

#1/2017

Newsletter for our clients

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**EXPERTS IN THE  
JOY OF BUYING  
WHITE CARD IS A  
MARKET LEADER AMONG  
CARDS OUTSIDE OF THE  
BANKING SECTOR, AND  
DCA IS ITS KEY PARTNER**

*p. 4-6*

## IN THIS ISSUE:

Europeans  
under pressure  
from debts

*p. 2*

Bulgaria's  
performance  
in EPR 2016

*p. 23*

DCA got  
6-year old

*p. 6*

➤ PAYMENT RISK IN EUROPE DECREASES

European Payment Risk Index (EPRI) rose slightly in 2016, but the differences between countries are still substantial and the difference between the best and worst performers has widened over the past year, according to the new report. With the value zero for the total index in 2015, in 2016 the index nudged up to 0.06, signaling a fractional improvement in the conditions compared to the previous year. South European countries are amongst the worst performers while at the other end of the scale Lithuania ranked as the best performer followed by Denmark. Bosnia maintained its place at the bottom of the index league but slid to -1.46 in 2016 compared to -0.99 in 2015. Italy also showed a negative trend, with its index slipping to -1.15 in 2016 from -0.88 in 2015.

➤ 1 IN 4 EUROPEANS UNDER PRESSURE FROM DEBTS

More and more people in Europe say they are unable to pay bills on time, they lack money for a comfortable lifestyle and have little hope for a better future, the 2016 European Consumer Payment Report shows. As many as 27 per cent of all Europeans say they are sometimes unable to pay their debts. Among them, a majority agree that they do not have enough money for a "dignified existence" and only 1 in 5 have hope for their financial situation to get better. 44 percent of all Europeans have failed to pay at least one bill on time during the last 12 months. Their main reason is lack of money. In Greece, 76 percent of people have failed to pay on time. Denmark and Spain have the lowest percentage of late payments, but still 31 per cent, almost one third of the population, made late payments last year. Households' inability to pay bills on time has increased since last year, according to the European Consumer Payment Report 2016. The annual report is based on answers from 21,317 Europeans in 21 countries.

# Bulgarians improve their solvency but risks remain

The payment risk in Bulgaria has fallen and the local business and households have improved their solvency but the uncertainties remain and the Bulgarian companies still write off more receivables than the average level across Europe, according to the 2016 European Payment Report (EPR).

The percentage of the Bulgarian companies' yearly revenues, that is written off due to late payment or non-payment of bills, amounted at 4.2% in 2016, the report showed. Most of the Central and Eastern European countries are far better than Bulgaria in this respect. For example, in Poland, Czech republic and Slovakia the ratio is less than 2 percent. In the neighboring Romania the indicator is only 2.7%. Greece is the most badly affected by the late paid debt European country after Bulgaria. The corresponding share in Greece is a staggering 5.8%.

One of the reasons for the high percentage of the written-off revenues in Bulgaria seems to be the low usage of debt collection agencies and the low degree of precautions against bad payment. In the country, 17 percent of company respondents claim they hand over their outstanding invoices to a collection agency. As a comparison, the corresponding figure for Europe is 49 percent leaving debt collection agencies a scarce phenomenon in Bulgaria. Around 38 percent of the Bulgarian companies say they do not undertake any precautions against bad payment. The corresponding European figure is 25, leaving the Bulgarian companies less protected than their European counterparts.

The payment risk in Bulgaria has recently decreased and the country has ranked amongst those with good payment stability and low risk in 2016 when it comes to paying invoices on time, according to the survey. The Balkan country is in the same group with developed

economies like the Nordics, UK, Germany and Switzerland. Nevertheless, the Bulgarian business is uncertain about the future and the debtor risks in the country are considered high. In Bulgaria, 31 percent of the survey respondents say they see the risks from their company's debtors increasing the coming 12 months. In Europe, the corresponding figure is 15 percent showing that forecasts are not very positive in Bulgaria.

