



Global Collections Review

Europe, Americas and Asia Pacific

Assessing business behaviour of exporting companies on
outsourcing collections

Eleventh edition

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Executive summary

Introduction

It is vital that internationally active companies have a good knowledge of the payment practices and collection behaviour of customers in the countries with which they 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; 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.

As one of the world's leading commercial debt collection firms, Atradius Collections conducts regular surveys, together with Atradius Credit Insurance, on corporate payment and collection behaviour across a range of countries. The findings from these studies are subsequently published in the Atradius Payment Practices Barometer and the Global Collections Review. With this Global Collections Review, we want to provide an understanding of the dynamics of collection practices and the way they are reflected in business behaviour at country level. The detailed insights can help companies create country- and industry-focused strategies on how to deal with overdue invoices.

This is the eleventh time that the Global Collections Review has been published since its inception in 2009 and it is focused on key worldwide markets and practices among exporting companies.

The report covers 30 countries, including all of the regions' major economies, examining companies' collection behaviour and how they deal with overdue invoices, while also identifying the factors that influence the collection process. In addition, this review explores potential developments regarding the services offered by debt collection agencies and the expectations of changes in the buyers' riskiness and quality of the overdue receivables portfolio.

Summary

Trading on credit is a common practice among all countries surveyed in this research, and this approach is applicable to domestic and foreign B2B transactions, even though companies reported that their business is concentrated mainly in local markets and one of the consequences of choosing to offer credit terms is that companies face delays in invoice payments, mainly in their domestic business. For a detailed analysis, please refer to the Atradius Payment Practices Barometer – Western Europe, available at <https://group.atradius.com/publications/>.

Companies try to recover their unpaid commercial debts using internal resources while also seeking the assistance of external partners (e.g. debt collection agencies and law offices) for improved handling of overdue receivables and this report covers the results of these activities from the past 12 months. Among those companies that have worked in cooperation with a debt collection agency, the collection service has been primarily deployed to manage delayed domestic invoice payments.

Over the past 12 months, companies noted a shift in the recovery approach. More companies, especially in the Asia Pacific region (APAC), have collected their unpaid invoices more frequently with the cooperation of law offices.

The companies' attitude towards the collections market is strongly focused on internal management. Professional debt collection is still difficult to manage but the approach to alternative solutions offered in the collections market displays a noticeable variance among companies in different countries. Italy, Spain, Germany, France and Belgium, as well as China, India, Indonesia, Mexico and Brazil are more inclined to adopt alternative or additional solutions to traditional debt collection services, compared with the general tendency among the other countries profiled in the report.

Companies' willingness to use different debt collection solutions is also reflected in the way these businesses have determined their expectations for the services that a debt collection agency should offer.

Collecting outstanding invoices represents one of the main concerns among companies in the various regions. Delayed payments have a relevant impact on the business; the longer the debts remain unpaid, the lower the likelihood that the outstanding amount will be fully recovered.

Companies in the Americas are also open to using different debt collection solutions, as reflected in the way they have appraised the value of these different services.

In fact, for first-party collections, final demand letters and invoice checking, the non-European companies surveyed appear to be more willing to adopt alternative debt collection solutions in the near future compared with the companies in Europe.

In general, companies in the Asia Pacific region appear to be more aggressive in trying to recover their money and seem willing to use a number of methods to achieve their results. In fact, alongside the use of internal resources for dealing with delays, they are also very willing to cooperate with debt collection agencies and initiate legal action against their non-paying buyers. Selling debts is also common among companies in the region, a practice that is becoming increasingly more frequent.

The choice of internal management represents a common practice across all countries in Europe and the Americas. What stands out in the collection behaviour of Asia Pacific companies is their firmer approach to pursuing their debtors while making broader use of all available collection methods.

The importance of recovering commercial debts is mirrored in the openness shown towards the additional services offered in the collections market, and this trait distinguishes Asia Pacific companies – and, to a lesser extent, those in the Americas – from businesses in Europe. Asia Pacific enterprises have tended to be more likely than other countries to adopt additional debt collection service other than amicable services.

When looking at the future, European companies appear to be more conservative than their counterparts in the Americas and Asia Pacific. Most of the companies in the European markets do not expect any significant change in the quality of their overdue receivables portfolio or in their customers' risk profile. Companies in the Americas and Asia Pacific, however, have shown a more positive attitude towards the future, with a larger group of companies expecting improvements in the payment timing and level of credit risk of their buyers with a positive effect that is echoed on the outstanding invoices, which are expected to decrease.

Core results

- Payment delays are more common among transactions in local markets than with international buyers, mainly due to liquidity constraints.
- The age of the debt is still a problem in the collections market. It drives the success of the recovery process, but companies, especially in Europe and the Americas, tend to hand over to debt collection agencies debts that are older than six months.
- When outsourced, the debt collection service is more frequently handed over to law offices rather than debt collection agencies, with a stronger focus on legal procedures instead of an amicable approach.
- Caution characterises European companies when outsourcing their first-party collections or when using invoice checking, but there is a higher level of interest and willingness to use final demand letters
- Openness and dynamism among companies in the Americas and Asia Pacific, where the approach to the collection process is more aggressive and result-oriented, are a reflection of the willingness to use the diverse range of services available in the collections market.
- The average days sales outstanding (DSO) is expected to deteriorate in the near future, but none of the companies feel pressure over the cash flow, being able to adopt measures to keep it under control.
- European companies fear the deterioration of the liquidity position of their own customers and the consequent increase in the number of high-risk customers.
- Future expectations for the quality of the overdue portfolio and the customers' risk level are more favourable for companies in the Americas and Asia Pacific than for those in Europe.

