



3rd World Credit Congress & Exhibition

The Global Summit for Credit and Collection Professionals

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A row of seven blue silhouettes of business professionals in various poses, walking from left to right. They are positioned behind the main title text.

**The Evolving Debt Collection
Industry in the International
Climate?**



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How Has the Debt Collection Industry Been Evolving?

Neil Wood, founder of Global Credit Solutions (GCS) Group.

- As one of the leaders in this industry - from an early stage in 1980's – Neil Wood recognized **globalization** as an important stage in the evolutionary process for this type of service.
- ACA (originated as American Collectors Association), changed name to ACA International – The Association of Credit & Collections) in 2001.

Change in types of business models within the debt collection industry.

- NCO Financial Group.
- Global Credit Solutions (GCS) Group.

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How Has the Debt Collection Industry Been Evolving (Cont'd)?

Globalization resulting in international business development growth.

- U.S. companies seeking sales opportunities overseas such as in China (top import & export destination with the world's largest number of consumers).

International client's have become more focused on the following aspects:

- Success Rate (worldwide).
- Price (worldwide).
- Local Knowledge (Hong Kong & Mexico).
- Global Expertise (Hong Kong & Hungary).



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How Has the Debt Collection Industry Been Evolving (Cont'd)?

Debt Collection → Credit Management → Credit & Risk Management + Value-Added Services.

- Market competition from other debt collection agencies.
- Diversification into credit reporting (to reduce bad debt exposure) and risk management solutions.
- Introduction of in-depth investigations & analysis leading to increased efficiency of collections.

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Debt Collection Industry - Future Developments?

Focus on 3 countries:

- Russia, Ukraine & China are developing their commercial and consumer debt collection markets.
- European countries typically have a more cautious approach towards using debt collection agencies.
- Countries outside Europe (e.g. China) more likely to outsource.

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Debt Collection Industry - Future Developments (Cont'd)?

China driving the main trend – consumer debt.

- People's Bank of China (PBOC) released statistics in 2010, stating that credit card debt increased by 14.4% in Q1 2010, compared with 2009.
- No. of registered credit cards in China hit 190 million.
- Credit card 6 months overdue increased to 8.8 billion RMB (USD1.29 billion).
- Total debt of credit card holders exceeding 245.76 billion RMB (USD35.98 billion) in 2009 – 55% increase compared with 2008.

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Debt Collection - China

Debt collection companies are not permitted to operate freely.

- However, law firms are exempt from this regulation.

The term “debt collection activities” does not exist in official definitions.

- Companies (or legal firms) can conduct debt collection activities in the name of “consulting services” or “credit management services”.



Debt Collection – China (Cont'd)

Companies in China use debt collection agencies for both domestic and international debts.

Based on industry research:

- 50% use debt collection agencies for domestic receivables.
- 41% use debt collection agencies for international receivables.
- 9% use debt collection agencies for both domestic & international.



Debt Collection – China (Cont'd)

2 Factors which can determine the choice of debt collection agency:

- Success Rate.
- Ability to Maintain Relationship with debtor.

For Chinese companies, the “Ability to Maintain Relationship with debtor” is a double-edged sword!

- Maintaining a positive relationship with the debtor is one factor in selecting a debt collection agency.
- Maintaining the same positive relationship with the debtor to retain the business, is another factor for not selecting to work with debt collection agencies.



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Goodbye

Questions & Answers

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