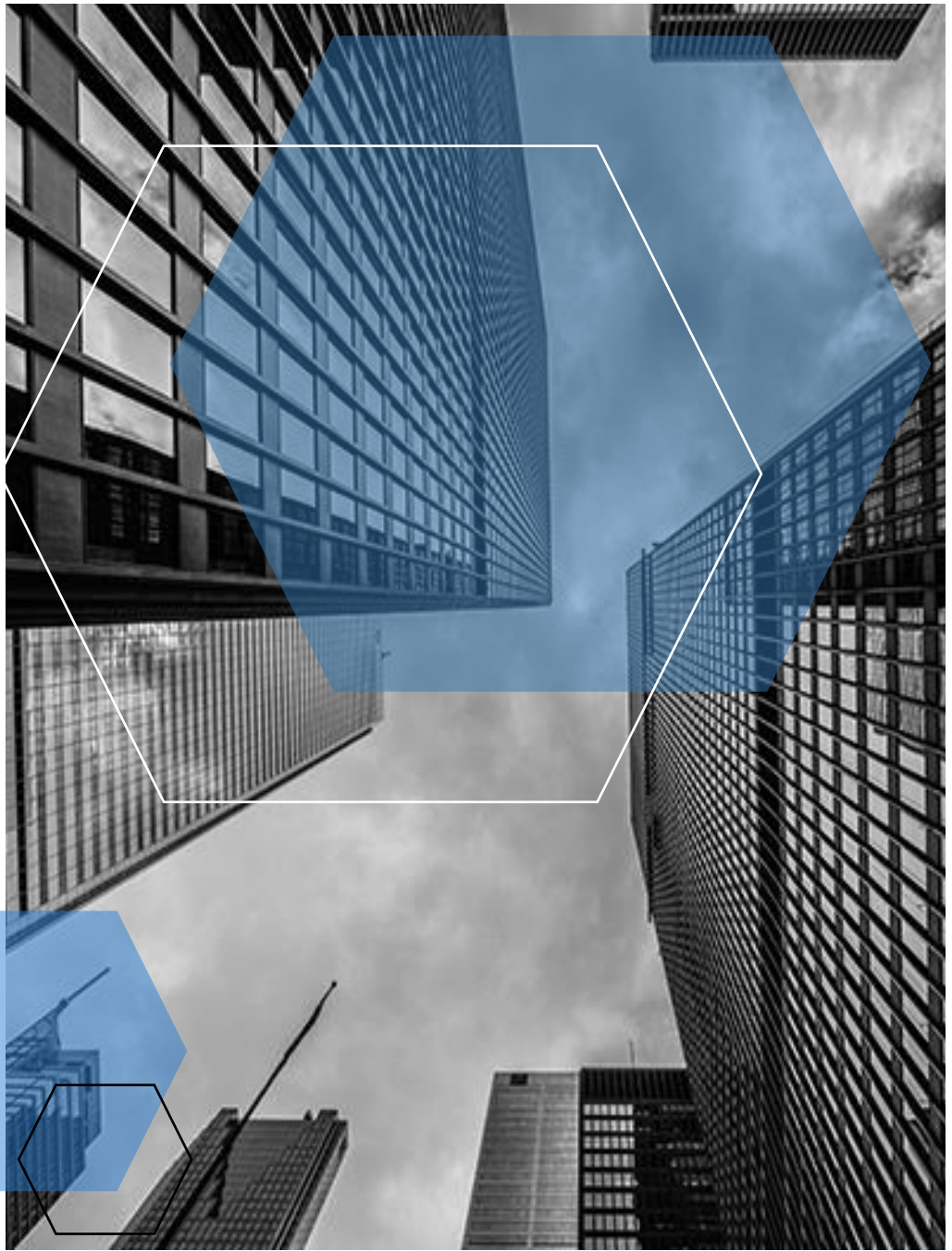


**RMSA**

2018 INDUSTRY REVIEW

**RMSA**  
RECEIVABLE MANAGEMENT SERVICES ASSOCIATION

 **esendex**



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## Research. 1

Data on debt position of the SME economy in Ireland

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## Research. 2

Research on the perception of the industry within the general business community.