Handling delayed payments

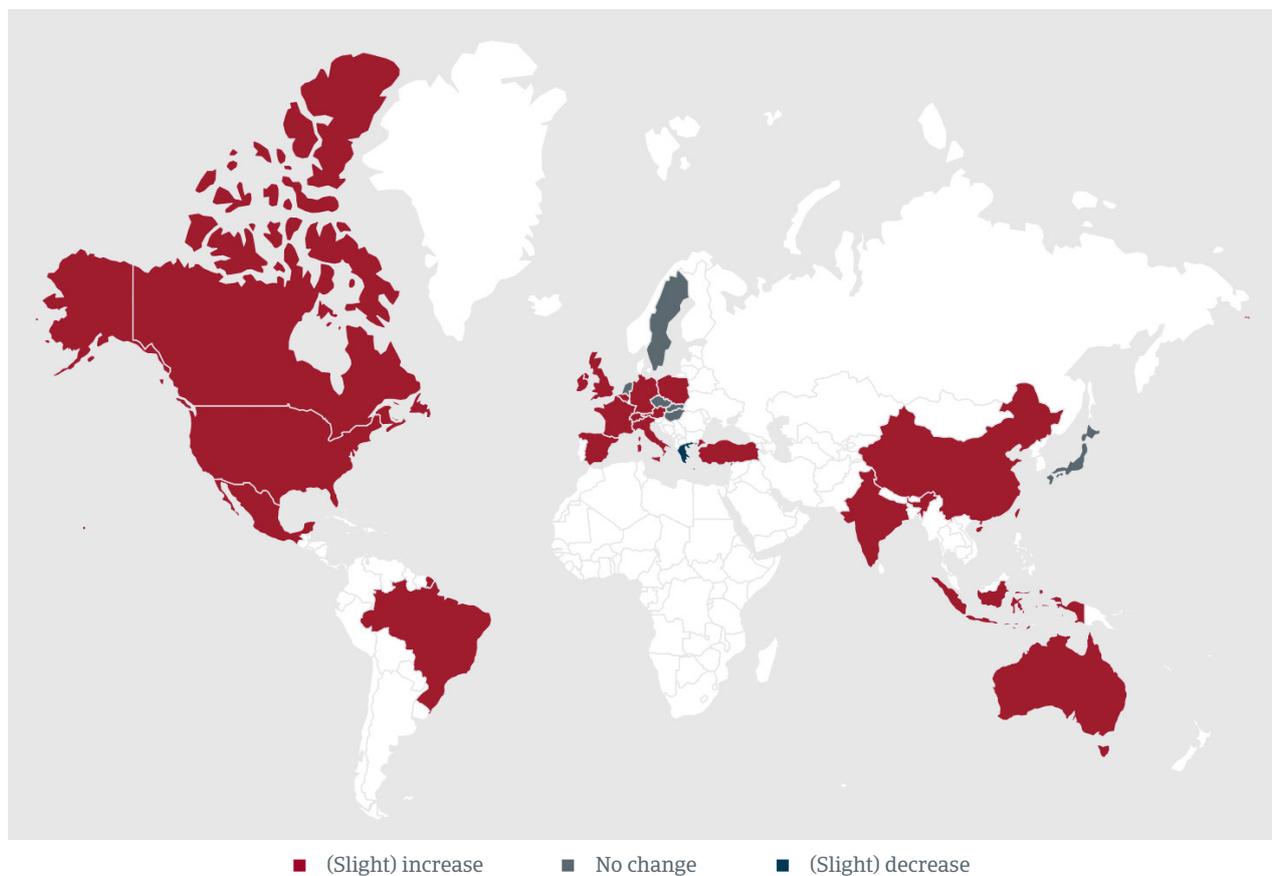


All the companies analysed demonstrated that the tendency to trade on credit is a common practice for domestic and international B2B transactions. Consequently, these companies are exposed to poor payment behaviours due to the volume of their transactions on deferred payments, even though most businesses in Western Europe seemed to be more inclined than in the past to sell on cash (with around 30% of their total sales value traded only on cash, mainly in the domestic market). Late payments of B2B invoices in Europe are mainly due to insufficient availability of funds, especially in local markets. Liquidity constraints hit mainly companies in Greece and Hungary, where they represented the main reason for delay in over 70% of the B2B transactions. Sweden, Denmark and Czech Republic suffered more from the tendency of their domestic buyers to delay

payments for self-financing. In the Asia Pacific region, most companies focused on export are more concerned about aspects not directly connected to the payment behaviour of their buyers, as the main reason for delays is the complexity of the payment procedures.

In any case, delayed payments can have a relevant impact on the business, as the longer the debts remain unpaid, the lower the likelihood that the outstanding amount will be fully recovered. In addition to this, late payments put a remarkable pressure on the DSO level; this concern is also reflected in the generally poor expectations for the near future (Chart 1). Most of companies, irrespective of their location, forecast a (slight) increase in their average DSO in the next 12 months.

Chart 1 – DSO level expectation for the next 12 months



Basis: All interviewed companies

Collecting overdue invoices is an important element of the credit management strategy, especially to avoid unnecessary pressure on cash flow. In fact, the presence of overdue invoices is the main cause behind companies postponing their own payments, especially in countries like Italy, Turkey and Spain; companies in the Asia Pacific region were forced to take specific measures to correct their cash flow.

Some of the main measures that companies can take to leverage their cash flow is evaluating the payment terms and also enforcing payment discipline with a strong collection system, looking not only at the “over 90 days” overdue receivables but also at “between 30 and 60 days” overdue receivables. During the 12 months covered by the survey, companies have tried to recover their unpaid commercial debts mainly using internal resources while also seeking

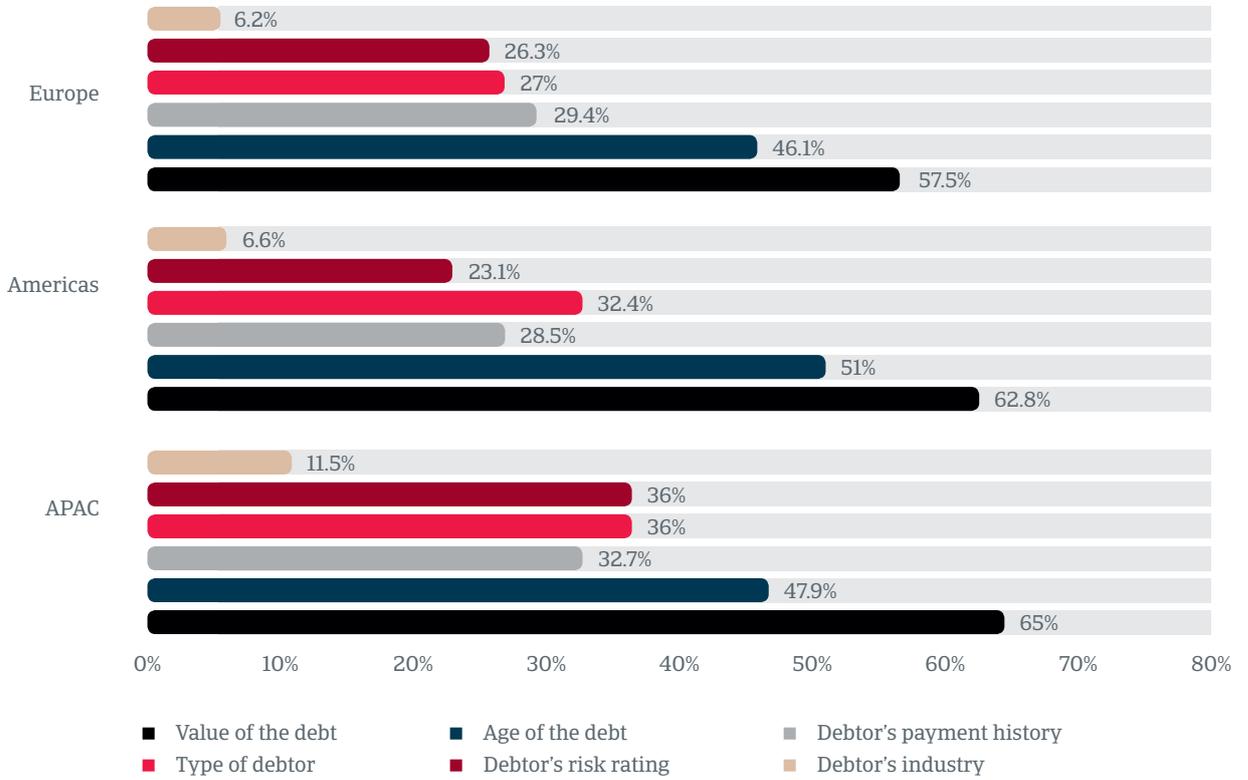
the assistance of external partners (e.g. debt collection agencies and law offices) for improved handling of overdue receivables. Among those companies that have worked in cooperation with a debt collection agency, the European ones handed over to debt collection agencies over a quarter of their total B2B overdue invoices. Cooperation with debt collection agencies is more common among businesses in the Americas and APAC regions, where around 40% of the companies chose external collections.

Collection priorities are mainly determined by the companies considering the value of the debt and, to a lesser extent, the age of the debt as the main drivers. The debtor’s risk rating and payment history are considered less relevant for use as criteria on which to base the priority (Chart 2).