Public sector in Bulgaria is again the slowest when it comes to paying on time, but at least is much more disciplined than previous year, the 2016 ERP showed. The amount of time needed to get paid in 2016 is 34 days on average compared to 52 days in 2015. This means state institutions overdue their payments with just 1 day which is a remarkable achievement taking into account the last year when the figure was 20 days. Businesses are also more disciplined. Companies pay their invoices 4 days after the invoice due date while in 2015 they overdue it 9 days. Consumers prefer taking advantage of generosity of the business because of the more favorable economic conditions this year and pay their bills 4 days after the due date. In 2015 they

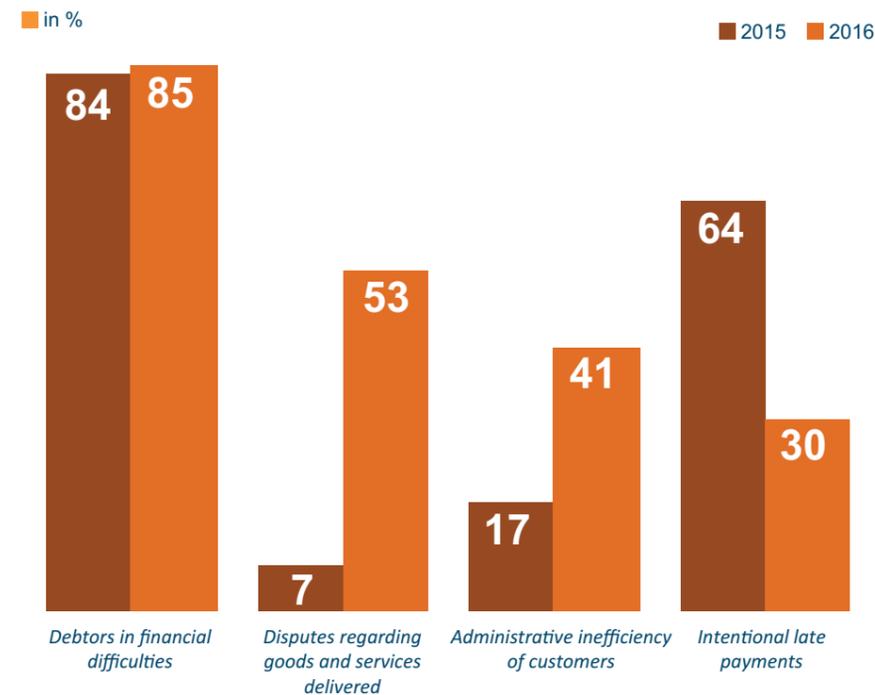
could not afford it.

The number of the customers in Bulgaria that choose to pay late intentionally is decreasing. That is another of the conclusions drawn from the 2016 ERP. This year only 30 percent of Bulgarian managers surveyed point out this specific reason when being asked about the reason for getting paid late. According to 85% percent of those surveyed the main reason for not getting paid on time is financial trouble amongst customers. Disputes regarding goods and services delivered are the other main reason for paying late in comparison to the previous year when only 7% of respondents pointed out this problem.

## Debt collection agencies - a scarce phenomenon in Bulgaria

Chart 1

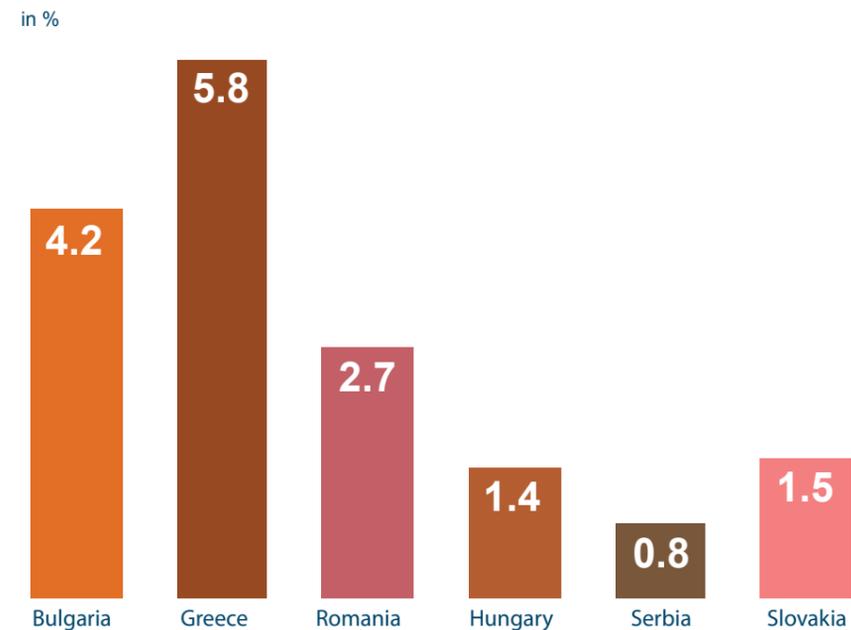
### Main causes of late payments in Bulgaria



