a management tool to assess and develop the intellectual capital of an organisation. It is a know-how on creating, describing and developing value in small and medium enterprises.

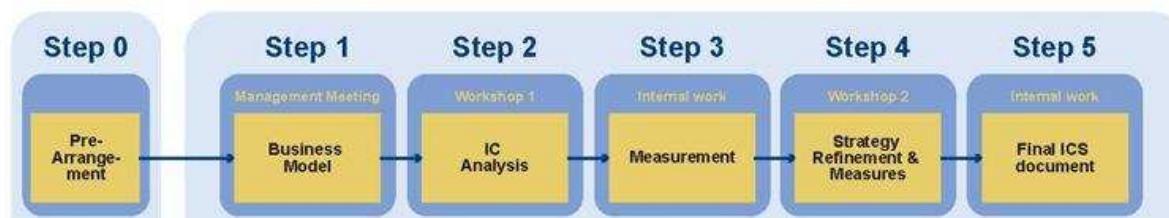
Main elements of the Intellectual Capital Statement are:

- Human capital
- Structural capital
- Relational capital

Why InCaS?

The Intellectual Statement helps to determine the SWOT of strategic IC factors, prioritise improvement steps, support implementation of the strategy (optimisation and innovation); improves transparency of the company and motivates employees for action, diminishes strategic risks and controls the success of actions and facilitates reporting.

The Intellectual Capital Statement model has been developed and tested in 25 companies across Europe using following steps:



Step 0:

It is the analysis of the "health" of the company: its initial situation, "fitness level" and establishment of project management.

Step 1:

Step 1:

Definition of the boundaries of the system, main business processes and business strategy.

Step 2:

Definition in a clear way the human, structural and relational capital as well as assesses the quality, quantity and systematic of IC factors.

Step 3:

Collection of indicators to validate the IC assessment.

Step 4:

Interpretation of results, proposal of strategy and measures.

Step 5:

Production of the statement (internal / external version).

Why InCaS is important for European development?

In contemporary Europe it is more and more difficult to gain a competitive advantage. For small and medium sized enterprises becomes crucial to use their knowledge efficiently and boost their innovation potential. Including these intangible assets (knowledge and innovation) in the reports for customers, investors and creditors may become a critical success factor.

How InCaS can influence the debt collection industry?

Debt collection companies certified by InCaS will acquire a competitive advantage in the comparison to other debt collection companies on the market.

Documentation of intangible processes of debt collection will allow in depth analysis and improvement of procedures, their standardization and better communication. It will allow also better marketing among customers, providing transparency and improving the image of the debt collection company.

Contact details:

www.incas-europe.org,

or our representative in Brussels, Stefan Zickgraf

at stefan.zickgraf@interrecherche.com



IV News from our members: Belgium



Press release October 29th, 2008

Debt collection methods used by Belgian companies in 2008

Vlerick Leuven Gent Management School and the Belgian Collectors Association surveyed debt collection methods used in 2008 by Belgian companies.

Getting invoices paid in time is more than ever a necessity. Many companies lack receivables management competence. They could develop a significant financial advantage through a more knowledgeable and professional receivables administration. Three students of the Vlerick Leuven Gent Management School (Masters in General Management) surveyed over 1000 Belgian companies during the summer 2008 (web based questionnaire and in depth interviews). Their purpose was to apprehend the way Belgian companies carry out their receivables management in practice.

The main findings are:

- The average conventional payments terms is 35 days (from date of invoice). Three out of four companies use more than one conventional payment terms.
- The average effective DSO (Days Sales Outstanding) is 46 days. One out of two invoices is paid between 30 and 60 days (date of invoice). One out of five invoices (16.42%) is unpaid after 60 days (date of invoice).
- Large invoice amounts tend to be paid later than smaller amounts.
- For 36% of respondents, a payment is considered as "overdue" only after it remains unpaid over one month after due date.
- One out of ten respondents writes off 3% or more receivables. Only 15% have no write off at all.
- One in five respondents does not have an in-house collection procedure.
- Companies that do not outsource receivables state that they don't know how to do it or have prejudice without any factual reason for such prejudice.
- Companies with loads of invoices tend to outsource more. Having taken the time to analyze and experience different methods of outsourcing, they usually prefer debt collectors.
- Companies that outsource or have outsourced to a debt collection office are satisfied with the service. Satisfaction is mainly based on efficiency; cost-effectiveness (compared to in-house procedures or attorney); high specialization; possibility to outsource the whole process (from first letter to courts actions); and the well-

(compared to in-house procedures or attorney); high specialization; possibility to outsource the whole process (from first letter to courts actions); and the well-organized computerization.