Besides the value and age of the overdue receivables, companies in France, Belgium, Great Britain and Spain also con-

sider the type of debtor (domestic or international) when prioritising their collection activities. The debtor's risk rating

Chart 2 – Setting priorities for collecting overdue receivables



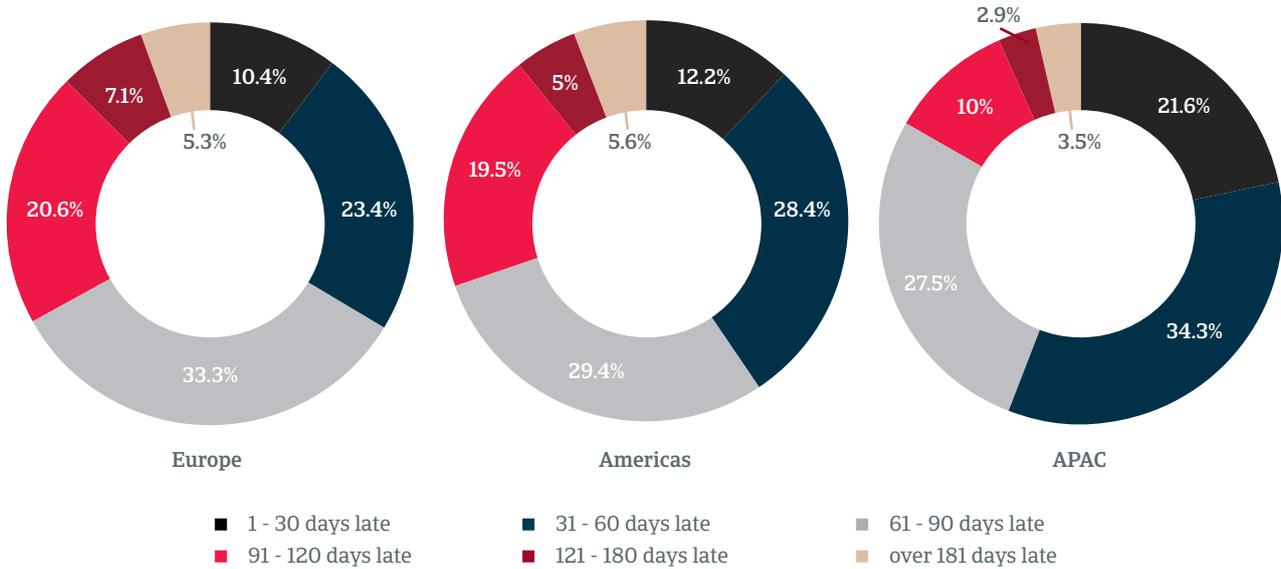
Basis: All interviewed companies

is frequently adopted among companies based in Germany, the Netherlands, Austria, Greece and Poland, as well as in Turkey, where the debtor's risk rating represents the second most frequent criterion used to prioritise collections.

Companies in China, Japan and India stand out compared with the other businesses, as they are focused on the risk rating of their buyers as well as the buyers' payment history.

In general, the outcome of a debt recovery action is more affected by the age of the debts that are being collected, especially when companies outsource the collection activities to a debt collection agency. The survey highlights the tendency for companies – especially European ones – to submit very old debts to debt collection agencies (Chart 3).

Chart 3 – Average age of overdue receivables handed over to a debt collection agency



Basis: Interviewed companies that cooperated with debt collection agencies

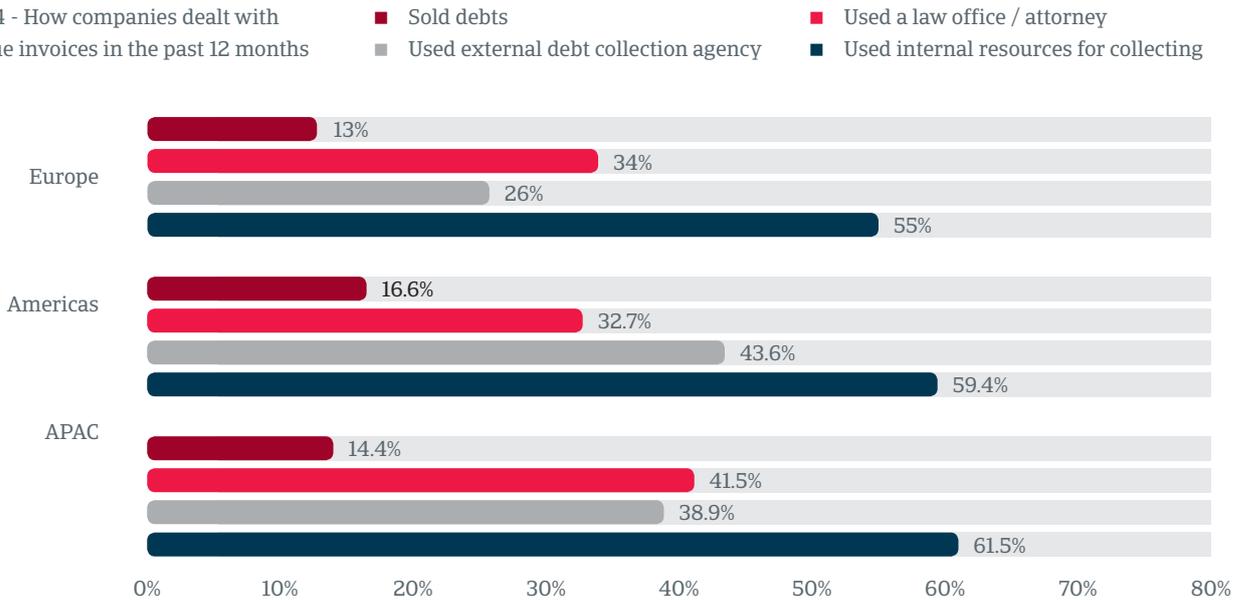
More than 30% of European respondents claimed to hand over to debt collection agencies unpaid invoices that are older than 90 days. In Asia Pacific countries, where there is a strong tendency to submit mainly young debts (not older than 60 days) to debt collection agencies, this percentage is only 16.5%. Of the APAC companies, 22% reported that they send to debt collection agencies overdue debts younger than 30 days. In Europe, especially in the southern region, it is more common to wait longer after the due date before starting to contact debtors. Greek and Spanish companies showed the highest percentage of unpaid invoices older than six months. This practice further delays the recovery process, putting the financial health of the company at risk. The tendency to hand over very old unpaid invoices to external parties is also spreading among countries where the average percentage of invoices left unpaid after 30 days is very limited: in Denmark, 48% of respondents submit debts older than 90 days to debt collection agencies; in the Netherlands, 19% of respondents submit cases older than 120 days; and in Ireland, 18% of respondents send overdue invoices older than six months.

Despite the trend, there are some better situations among European companies. In Sweden, Great Britain, Germany, Hungary and Turkey, many respondents work in cooperation with debt collection agencies on debts that are less than 60 days old, even though this trend has shown a contraction compared to the previous year, with fewer respondents who submit young cases to external parties.

Among the Asia Pacific countries, Singapore, Indonesia, Japan and India showed a remarkable difference in the average age of the overdue receivables processed with a debt collection agency, with one-fifth of respondents claiming to submit debts older than 90 days, with peaks of overdue invoices older than six months in Indonesia and India. In the Americas, over 40% of the companies in the United States affirmed to submit cases that are older than 90 days, but companies based in Canada have opted for debt collection cooperation for both young debts (less than 60 days overdue) and very old debts (over six months old).

When facing delays on payments, businesses have used multiple methods for dealing with overdue invoices. Over the last 12 months, companies around the globe have used their internal resources to attempt the collection of outstanding debts. When outsourced, debt recovery services have mainly sought the assistance of law offices followed by cooperation with debt collection agencies (Chart 4). Using the internal management is usually perceived as less expensive than choosing an external collection party, but it might hide some inefficient practices mainly due to the (lack) of use of software tools to manage the account receivables portfolio or the focus on activities other than collecting overdue receivables. The size of the company also makes a difference in this choice, as very small companies (less than EUR 1 million turnover) are more prone than other companies to collect unpaid invoices with internal resources.

Chart 4 - How companies dealt with overdue invoices in the past 12 months



Basis: All interviewed companies

The attitude of European companies towards the collections market is strongly focused on using internal resources to manage overdue receivables, as also confirmed by yearly trend: professional debt collection is still considered difficult to manage because of the perception of high costs, the concern about the outcomes or the fear of damaging the commercial relationship with the buyers.

The approach to alternative solutions offered in the collections market displays a noticeable variance between European companies; some are more inclined than others to adopt alternative or additional solutions to traditional debt collection services.

The attitude towards the management of overdue receivables among companies in the Asia Pacific region and Americas seems to differ strongly from the approach chosen by European companies to cope with delayed payments. In Asia Pacific and the Americas, companies appear to be more aggressive in trying to recover their money and willing to use a number of methods to achieve results. In fact, alongside the use of internal resources for dealing with delays, they are also very willing to cooperate with debt collection agencies and initiate legal action against their non-paying buyers. It is also common among the companies in these regions to sell their debts.

