



Newsletter for our clients

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blizoo

CLOSE TO THE CLIENT: Late payments of Blizoo fell down to almost zero

04-05

News

Bulgaria –
threatened
by late payments

02

Interview

Eva Ventslavova -
the mission
of Smart Collect

03

Lifestyle

Top
places
for New Year's Eve

06

➤ BULGARIANS ARE AMONG THE LEAST RELIABLE CUSTOMERS IN EUROPE

Bulgarians are among the least reliable customers in Europe, showed '2014 European Payment Practices' survey, in which market research institute TNS Infratest asked 2,600 companies from twelve European countries. The research revealed that companies and households in Western Europe proved to be more punctual payers than the ones in Eastern Europe.. The customers in the developed European countries pay 78% of their invoices on time while the ones in Eastern Europe – 72%. The most reliable customers come from Germany, where 83 per cent pay their invoices on time. On the other hand comparatively unpunctual are Bulgarian and Romanian customers (70% in each case). Every fourth invoice is not settled on time in Bulgaria. Furthermore 5 per cent of all invoices are considered defaulted. Payment defaults are particularly noticeable among Bulgarian business customers. Their overdue invoices are 28% of the total in comparison to 20% for the individual customers.

➤ OVERDUE DEBTS VALUED AT BGN 150M WERE SOLD IN 2013

Outsourcing deals with outstanding debts of BGN 150 million were carried out in 2013, shows data from the Association of Collection Agencies in Bulgaria. The amount mostly includes uncollectable receivables from banks, telecoms and non-banking financial institutions. Debt Collection Agency estimates that the value of the deals with overdue debts in 2013 has grown even further to BGN 250 million. DCA's evaluation includes just overdue receivables from customers in the financial, telecom and utility sectors. The agency's forecast for 2014 is for 20% growth in outsourcing deals with debts.

Late payments pose a threat to Bulgarian economy

Bulgaria is among the European countries that are suffering the most as a result of late payment, according to the latest Intrum Justitia European Payment Index survey, in which 10,000 business managers from 31 countries responded to questions about payment patterns.

Approximately 71% of the Bulgarian respondents experienced reduced liquidity due to late payment and 75% said it had negative impact on the company's growth. More than half of the Bulgarian businesses predict that late payment risks will further increase.

Bulgarian companies are suffering from lack of liquidity, due to late payments. 35 per cent of managers claim that late payments are a reason for the need to lay off people. In comparison 26% of European managers' report the same correlation.

The bad debt loss in Bulgaria is twice as much as in Europe. The total bad debt loss in the country was 7 per cent of total revenues this year. The percentage of bad debt loss across Europe is 3.1% in 2014, compared to 7% for Bulgaria. These are receivables that have become partially or totally uncollectable.

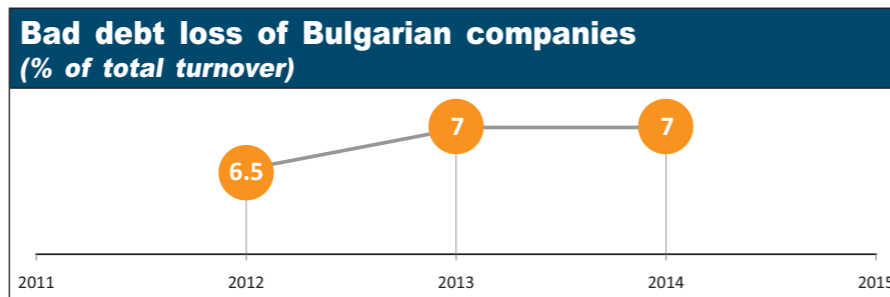
The one with most delayed payments is the public sector (government and municipalities), where companies have to wait 57 days on average to receive a payment. The average delay in the sector is 27 days in 2014 compared to 22 days for the last two years. For consumers average delay is 21 days. When it comes to business-to-business, lag in payment is 42 days.

The late payment consequences for businesses pose a real threat to the European economy, especially to southern and southeast countries. Late payments are one of the main reasons for the record high unemployment and the slow recovery of the region after the economic crisis. Stunning 55 percent of all European companies claim they are suffering as a result of late or non payment of bills and invoices. This is the highest percentage in the history of the European Payment Index, presented in 1998. Over one-third of respondents believe that the survival of their company is being threatened by late payments. Moreover 40 per cent of European business managers say uncollectable debts contribute to not hiring staff.

The total bad debt loss in Europe has reached 360 billion euros which is 10 billion more than last year. According to the authors of the research this amount is equivalent to 8 million workplaces and 3.1 % of total company revenue.