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## Research. 3

Data on the performance of the Irish collections industry.

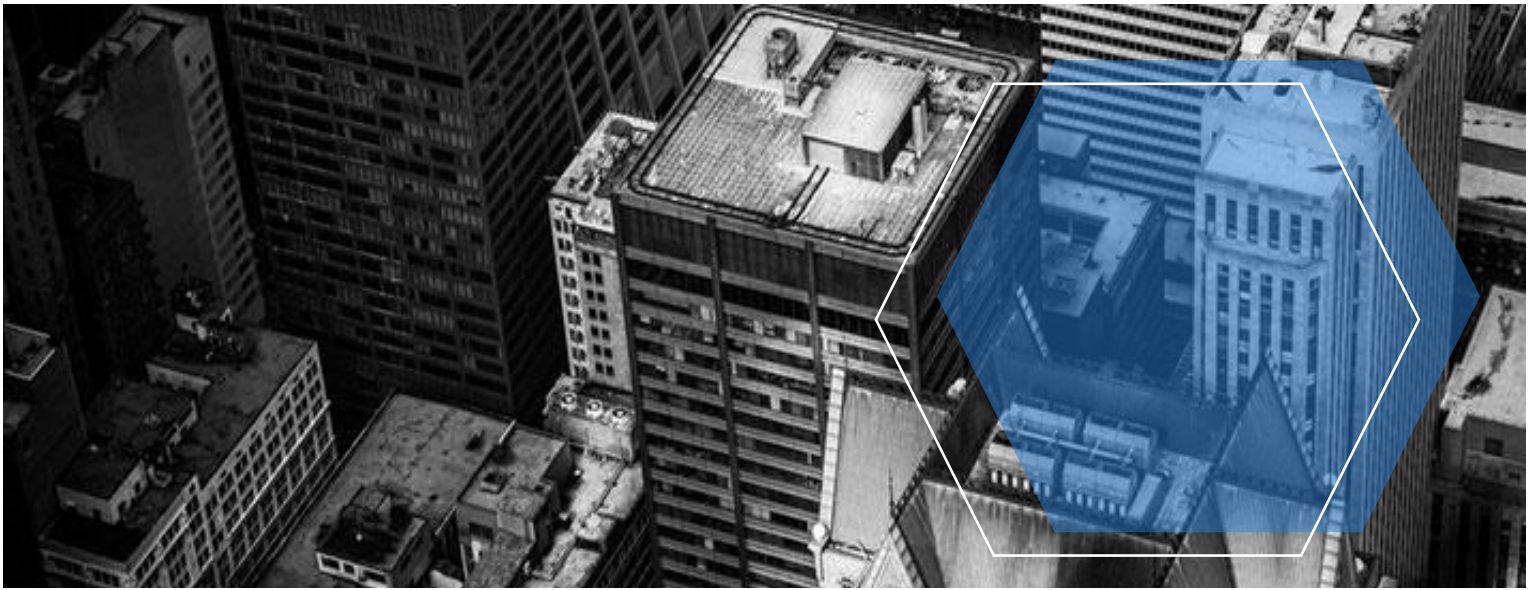
# INTRODUCTION

## RMSA FIRST INDUSTRY REVIEW

Unpaid debt can have a significant detrimental effect on Irish businesses and the economy. Both bad debt and slow paying clients can cause cashflow difficulties which costs jobs and in extreme cases closes businesses.

There are specialist firms available to help business through these difficulties and the Receivables Management Service Association (RMSA) was set up to represent these companies and to inform the general business community of the services that are available.

This report was commissioned by the RMSA to develop a more complete picture of the industry's position within the Irish economy. This is the first time any research has been conducted in Ireland and the intention is to make this an annual review.