Notwithstanding that internal collection is the most preferred method in all regions, in Northern Europe the collections market has reached its maturity phase. Almost 40% of companies in this region have made use of a debt collection agency to recover overdue debts, making coope-

ration with debt collection agencies the first solution when outsourcing.

On the contrary, companies in Eastern, Southern and Western Europe are more inclined to use the assistance of a law office for their collection needs, choosing legal procedures as a preferable way to collect debts.

Companies based in Great Britain, the Netherlands, Sweden, Austria, Denmark and Poland have demonstrated that they are very familiar with cooperating with a debt collection agency, representing – with the exception of Polish and Austrian companies – the most preferred method of externalising debt recovery. In Poland, companies have shown nearly equal preference for legal procedures and their internal collection. Legal collections are the most chosen option in Germany, which represents the preferred method even before their internal collection. In Sweden, the use of legal procedures and selling debts represent less preferred options.

Although selling debts is not often used as a collection method, it has proven to be very popular in France and represents the primary external method adopted by French companies when handling delayed payments.

Companies in Ireland, Denmark, Greece, Great Britain, Switzerland, Spain, Hungary and Slovakia were most likely to collect debts internally rather than opt for an external agency. When working with an external partner, companies in Ireland, Greece and Slovakia are more inclined to recover their overdue receivables through legal procedures. Selling

debts was the least preferred method among companies in Southern Europe, but it was chosen by 20% of respondents in Czech Republic, representing a striking increase compared with last year's trend.

When compared with European companies, Asia Pacific companies are more inclined to work with debt collection agencies, and in many cases this cooperation represents the preferred choice when outsourcing the recovery service. This is typically observed in Hong Kong, India and Indonesia, where a collection service is adopted more frequently than selling debts or cooperating with law offices. Companies in China, Singapore, Japan and Taiwan are more inclined than all the other companies to start legal action to recover their outstanding invoices. Selling debts is adopted with a certain frequency compared with the European companies (with the exception of those ones in France) and is used especially by companies in India.

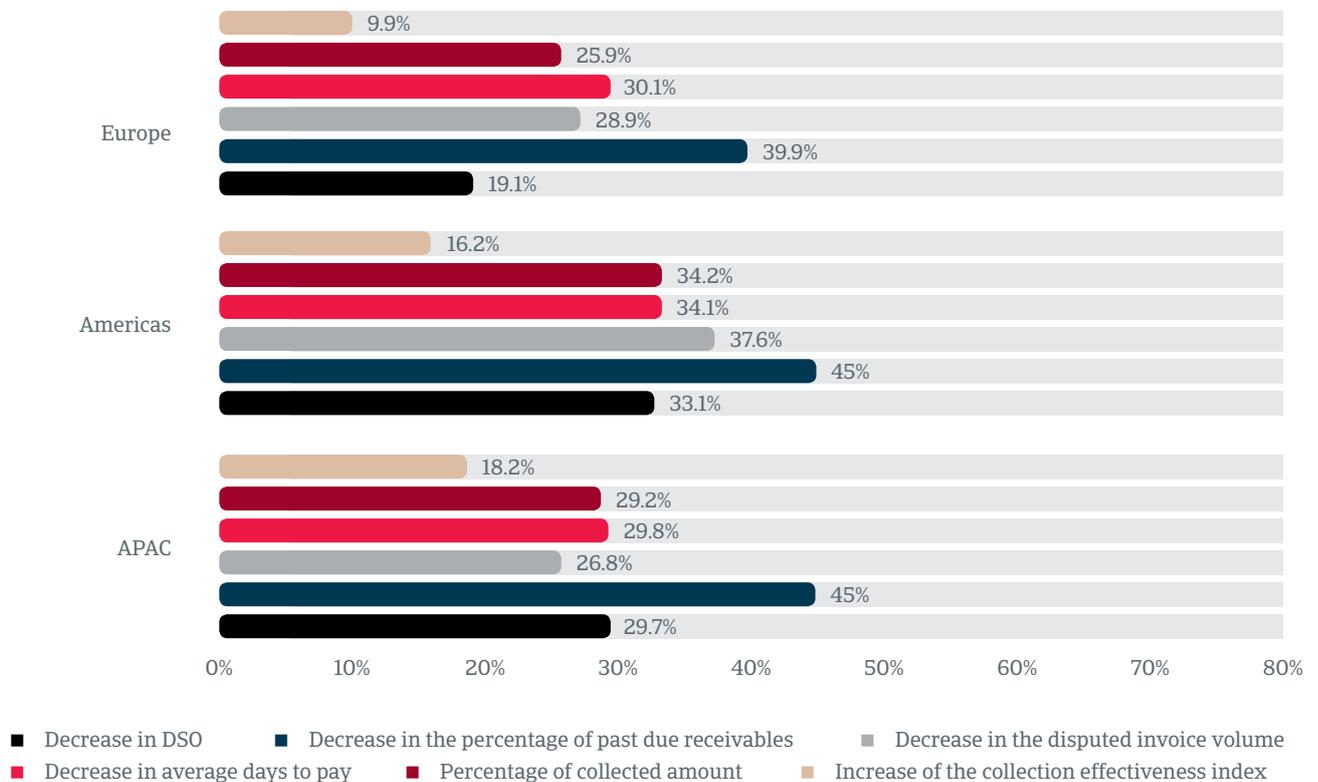
When cooperating with debt collection agencies, companies choose to handle over the external party only a portion of the whole overdue portfolio which usually represents a limited percentage, especially among the European companies where most of companies handed up to 30% of their total overdue invoices over debt collection agencies. Cooperation with this type of external party is more common among

companies based in the Americas, where over a quarter of respondents assigned over 30% of the overdue portfolio to debt collection agencies, with 8% of them giving over 50% of the portfolio (mainly in the United States, where this percentage reaches 20%).

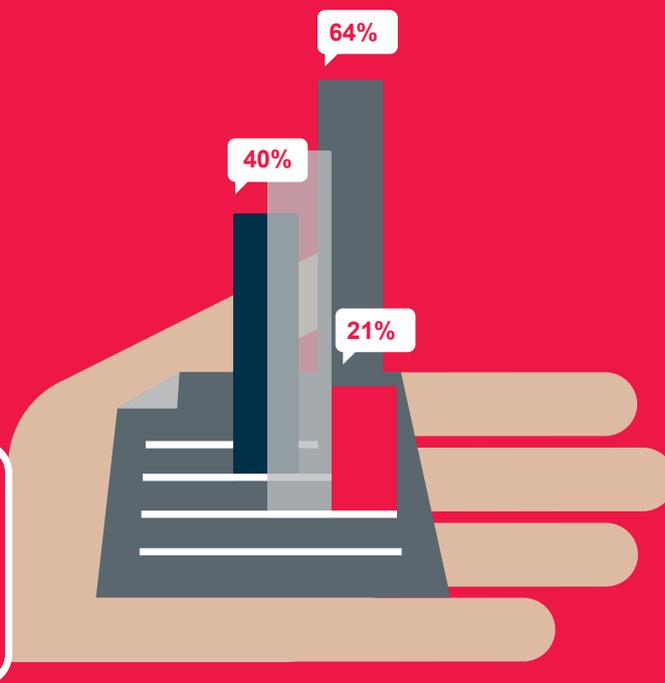
The recovery cases submitted to debt collection agencies are usually focused on collecting unpaid invoices in the domestic market. The majority of companies seem to have more difficulty getting payments from their local buyers, and this is a generalised approach common to all countries with some exceptions. Businesses in Germany, Italy and Taiwan work instead with debt collection specialists with a strong focus on recovery international debts.

Assessing and measuring collection effectiveness represents a very important aspect of the entire collection process, irrespective of the methods adopted to recover the unpaid invoices. The decrease in the percentage of past-due receivables is widely used to measure effectiveness, followed by the decrease in average days to pay. The increase of the Collections Effectiveness Index (the amount collected in a given period of time compared to the number of overdue receivables during the same period) is more commonly adopted by companies in the Asia Pacific region (Chart 5).