Payment Development in Bulgaria (in days)			
	Consumers	Business	Public authorities
Average payment term	10	25	30
Average payment duration	21	42	57
Average delay, in days 2014	11	16	27
Average delay, in days 2013	12	18	22
Average delay, in days 2012	7	16	22

Source: European Payment Index 2014



Source: European Payment Index 2014

„We will assist companies of all sizes“

Debt Collection Agency Ltd (DCA), one of the leading financial institutions in the field of debt purchasing in Bulgaria, set up a B2B debt collection company, called Smart Collect Ltd. The new company is focused on the management of intercompany debts and out-of-court and court commercial debt collection. Eva Ventzislavova, Manager at Smart Collect, explains the benefits to businesses that assign their receivables management to DCA's new subsidiary



Eva Ventzislavova has a Bachelor's degree in International Business from New York's St. Francis College. Prior to Smart Collect she has been working as a project manager in DCA. She has a 6-year experience as a sales manager in the financial group Benchmark.

resources of Debt Collection Agency Ltd, including effective software solution for debt collection, specialized call centre with integrated computerized phone system, team of legal advisers that will undertake all necessary legal actions and nationwide network of qualified lawyers and bailiffs.

What are the benefits for the companies that outsource the management of their receivables to professional agencies?

More than half of the Bulgarian companies are suffering due to late payments. At the same time the intercompany indebtedness in the country has grown to extremely high levels. On the whole there is a tendency for more and more firms to outsource the receivables management to external professionals. Many managers realise that outsourcing this activity can optimise their expenditures.

What team of experts back up Smart Collect?

Smart Collect has full access to all the

What type of companies can rely on Smart Collect? What is the unique selling proposition of the company?

Smart Collect assists companies of all sizes, from small and medium sized businesses to corporations. We have a solid professional experience in a wide range of business sectors and provide highly professional and extremely effective debt collection services at very competitive and flexible terms. Smart Collect applies the best world and regional practices for collecting debts and offers highly efficient receivable collection services not only in Bulgaria but internationally as well. We consider building a long-term partnership to be our top priority and we believe they should be based on mutual loyalty, confidence and high level of satisfaction.

➤ CESSION DEALS WITH RECEIVABLES AND SETOFFS IN KTB REACHED UP TO BGN 2 BILLION

The receivables transferred in Corporate Commercial Bank (KTB) under cession agreements reached BGN 1.18 billion in total, and declarations of intention for setoffs amounted to BGN 0.8 billion. These calculations were presented by the BNB officials as of the 31st of October, 2014. The license of the troubled bank was revoked by Bulgaria's central bank on the 6th of November, 2014 after it was established that the bank's capital is negative to the amount of BGN 3.75 Billion. The cession contracts have been signed between debtors and holders of unguaranteed deposits in the bank. According to jurists, these deals are completely legal and do not damage financially KTB. In the meantime, the parliamentary budget and finance committee conclusively approved draft amendments to the Bank Bankruptcy Act, limiting the validity of set-offs effected by a bankrupt Corporate Commercial Bank's creditors to the share to which each of them is entitled upon the distribution of monetized assets.

➤ EASTERN EUROPEANS STRUGGLE TO PAY THEIR DEBTS

Europeans in the east of the Continent are feeling more financially insecure than ever before in recent history as they struggle to cover their debts, according to a new European survey conducted by Intrum Justitia. 10 000 customers from 21 countries participated in the research. After a prolonged recession, austerity and growing unemployment, more Europeans are feeling worse off than two or three years ago and are unable to pay their bills on time. Over one-fourth of all Europeans don't feel they have enough money for a dignified live. The situation is particularly dramatic in Greece, Portugal and Estonia, where the financial challenges are leading to huge numbers of citizens considering emigration.



Three of Blizoo's managers responsible for receivables management: Petya Vassileva (on the left), Mihail Minkovski and Nevena Milenkova. The cable operator has its own quality service management team. A new initiative, called "Blizoo's promises", allows subscribers to monitor online (<https://my.blizoo.bg>) on how their complaints are handled.

BLIZOO – FACTS AND FIGURES

- ✓ **The largest cable network operator (19% market share) and the second largest pay-TV provider in Bulgaria**
- ✓ **Owner: Sweden-based investment fund EQT**
- ✓ **Founded: 2009 (after a merger between CableTel and Eurocom)**
- ✓ **Business: Cable TV, broadband Internet and telephony services**
- ✓ **Number of employees: 1200**
- ✓ **Sales: BGN 95 million in 2013**
- ✓ **Subscribers: 370 000**

after the subscription fee becomes overdue. The deadline for payment is the 15th day of the current month. "We offer discounts to clients who prepay their subscription", Nevena Milenkova, Customer Care Director of Blizoo, explained. Subscribers can pay their fees through a lot of convenient channels, both physical and online; Blizoo's own offices; the net of the company's partners; cash terminals; online banking and websites; ATM's and etc. "The more convenient payment options there are, the better chance we have to collect our receivables in time", Nevena Milenkova underlined.