Source: ERP 2016

Chart 2

### Yearly revenues that have to be written off in 2016



Source: ERP 2016

➤ LATE PAYMENTS LEAVE SMES IN A BIND

Late payments are squeezing small and middle-sized European companies, according to the latest European Payment Report (EPR). Small companies are more dependent on fast payments, less protected against bad payment, and not as geared to raise investments, compared to their larger peers. An astounding 35 percent of SMEs view late payments as a threat to their overall survival and four out of ten say it prevents them from growing. Among European SMEs, 34 percent say that faster payments would enable them to hire more employees and in total the EPR indicates a potential to create 7.7 million new jobs in both SMEs and large companies if invoices were paid on time.

➤ SEVERE CONSEQUENCES OF LATE PAYMENTS

Almost half of the European companies confess that late payments are causing liquidity squeeze to their business as a consequence, appeared from the European Payment Report 2016, based on questions about payment answered by almost 10 000 companies across Europe. Most than four out of ten rate additional interest costs and loss of income for their company as a mid to high consequence of late payments. Further to that 40 percent of respondents in the survey say that late payments are prohibiting growth of the company. 33 percent of the respondents regard late payments as a threat to their overall survival and 25 percent say that they are likely to dismiss staff following the fact that their clients pay late or not at all. Europe's 20 million small or mid-sized companies (SMEs) are more exposed to the increased financial risk that comes from not having cash-flow under full control. In Europe as a whole, 39 percent of SMEs have been asked by multi-nationals to accept longer payment terms that they are comfortable with.

**Tzvetan Krastev,**  
General Manager  
of Access Finance OOD:

"I believe in the  
specialization of the  
processes"

We adhere to a strict algorithm to handle our late payments. This algorithm includes a wide range of actions and partners - internal call centre, external call centers, specialized in overdue debt collection, mail campaigns with different measures depending on how long the payment is overdue, whether the debtors are in contact with their creditor, the behavior of the debtors and their attitude towards the financial service provider. We organize cession tenders for loan portfolios with different frequency, in the most cases once or twice per year. We are open to cooperate with external partners through framework agreements if the terms offered are beneficial for us on the longer-term. Such a long-term affiliation requires quick, smooth and transparent collaboration and communication of the processes between our partner and us. I believe in the specialization and the diversification of the business processes. One company does not fit all. It is not possible for just one company to be simultaneously capable in marketing, technology and the receivables management. Firms should be focused on their core business and aim for perfection there. If they want to guarantee a high standard in the accompanied activities, they should search for the best possible alternatives for all other non-core activities among the other companies that are experts in their field. In our case overdue receivables collection is a non-typical activity.



# Experts in the joy of buying

*White Card is a market leader among cards outside of the banking sector, and DCA is its key partner*

Bulgaria is among the countries with the lowest consumption per capita in the EU. Essential goods and services account for the bulk of the average household's expenses in the country. Many people do not have sufficient funds to buy products with important social impact. Every third Bulgarian for instance cannot afford to get together with friends for a drink or meal that leaves Bulgaria to the very low in the EU rank list along with Hungary and Romania, according to Eurostat.

A lot of Bulgarians raise funds as they take out consumer loans. Hundred thousand among them prefer non-banking lenders despite the higher interest rates they charge for their products in comparison to the banks. The reason - non-bank financial providers place less emphasis on the income and credit score of the applicants and provide their services quicker and easier. It is not a surprise therefore that the business of these lenders has been growing rapidly.