Chart 5 – Measuring collection effectiveness



Basis: All interviewed companies



Debt collection service developments

The attitude of all companies towards the collections market is strongly focused on internal management, and there is no difference among the regions. An in-house collection process is the most frequently chosen option to recover unpaid invoices.

The approach to alternative solutions offered in the collections market displays a noticeable variance, not only between European companies but also among the regions.

European companies' willingness to use different debt collection solutions is also reflected in the way these businesses have determined their expectations in terms of services that a debt collection agency should offer.

The attitude of companies in the Americas towards the collections market differs considerably from the general approach displayed by European companies (with some respective differences at country level), where the focus of internal management predominates. The maturity of

the debt collections market in Europe is also visible in the types of services that European companies seek and expect a debt collection agency to offer in the market. European companies are in fact more inclined to purchase collection services other than traditional third-party collection services (i.e. chasing debtors with letters and calls).

Along with the third-party collection service, consultancy on legal collection and online access to cases, companies worldwide expect to receive a new range services from debt collection agencies. These services can be collateral to the third-party collection service, such as debtors' visits, periodic reports on the status of the collection process, reports on collecting trends by industry and payment plans, or additional services such as first-party collection, insolvency monitoring, invoice checking and dispute resolution and management. There is a small group of companies that look for extra services, like credit management training and online payment.

Considering the range of services expected by the companies with overdue receivables (Chart 6), the European companies' approach to these services appears to be more aggressive than in previous years. Besides the debt collection services (third party), companies based in Europe expect debt collection agencies to provide regular reports on the status of the collection process (indicating a stronger pressure on measuring the effectiveness of the collection efforts), to proactively chase debtors with personal visits and

to offer more consultancy on legal actions. There is a visible transition from an amicable approach to legal collections; cooperation with law offices is sought more frequently than assistance from debt collection agencies. European companies seem to be ready to diversify the way they collect their past-due receivables, as they have started looking for new products and services like first-party collections and invoice checking.

Chart 6- Debt collection services development

Europe			
	Reports on the status of the collections process		Debt collections service (letters and calls only)
	Visiting debtors		Consultancy on legal actions
Americas			
	Debt collections service (letters and calls only)		Consultancy on legal actions
	Visiting debtors		Online access to cases
	Reports on the status of the collections process		Reports on industry trends
APAC			
	Reports on the status of the collections process		Visiting debtors
	Debt collections service (letters and calls only)		Reports on industry trends
	Consultancy on legal actions		Invoice checking services
	Online access to cases		

Basis: Interviewed companies that cooperated with debt collection agencies

Similar trends in the development of the collection services can be observed among the companies in the Americas. They are also trying to put more pressure on non-paying buyers, likely due to increased payment risk, moving from amicable collection to legal collection and using personal visits to debtors as tools of pressure, but also acquiring more information on the status of the cases under recovery procedure, with regular reports and online access to their cases.

Companies in Asia Pacific look for information on the status of their recovery cases but also to the main collection trend in their industry. They expect debt collection agencies to visit their buyers more frequently, especially because delayed payments are more likely a result of the buyers' intentional use of the outstanding invoices as a form of self-financing.

Looking in depth at some of the additional services offered by the debt collections agencies (first-party collections, final demand letters and invoice checking), we can observe significant differences among companies, depending on their location.

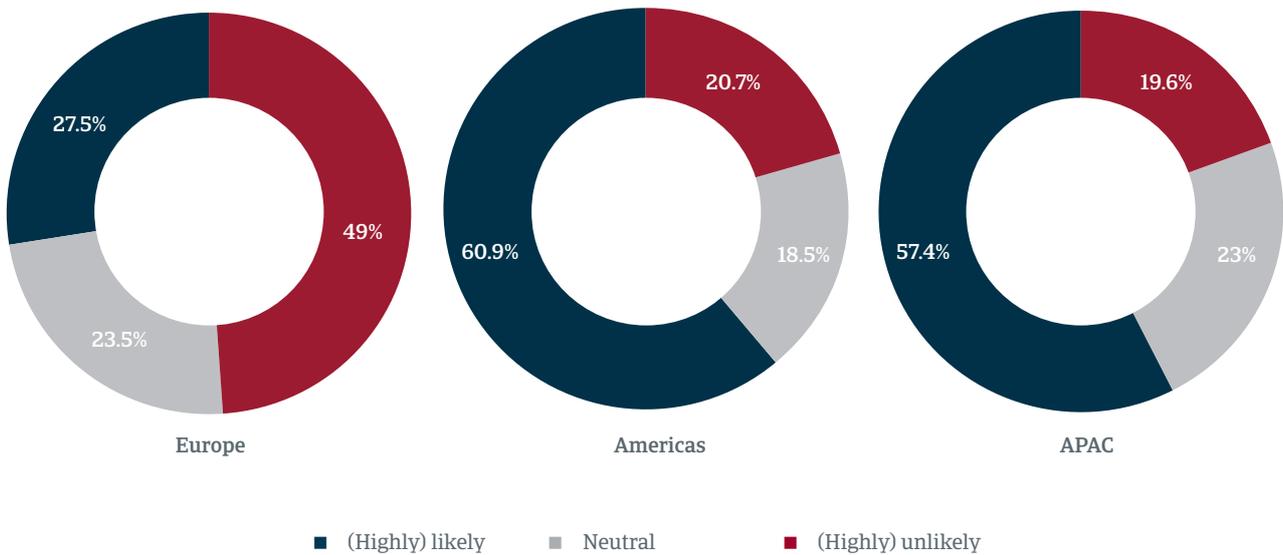
In general, companies in Europe appear to be more cautious of using alternative services other than traditional debt collection. Companies in the Americas and Asia Pacific region show a stronger openness towards service innovation.

First-party collection services are traditionally carried out externally by debt collection agencies in the name of the creditor or internally by the creditors themselves. When outsourced to an external agency, the work starts earlier in the process, typically from the invoice due date.

Despite the interest in the new range of collection services, the European companies are still cautious about outsourcing first-party collections, and this is a steady trend over the years. Slightly more than a quarter of respondents

declared that they would be (highly) likely to adopt this approach during the next two years, even though the percentage of European companies that displayed an interest has increased over the past year (Chart 7).

Chart 7 – First party collection service: likelihood of use by region



Basis: All interviewed companies

On the contrary, companies based in Southern and Western Europe differ considerably from the general pattern. Over 30% of them are likely to outsource this activity to a debt collection agency in the next two years.

The least interested companies are those in Northern Europe, where only around 22% of respondents have affirmed to be likely to use this service in the near future.

At a country level, companies in Italy, Spain, France and Germany indicated the highest likelihood to use an external debt collection agency for their first-party collections. In Italy and Spain, this may be explained by the fact that in these countries there is a tendency to submit overdue invoices when they are too old to be fully and quickly collected.

Contrary to European countries, companies in the Americas and Asia Pacific region have adopted a very open approach towards outsourcing first-party collections. Around 60% of respondents on average claimed to be (very) likely to adopt this service in the next two years.