To guarantee good service and relationship with its clients, Blizoo established an internal Quality management team. This is the subsidiary that handles customers' complaints. "We even cancel clients' payments if it is proved that the company had failed to keep its promises", Nevena Milenkova remarked. In her words the number of the complaints has been reduced each year.

Concerning the already late payments, Blizoo adheres to a strict working schedule. If the subscriber does not pay up to the middle of the month, the company restricts the service. It turns out that subscribers very often just forget to pay. Therefore, Blizoo applies a wide range of methods to remind them doing it. Some of these methods are very innovative as the one when the customer is being reminded of his duty through an instant message on his TV screen while watching TV. Every client can check his or her bill through his/her personal account on Blizoo's website (www.my.blizoo.bg). "We are focused on the qualitative aspect of the overdue receivables management without pressuring our clients aggressively", Petya Vassileva,

Head of outstanding debts at Blizoo, pointed out.

If a subscriber pays his overdue fee, the cable operator restores his transmission signal in two hours without levying the customer any additional financial burden. When a client doesn't pay his fees for two months in a row, Blizoo turns to professional collection agencies. For this purpose, a small team within the company targets the groups of the defaulted customers that are top priority. The segmentation of the clients depends on several factors – the period of the default (early receivables – up to 90 days and late receivables – over 90 days), the type of the service supplied by the operator, the region the subscriber is based and etc. There is a rule that an outstanding

debt that has not been paid for 3 years is not subjected to a collection service due to a low profitability. As a last resort, the company starts legal actions against defaulted debtors. The company has even won several cases.

In general Blizoo's management is positive about the outlook for receivables management. "We still have challenges with "promotion hunters"- the customers that move from a operator to a operator without paying their fees. However, the percentage of these clients has been diminishing in the last years thanks to the increasing public popularity of the business of collection agencies and because of the simple fact that the average Bulgarian just doesn't like being a debtor", Nevena Milenkova remarked. Her words were proven by the latest data of the Association of collection agencies in Bulgaria which showed that paying cable TV is not the last priority for the households anymore as it was the case a year ago.

Close to the client

Blizoo decreased its overdue receivables to a very low level on one of the most competitive markets. Five collections agencies helped the company achieve this

When a large Bulgarian network operator and Internet provider interrupts its services this often turns out to be breaking news and makes customers very angry. Furthermore subscribers often threaten they will move to another operator and insist they pay lower or no subscription fees. The Bulgarian cable TV and broadband market is characterized by high competition. The market is very fragmented. There are over 300 cable network operators that offer nonstop promotions. The lower prices very often put temptation in customers' way to change their operator forgetting to pay their fees. If we add the fact that Bulgarians most often postpone paying cable TV among all the bills, we have a perfect scenario for mounting overdue debts.

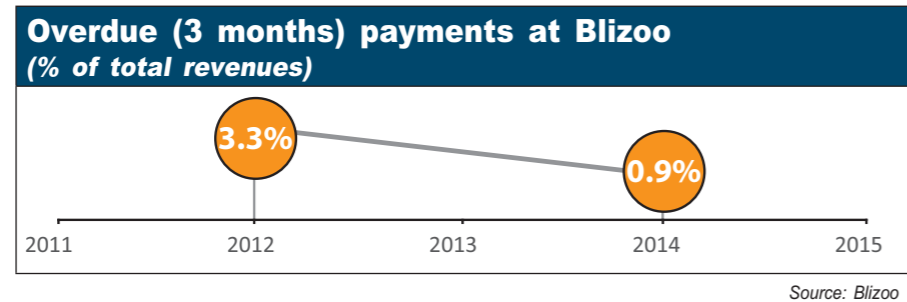
This is the challenging environment in which Blizoo, the largest Bulgarian cable network provider, is operating. Despite the challenges, the operator is performing quite well when it comes to receivables management. Ninety-six percent of the company' subscribers pay their fees in time and there is a tendency with time going by more and more of them paying within the period, according to the company's data. This year, for instance, Blizoo

registered a 4 per cent growth of the customers that pay their cable TV bills in time. The overdue payments of the company that have not been collected for at least three months were diminishing and were less than 1 per cent of its total revenues this year (see the chart). In comparison the percentage of late payments across the sector was 4.5-5 per cent while the total bad debt loss in the country was 7 per cent of total turnover.