# RMSA

## RECEIVABLE MANAGEMENT SERVICES ASSOCIATION

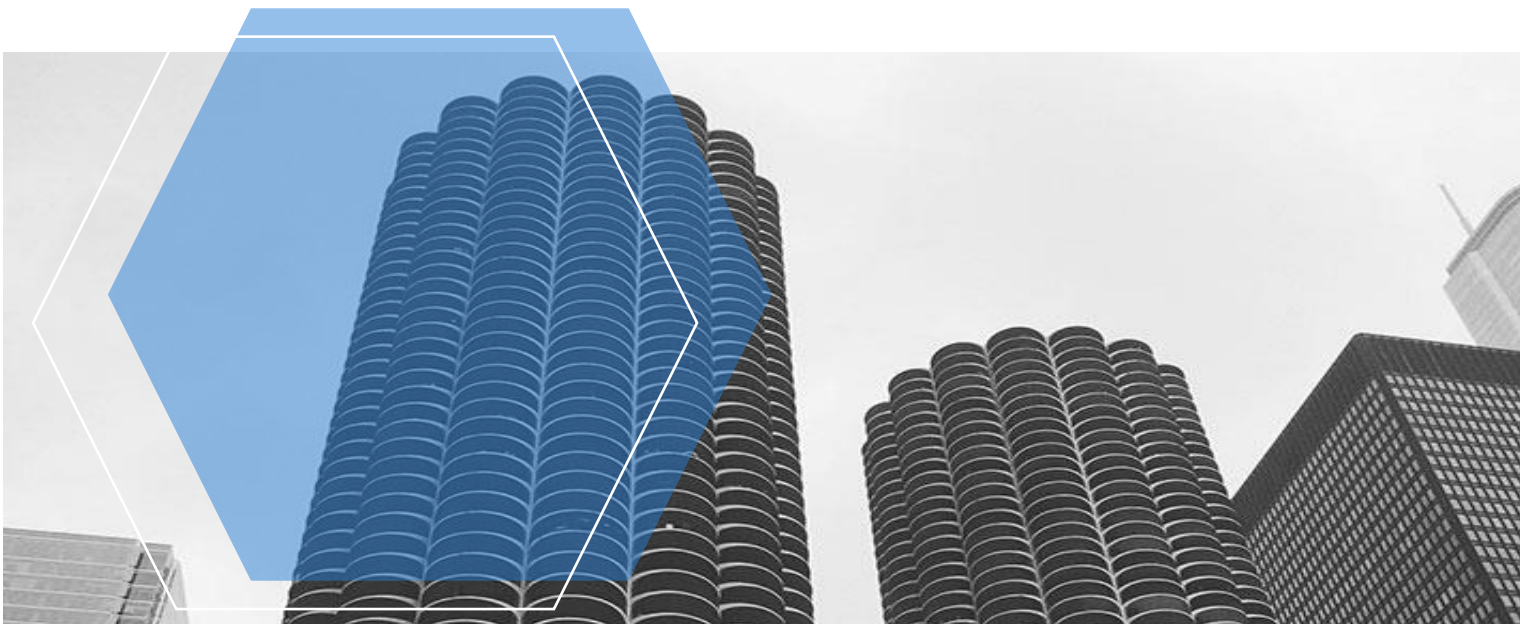
The RMSA was founded to represent the firms supplying receivable management services within the Irish market. These firms provide a range of services from third party collections and debt purchase, through to business information, invoice finance and software services.

The RMSA works on several levels:

- Representing its members interests both Nationally and Internationally
- Educating the market on the services available to them from the industry
- Make sure members adhere to the associations Code of Conduct
- Mediate complaints about member companies

The RMSA also works with its members to set and maintain the highest standards of operation so that both clients and debtors can be confident they will be dealt with honestly and fairly. The collections members of the RMSA all sign up to a Code of Conduct and the association will investigate and act on any breaches of the Code.