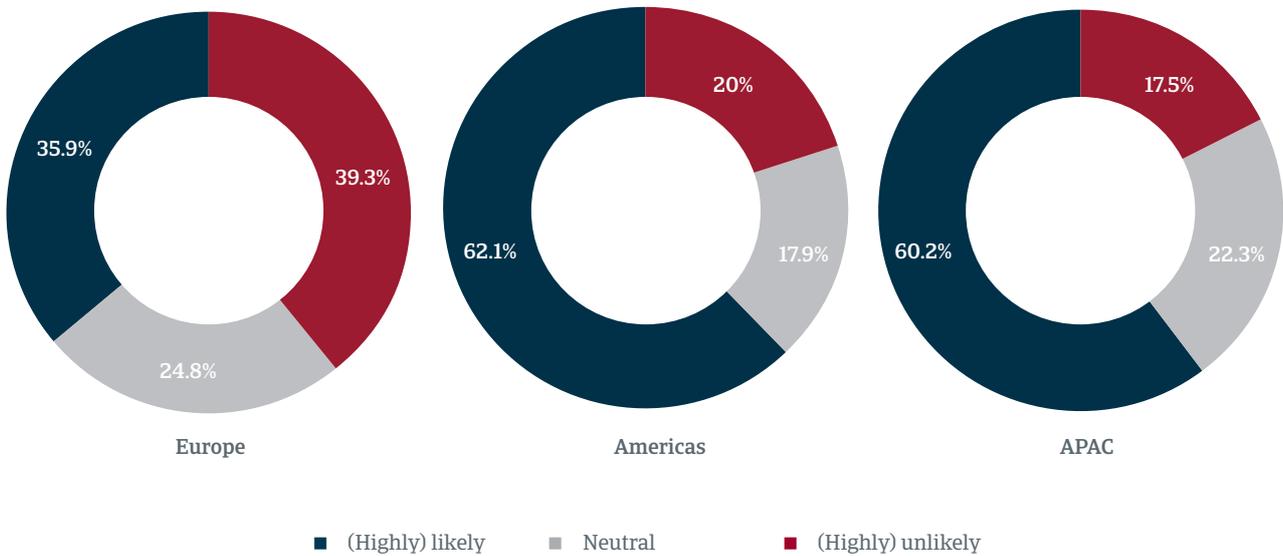
The first-party collection service is (very) likely to be adopted by companies in China, India, Indonesia, Mexico and Brazil, where the percentage of companies willing to opt for the service is significantly larger than that of those unwilling to use it.

The final demand letter is a letter sent out by the creditor, normally using a debt collection agency's headed notepaper, which informs the debtor that, if they don't pay, the debt will be handed over to the debt collection agency.

European companies have shown a higher interest in using final demand letters than outsourcing first-party collections. Around 35% of respondents declared that they would be likely to adopt this service during the next two years (Chart 8).

Western European companies are the most inclined to make use of final demand letters as a tool to put pressure on debtors; around 45% of respondents affirmed to be likely to use final demand letters in the next two years.

Chart 8 – Final demand letter: likelihood of use by region



Basis: All interviewed companies

The likelihood of using a final demand letter is higher among companies in France, with almost 60% of respondents willing to use final demand letters. In Belgium, Italy, Spain, Germany and Turkey, over 40% of respondents declared their intention to use this service in the near future.

Compared to European countries, where acceptance of final demand letters is already quite high, companies in the Americas and Asia Pacific region have shown an even greater openness to adopting additional solutions for putting pressure on their debtors before starting the traditional debt collection process. 60% of respondents in both regions claimed to be willing to adopt this practice within the next two years.

The likelihood of companies making use of final demand letters is higher in China, Indonesia and India. Companies in Japan appear to be completely opposed to the use of any services related to debt recovery, irrespective of the way it is offered. Companies in Mexico and Brazil displayed an above-average interest in using final demand letters.

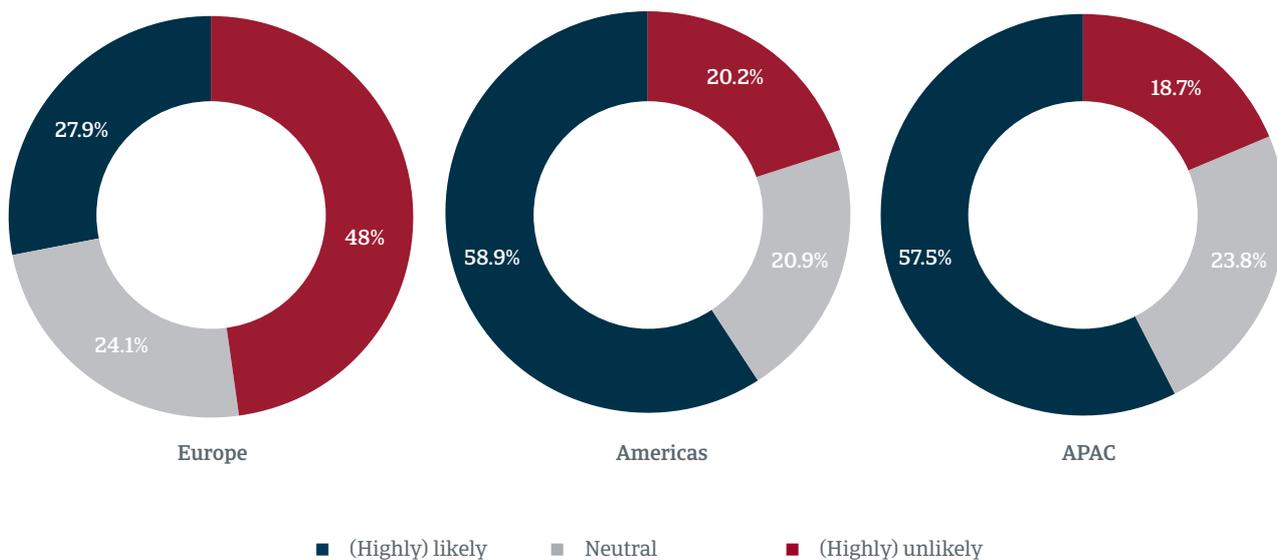
Invoice checking is a service provided by debt collection agencies to confirm that business transactions/invoices to debtors are indeed accurate and due. The use of invoice checking helps companies prevent invoice fraud, increases the capability to finance or take risk on a client portfolio, enhances the risk mitigation process, minimises operational losses and securely finances international trade.

European companies do not appear to find invoice checking very appealing, with just over a quarter of respondents claiming that they would be likely to use it in the near future. Companies in Southern and Western Europe are slightly more open to using invoice checking, where on average over 30% of respondents declared they were willing to use the service. Companies in Eastern Europe are the least attracted by the service, with over 50% of respondents affirming that they are not interested in invoice checking at all (Chart 9). As demonstrated by their willingness to adopt first-party collections and final demand letters, European companies show a stronger affinity towards what is offered in the debt collections market, with an increasing interest in a range of services other than traditional third-party collection.

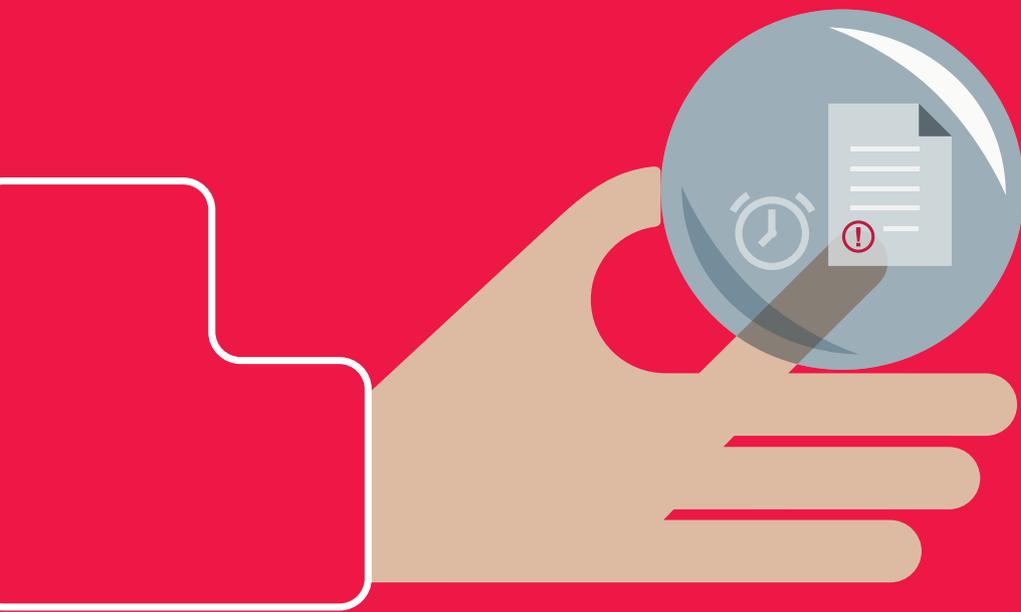
In Southern Europe, companies in Greece are more averse to using invoice checking, with only 14% of companies expressing their willingness to use it. Companies in Spain show the highest interest (42%) compared with all other respondents. In Eastern Europe, the approach to invoice checking is more extreme; over 80% of respondents in Hungary and Slovakia declared their unwillingness to choose this service in the near future.