Customer credit

Companies often find themselves compelled to offer credit to their clients although it is not their core business. They do it to attract and keep clients. The survey confirms that commercial credit is a very common feature. This feature shifts upwards to the companies suppliers where a similar credit is then "offered" by the supplier. This system replaces common bank credits. This creates an unstable and dangerous situation for the companies in the chain of commercial credits.

Rebates for immediate payment

Several companies (38% of respondents) offer a rebate for immediate payment. The most common formula is "2/10 net 30" which means 2% rebate if payment is booked within 10 days instead of agreed 30 days. Two percent looks negligible. But it is actually very high. Take an invoice of 1000€. Two percent is 20€ which is 2.0408% of 980€ (=1000-20). Credit is granted for 20 days (=30-10; payment expected on 10th day instead of 30th day). This corresponds to a stunning annual effective interest rate of 44.6%. This is good for the buyer but very expensive for the seller. Besides, this kind of rebate seems to have no significant statistical influence on the actual DSO. Additionally, some clients take the rebate off their payment despite late payment. Hence, a rebate for immediate payment doesn't look like a good solution.

Secure invoices payment

Companies use various techniques to protect their receivables: credit reports; credit insurance (46% of respondents); factoring (5% of respondents); receivables outsourcing.

Debt recovery

20% of respondents state that they take no in-house action when an invoice is overdue. The other 80% use phone calls, e-mails, letters and street calls. If and when this does not succeed, respondents outsource for amicable action to attorneys (75% have used it), bailiffs (40% had used it) or debt collectors (35% have used it). Alternatively, some respondents have introduced courts actions right away (49% have done it).

The thoughts vary about the efficiency of the various methods. Attorneys, bailiffs and debt collectors all get an equivalent positive global evaluation. To the contrary, courts actions are slow, expensive and uncertain (even if claim is considered as 100% valid).

The criteria to choose a collection partner are: efficiency, promptness, past experiences and costs. The respondents who do not use a debt collector claim to have little knowledge but admit having prejudice about this option. They do not claim adverse experience. 34% of the respondents work with a debt collector and are satisfied. The main reasons for satisfaction are efficiency, cost-effectiveness (compared to in-house procedures or attorney).

the respondents work with a debt collector and are satisfied. The main reasons for satisfaction are efficiency, cost-effectiveness (compared to in-house procedures or attorney), high specialization, global service (claims are handled from A to Z) and efficient computerization.

Debt collectors score better on promptness and costs when compared to attorneys; and score better on the client-friendly attitude when compared to bailiffs.

Costs

Some respondents state that debt collectors' costs are high but admit that such belief is based on impressions rather than facts. In fact, debt collectors are the only actors that can apply a no-cure-no-charge tariff. Indeed, this is legally prohibited for bailiffs and attorneys. Additionally, debt collectors offer a global solution including feedback and expertise on credit management and cash flow optimization.

The Belgian Collectors Association (ABR-BVI)

The ABR-BVI members must satisfy to rigorous requirements regarding their solvency, liquidity and structure. They need to sign a strict code of Ethics which covers relations with their clients (creditors) and debtors. A compliance committee sees to it that these requirements are applied. Debt collectors need to register with the Ministry of Trade and are subject to a strict control (mentioning the address of the Ministry's controlling authority is obligatory on demand letters to consumers).

Working with an ABR-BVI member is a guarantee for a quality solution, global and specialized, at a relatively low cost.

Survey sampling

The respondents' sample is statistically significant in terms of geographical spread, type of trade and company sizes.

Type of trade of the 1160 respondents:

Full survey results in Dutch and French upon request: abrbvi@abrbvi.be

Contact: Etienne van der Vaeren

President asbl ABR-BVI vzw - e.vandervaeren@tcm.be – Tel.: +32 16 74 52 05

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