## WHITE CARD - FACTS AND FIGURES

- ✓ Owner: Access Finance OOD
- ✓ Revenues 2015 : 9.7 mln BGN
- ✓ Profit 2015: 1.2 mln BGN
- ✓ Equity 2015: 1.25 mln BGN
- ✓ Employees: 112

Card is the only credit card in Bulgaria with an approval rate of over 50%. Just for comparison, the standard rate of approval in the banking sector in the country is around 10%, the card's issuers remark on the corporate website. "There are several key factors that stand behind the success story of the project with White Card. On the one side, it is because of the features of the product we provide - an international credit card, and on the other side, it is the chance

for our customers to gain quick access to financial services that they have previously not consumed or consumed them in a limited way due to specific circumstances", says Tzvetan Krastev. The other key advantage of the card is that it is free of usual fees - for issuance, management, withdrawals in Bulgaria, payment in a retailer or electronic payment. In addition to the business factors that drive the popularity of White Card among consumers, Tzvetan Krastev

60 000  
own White Card  
in 2016

50%  
of the applicants  
are approved

The international credit card - White Card, provided by Access Finance OOD, is one of the most popular cards outside of the banking sector. The credit card supplier is part of Management Financial Group, owner of brand names like Easy Credit, Viva Credit, MCash u Fintrade. More than 60 000 active White Card's holders have benefited from card's advantages for the three years since White Card was launched on the Bulgarian market. This turned the card into a market leader on the Bulgarian non-banking credit card market and one of the most important players on the local card market as a whole. White Card's holders are mainly people in active age that cannot or do not want to take out conventional banking loans due to one or other reason. "White Card is available to anyone, regardless of their social or financial status, including customers with bad credit rating", Tzvetan Krastev, General Manager of Access Finance points out. White Card helps customers to finance usual daily expenses and to purchase products online. The card is also convenient for paying entertainment services and every sort of payments but also in case of emergency for cash, according to the issuer of the card.

There are a lot of consumers that have heard at least one time about the competitive advantages of White Card taking into account the active TV and online ads or the frequent phone calls from the company's Customer Relations department. White

points out one emotional reason that contributes to the success story - the presence of young and enthusiastic employees in the team that develops the project.

The easy access to White Card certainly brings higher than the average risk for the card issuer. Therefore Access Finance gives top priority to the good receivables management that guarantees the financial stability of the business model. The company adheres to a strict algorithm in order to minimize the risk for late payments. "We explain our customers in detail all features of the product and how to utilize the card in a way that is convenient and generate maximum benefits for the cardholders. Access Finance grants White Card along with useful advices on how to operate with it. There is also a more in-depth information with reference to the issue on the corporate website", explains Tzvetan Krastev.

The external debt collection and purchasing providers play a key role in the receivable management of Access Finance. Debt collection Agency EAD is one of its most important partners and submits its tenders for credit portfolios regularly. "DCA has always been a reliable and correct partner. They strictly adhere to the agreed engagements and terms. The agency owns an efficient organization and excellent and competent staff that follow good practices", according to Access Finance.



# DCA got 6-year old

1

**D**ebt Collection Agency (DCA), part of B2Holding, got 6-year old. Six years responsible work, good practices and a stable team. Six years efficiency and strong results. The company celebrated its birthday with clients and partners at Sense Hotel Rooftop Bar in Sofia at the beginning of November 2016. The event was attended by 70 guests from 30 different companies in three sectors - financial, utility and telecom. Rasmus Hensson from B2Holding's management arrived at Sofia from Oslo and was also presented.

The event was started by Martin Despov and Nina Stancheva, the two CEOs of the company. "We are glad because we work with talented and hard working colleagues. Thanks to our partners we became one of the leaders in our sector", DCA's CEO Nina Stancheva greeted the guests.

For a fourth consecutive year DCA and its business partners made a donation in support of more than 500 children living in SOS Children's Villages Bulgaria.

DCA donated additional funds per each guest present at the party and therefore Nina Stancheva personally expressed her gratitude to every person that had come. The management of the charity organization also thanked DCA for the long-term partnership. "Nina, Martin and the whole DCA's team have been our friends for 4 years. Thanks to such friends we are capable to take care of our children", Ivailo Gyurov, Communications and Funds Raising Director at SOS Children's Villages Bulgaria, said.



2

1. **Martin Despov and Nina Stancheva**, CEOs of DCA greeted the guests: "We are glad because we work with talented and hard working colleagues. Thanks to our partners we became one of the leaders in our sector".

2. **Rasmus Hensson** from B2Holding's management board arrived at Sofia especially for the birthday party and gave interviews for Capital weekly and Seenews.

3. **Ivailo Gyurov**, Communications and Funds Raising Director at SOS Children's Villages Bulgaria, said: "Nina, Martin and the whole DCA's team have been our friends for 4 years. Thanks to such friends we are capable to take care of our children".



3