A significant focus for the RMSA will be to increase the profile of the industry within the general business community and to correct some misconceptions that may be held. While already providing a valuable service the RMSA will work to increase the industries economic impact.



## REVIEW SPONSOR

This report was commissioned by the RMSA but it would not exist without the Support of Esendex.

Esendex are a global business communication provider, delivering reliable SMS, voice, web and multichannel solutions. Their powerful yet intuitive products and services allow businesses to effectively engage and interact with customers, staff or suppliers.

Using their solutions will improve collection rates and reduce costs by allowing collections staff to handle more cases and focus their time where it is most needed.

Irish businesses have been slow to adopt new technology in the collections arena but that is changing. Esendex brings experience from more mature collections markets which will be of benefit to Irish companies.

A large decorative graphic on the left side of the page. It consists of a dark blue, textured hexagonal shape with a white outline, set against a background of a black and white wavy, grid-like pattern.

# ESENDEX CASE STUDY

## USING ESENDEX INTELLIGENT MULTICHANNEL SOLUTION TO INCREASE DEBT COLLECTION

The following case study offers an insight into how Esendex can help businesses have more engaging, self-serve interactions with their customers with a clear, demonstratable ROI.

Npower, one of the UK's largest energy providers with 5.1 million customers, worked with Esendex to collect small value debt. Npower's previous approach to chasing this debt involved either sending a paper letter reminder, or having a call centre operative contact the customer, but this represented two main problems:

- 55% of customers chased had already moved home, so the communication went unanswered.
- The cost of sending a paper letter or making a call would often outweigh the value of the balance owed.

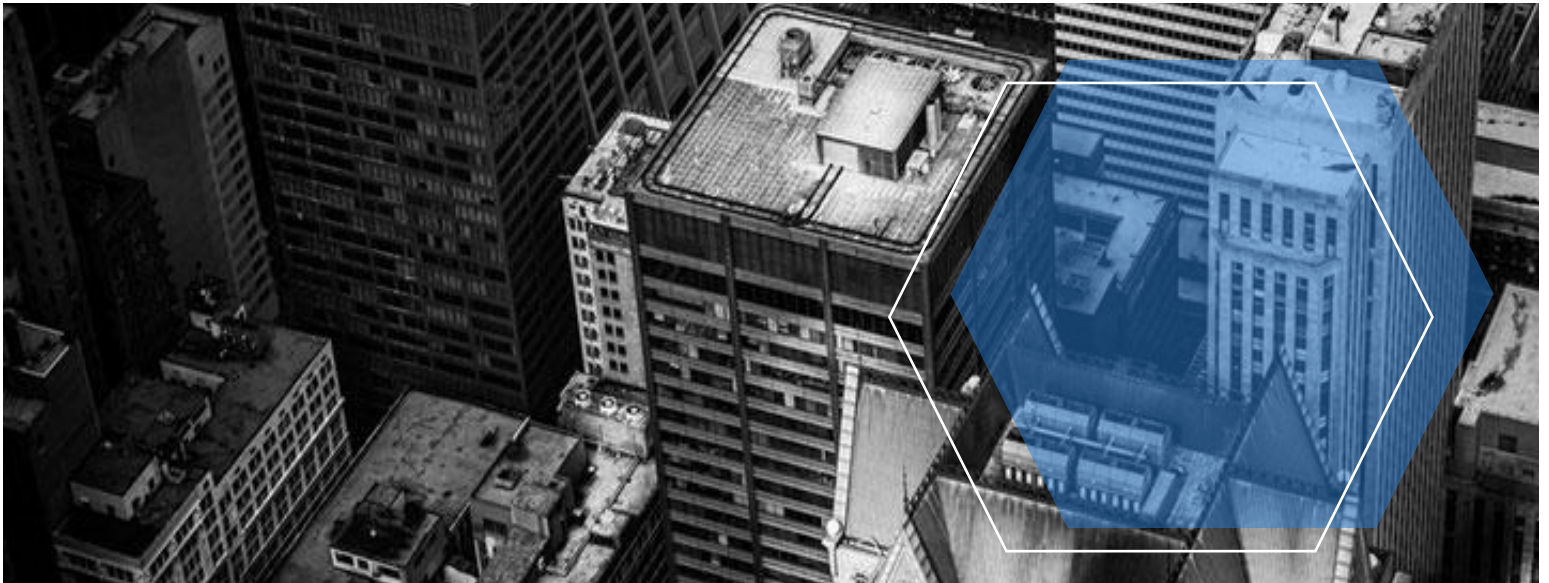
Npower required a more cost-effective solution which promoted both fair, non-intrusive customer contact and had the intelligent capabilities to allow customers to self-serve using a variety channels convenient to them.