On the opposite side, the companies in the Americas and Asia Pacific region report that invoice checking offers opportunities to recover outstanding receivables more easily. Companies in India, China, Indonesia, Brazil and Mexico have shown the most interest in invoice checking, while companies in Japan have shown the least.

Chart 9 – Invoice checking: likelihood of use by region



Basis: All interviewed companies



Casting a light on the near future

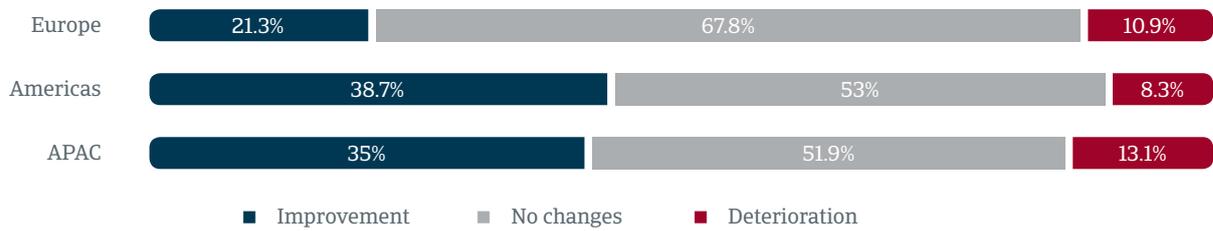
Overall, the majority of European companies do not expect any significant change in the quality of their customers' portfolio, but there are some positive expectations in observing improvements in the payment timing, credit risk and number of high-risk customers. Companies in the Americas and Asia Pacific region appear to have a more positive perspective with different expectations of future changes compared to European countries.

The presence of overdue receivables has caused companies to postpone their own payments to suppliers, take specific measures to correct cash flow, to lose revenues and look for additional financing. In this frame, European companies appear to be less positive towards the changes in the near future of their customers' risk rating and the quality of their overdue receivable portfolio. Companies in the Americas

and APAC seem to be more optimistic, with generalised expectations of improvement in the quality of customers and overdue portfolios.

Despite these efforts, in the near future a substantial percentage of companies expect to remain concerned about the average DSO level – especially in the Asia Pacific region – but with positive expectations of being able to control the cash flow (Chart 10). European companies expect an increase in the DSO level and have always had a very cautious approach towards the credit and collections practice, mainly due to the maturity of the collections market. This results in a more conservative attitude compared with the economies in the Asia Pacific, which are expected to grow quickly, even though at a slower pace than predicted a few years ago.

Chart 10 - Future expectations of cash flow control.



Basis: All interviewed companies

Customers' portfolio quality

Despite the expectation of no relevant changes in the quality of their customers' portfolio a relevant group of companies in Europe fear the deterioration of their customers' liquidity position.

Companies in the Americas and Asia Pacific region appear to be more positive than their European counterparts, expecting improvements in the ability of their customers to pay invoices on time because of an expected improvement in the buyers' liquidity position. Also, the credit risk and the perceived risk level of their buyers are expected to improve.

Only companies in Singapore forecast a future deterioration in the quality of their customers, with an expected deterioration of all indicators (payment timing, liquidity position, credit risk and number of high-risk buyers).

Among the European companies, the general expectation is of a deterioration of the customers' liquidity position, with an increased credit risk and expected delayed payments mainly among companies in Western Europe such as Belgium, Germany, France, Switzerland, Greece, Italy and Turkey (Charts 11 and 12).

Chart 11A - Future expectations of customers' payment timing

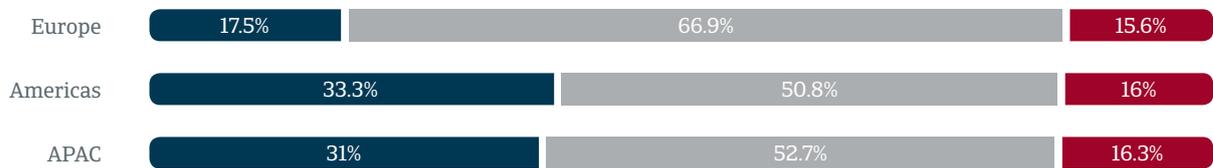


Chart 11B - Future expectations of customers' liquidity position

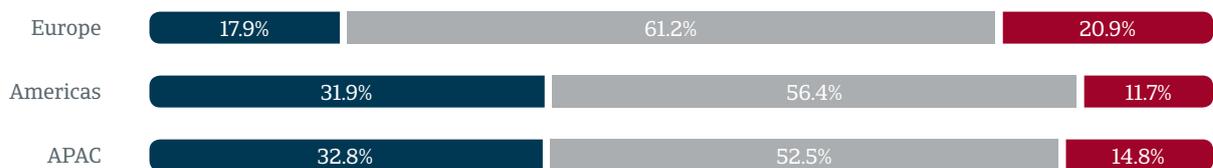
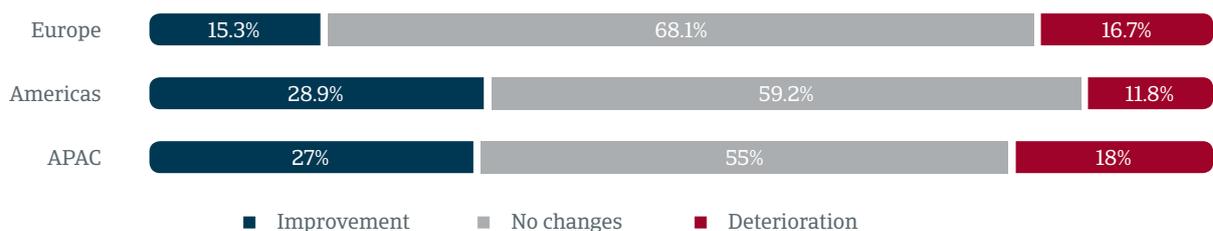
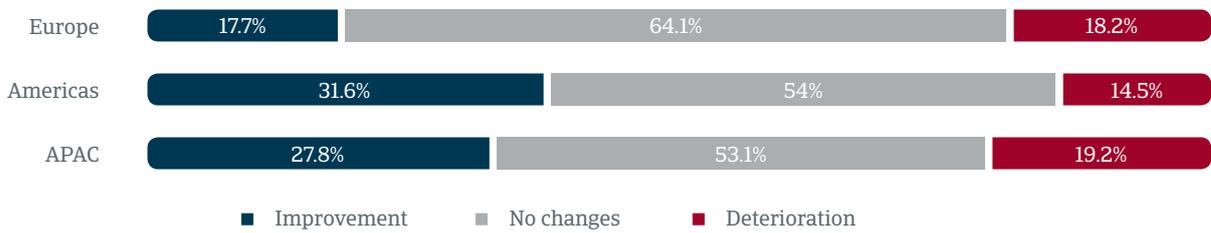


Chart 12A - Future expectations of customers' credit risk



Basis: All interviewed companies

Chart 12B – Future expectations of the number of high-risk customers



Basis: All interviewed companies

Quality of the overdue receivables portfolio

The majority of companies in Europe do not expect any change in the quality of their overdue receivables portfolio. The exceptions are companies in Belgium, Italy, Germany, Austria and Greece, which do expect a deterioration of their overdue portfolio. Companies in all other regions expect improvements in the number and the age of outstanding invoices, together with a decrease in the number of disputed invoices (Chart 13).

Western European companies appear to be slightly more negative than the other European businesses about the expected percentage of past-due invoices and the age of the entire portfolio.