Blizoo's experts point out two main reasons for the reduced level of bad debts. On the one hand, Blizoo has built partnerships with collection agencies and on the other hand, the company has provided its debtors with preferences that fuelled their loyalty. "Currently we are working together with five debt collection agencies. Their commission royalties depend on the efficiency of the debt collection efforts. This is a competitive tool that drives them to work more efficiently. We are offering our debtors with over 90-days overdue payments, a chance to renew their subscription, a scheme for a deferred payment and better prices for larger packages", Mihail Minkovski, "Revenues" department

manager of Blizoo, commented.

Blizoo takes measures against late payments and uncollectable debts in the very first month



Petya Vassileva, Head of "Defaulted debtors" department at Blizoo:

Collectors are selected based on the efficiency in their work with our clients



Blizoo selects its partners for debt collection services based on several criteria: efficiency and collection performance from debts portfolios, flexibility of the collection methods applied and analysis of the results achieved, as well as an assessment of their personal behavior towards our defaulting debtors. Currently, we are partnering with five collection agencies. We're assigning them "early" and "late" debt portfolios as well as specialized samples of defaulted payments. We have the right to monitor and observe their work ad hoc.

Top places to spend a fabulous New Year's Eve

16 fascinating destinations where people know how to celebrate the start of the year

Around the world, locals celebrate the passing of one year to the next in similar ways: fireworks, street parties, dancing, live shows, champagne... Still, each destination has its own cultural twists and distinctive setting. Here is www.travelandleisure.com's list with the best places to spend the New Year's Eve. Each of the destinations guarantees a different and unforgettable New Year's Eve.

Top places	
Destination	Why go
Valparaiso, Chile	The biggest New Year's Eve show in Latin America attended by more than a million people. A fireworks show and a dance party that lasts until the sun comes up. For good luck, the locals wear yellow underwear, eat a dozen grapes, and put a \$1,000 peso bill in their shoes.
Reykjavik, Iceland	The party starts with community bonfires, in order to burn away of the previous year's troubles. Then, you can head to the hot springs for a rehydrating soak.
The Napa and Sonoma Valleys	Wine parties in wine cellars and caves.
Bratislava, Slovakia	Concerts and open-air dance parties in the Old Town and a fireworks show over the Danube River.
Bahamas	Locals organize street parades with music, masquerading street performers and colorful costumes
Edinburgh, Scotland	A torchlight parade through the city's cobblestoned streets. On January 1, spectators gather at the River Forth to watch a group of brave souls splash into the freezing water for charity reasons.
Vienna, Austria	A party, fueled by hot mulled wine and toffee apples. After midnight the chimes of the Pummerin bell ring out from the tower of St. Stephen's Cathedral and a fireworks show dazzles over the Prater park. Everyone can head to the Rathaus (City Hall) to watch the New Year's Concert projected on a big screen.
St. Petersburg, Russia	A fireworks show over the partially frozen Neva River and hundreds of paper lanterns up into the night sky.
Sydney, Australia	The first major city that celebrate the New Year. One of the largest parties as more than 1 million people attend the waterfront show featuring thrilling aerial acrobatics and a fire tug water display.
Hong Kong, China	One of the world's best pyrotechnic shows, a sensory extravaganza of light and sound that includes a fireworks show over Victoria Harbour and a Times Square countdown, complete with a replica ball drop at midnight.
Maui, HI	A romantic dinner for two on the beach and fireworks seen from a catamaran cruise. Starting the New Year with one of the most spectacular sunrises in the world.
Cape Town, South Africa	A picnic atop one of the world's most mesmerizing natural wonders - Table Mountain, throwing its shadow over the city. A carnival parade through downtown, with 10,000 performers in whiteface paint dancing and singing in the streets.
Berlin, Germany	A "Party Mile" attended by over 1 million people. It extends from Brandenburg Gate and is lined with music stages and food and drink tents serving beer, mulled wine, and local specialties like currywurst. After midnight the party moves to the city's many over-the-top dance clubs like Berghain.
Las Vegas, USA	Sin City offers a mind-boggling number of concerts, shows, club parties, and casino and hotel bashes, including the Downtown Countdown. The New Year's show can be watched from a rooftop bar like the Rio's VooDoo Lounge, Ghostbar on the 55th floor of The Palms, or AirBar at the Stratosphere.
London, England	The city's three-hour extravaganza along the River Thames draws 250,000 people with its 10,000 performers, a fireworks show at the London Eye, a midnight countdown alongside the chiming of Big Ben. Take in the sights of all the festivities on a Thames dinner cruise.
Niagara Falls, Canada	The biggest New Year's Eve party in Canada. Spectacular fireworks at Victoria Park overlooking the falls. An ice-skating rink overlooking Horseshoe Falls and international musical acts.