Esendex worked with Npower to create a solution which employs a combination of communication channels including SMS, email, outbound voice and Esendex's bespoke mobile web app, Mobile Journeys.

A decision engine determines the best channel and message to send to each customer based on available contact details, amount owed, and reason for leaving. The customer is given several self-serve payment options, including a dedicated mobile payment portal (pictured).

If a message sent via SMS doesn't elicit a response, another channel such as email will be automatically deployed. Equally, messages automatically stop once a successful outcome is reached.

The solution has increased payment rates to 19%, compared to 4% using Npower's previous approach. 82% of payments are for the full amount owed. Furthermore, when compared to the cost of sending a paper letter, notification of overdue payment through SMS was 16%, Email 1%, and automated voice 50%. Receiving a payment through the Esendex platform costs just 30% of the cost of receiving a payment via a call.



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# RESEARCH 1. THE ECONOMY

## SME PERFORMANCE IN IRELAND

As part of this process we looked at some relevant statistics within the Irish economy which have a bearing on the industry. We gathered data on SME's from both the Central Statistics Office and the EU's Small Business Acts annually published data sheet on Ireland.

There are over **250,000** SME's in Ireland. An SME is a Small to Medium Enterprise which has less than 250 employees and a turnover below €50Million.

These SME's have an annual turnover in excess of **€260Million**.

The last available figure from 2016 shows that **1.8%** of this turnover was eventually written off as bad debt. This equates of **€4.6Billion** in lost revenue. With an average of **€18,700** per SME.

While the 1.8% figure is not high by international standards, it is a worry because we are a small open economy which can be badly affected by changes Internationally. Any increase in this figure would most likely cost jobs.

# RESEARCH 2. INDUSTRY PROFILE

## HOW THE INDUSTRY IS PERCEIVED

As part of the project we decided to research how the general business community perceives the industry, and why more companies don't make use of the services available. This involved speaking with over 150 SME's of varying sizes and based in a wide range of industries.