Chart 13A – Future expectations of the number of overdue invoices

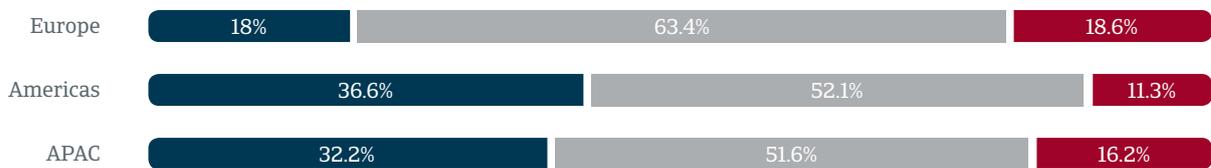


Chart 13B – Future expectations of the age of overdue invoices

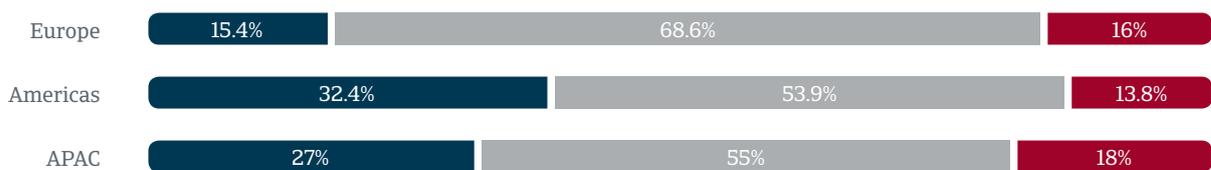
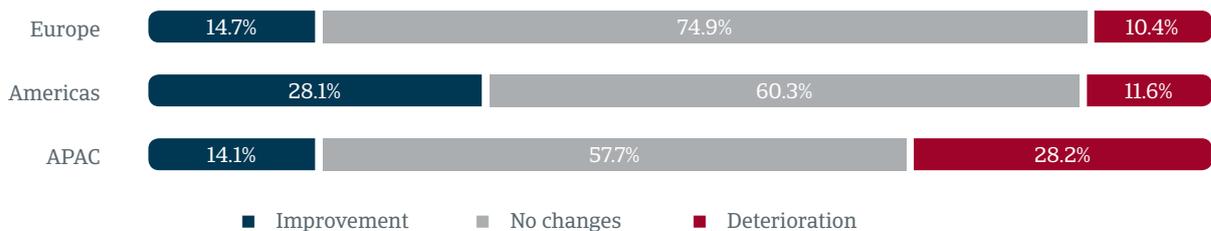
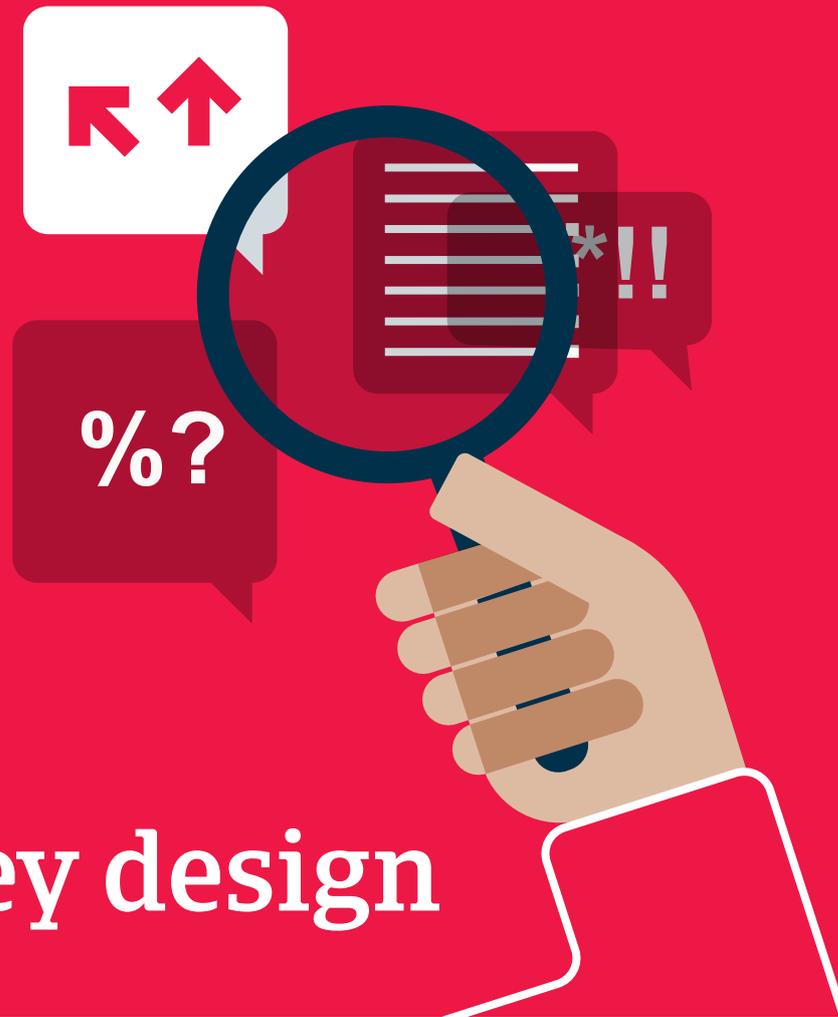


Chart 13C – Future expectations of the number of disputed invoices



Basis: All interviewed companies



Survey design

Survey background

In this wave of research, over 6,400 companies were interviewed. The panel included 30 countries, and the appropriate contacts for accounts receivable management were interviewed.

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 includes only those countries for which completed responses were available.

- 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.
- In each country, a quota was maintained according to the industry categories and four classes of company size.
- Sample: 6,408 people were interviewed (approximately 200 people per country).
- Interview: Web-assisted personal interviews of approximately 11 minutes; computer-assisted telephone interviews of approximately 15 minutes. Interview period: first and second quarters of 2016.

Objectives

The Global Collections Review has the following objectives:

- Determine the collections behaviour: How do you set your collections priorities? How have you dealt with overdue invoices over the last 12 months? How do you evaluate the collections' effectiveness?
- Determine the usage of external collection agencies: What kinds of services do you expect to receive from a debt collection agency? Do you use an external agency to collect overdue domestic or international invoices?
- Identify the way companies manage their accounts receivable: How is your company organised to manage its accounts receivable? What kind of use does your company make of account management software?
- Evaluating further developments in the collections market: Will your company be outsourcing its first-party collections within the next two years? Will your company use final demand letters? Will your company use invoice verification services in the future?
- Understanding the future expectations of the main trends in the collections market: What are the company's expectations of changes in the next 12 months in the customers' portfolio quality and the overdue receivables portfolio quality?

Sample overview

Europe	n	%
Austria	210	5%
Belgium	212	5%
Czech Republic	211	5%
Denmark	217	6%
France	210	5%
Germany	231	6%
Great Britain	215	6%
Greece	200	5%
Hungary	231	6%
Ireland	193	6%
Italy	234	6%
The Netherlands	202	6%
Poland	210	6%
Slovakia	214	6%
Spain	230	6%
Sweden	218	5%
Switzerland	211	4%
Turkey	212	6%
Total	3861	100%

Americas	n	%
Brazil	220	26%
Canada	216	25%
Mexico	211	25%
United States	209	24%
Total	856	100%
APAC	n	%
Australia	200	12%
China	212	13%
Hong Kong	212	13%
India	225	13%
Indonesia	215	13%
Japan	212	13%
Singapore	207	12%
Taiwan	208	12%
Total	1691	100%

Where a single answer is possible, it may occur that the results are a percentage more or less than 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 100%, with the purpose of representing the individual results as precisely as possible.

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About Atradius Collections

Through a presence in 28 countries, Atradius Collections provides trade invoice collection services in 96% of the countries across the world. Its wide breadth of services, ranging from first party to legal collections, helps companies around the globe recover unpaid invoices. Atradius Collections forms part of Grupo Catalana Occidente (GCO.MC), one of the leading insurers in Spain and worldwide in credit insurance.

If you've found this report useful, why not visit our website www.atradiuscollections.com, where you'll find many more Atradius publications focusing on the global economy, including country reports, industry analysis, advice on credit management and essays on current business issues.

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