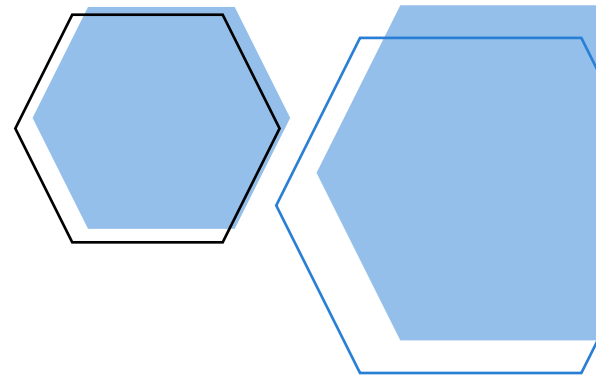
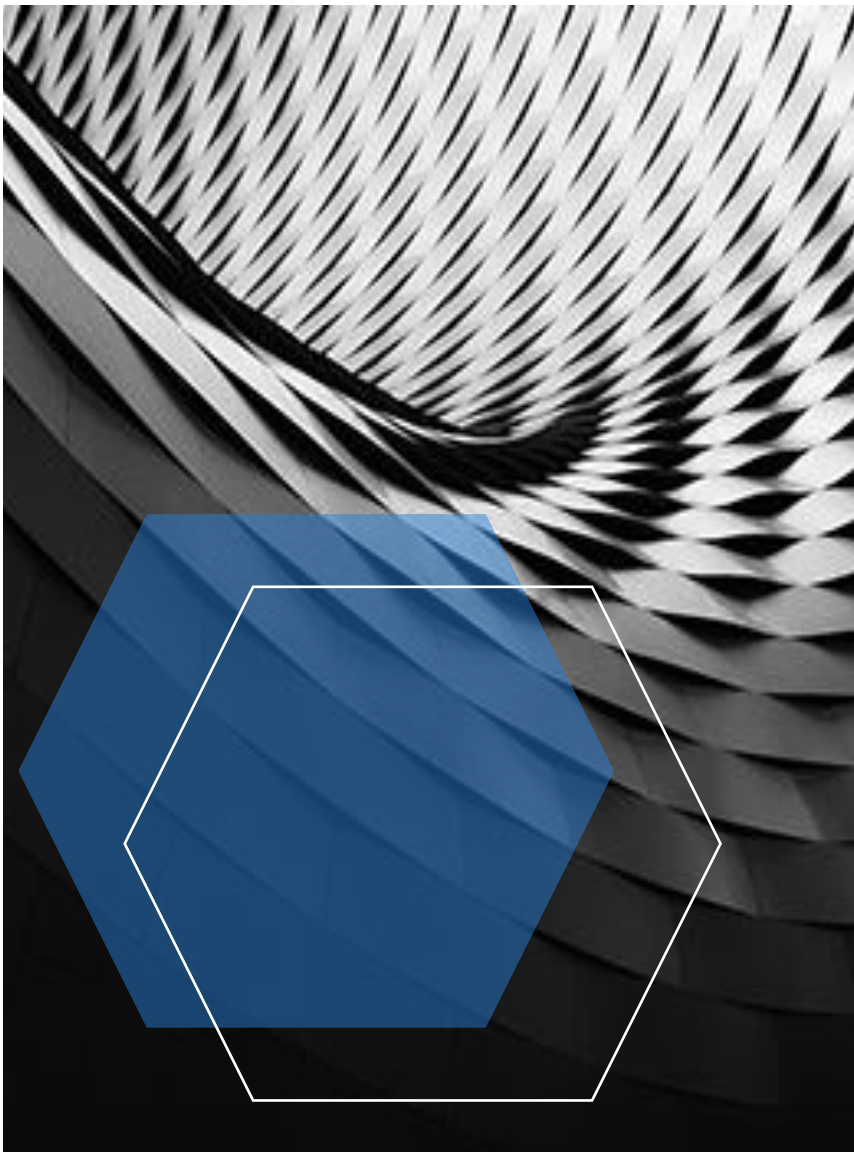
**72%** of the firms we spoke to had a negative image of collections companies and felt that using one could damage their business reputation.

**55%** could not name a collections company.

**75%** were worried they would lose the customer if they referred the account to a third party.

**40%** felt that the collections option was too expensive.

**92%** agreed their views were based on a lack of knowledge or experience of the industry.



The results highlight the task that lies ahead for the RMSA. The absence of an industry voice and a few negative stories have allowed an inaccurate perception of the industry to develop. The image that many have is based more on Hollywood gangster movies than the reality of modern Ireland.

The positive to come from the survey is that 92% agreed that their views were based on a lack of knowledge or experience of the industry. Educating the market will need to be the primary focus of the RMSA and its members if these perceptions are to be corrected.

The industry has the potential to improve the impact it has on the economy by educating the market on how it operates. Too many SME's are allowing monies to go uncollected due to a lack of knowledge of the services available to them.



# RESEARCH 3.

## INDUSTRY DATA

### HOW THE INDUSTRY PERFORMS

This is the first time that any research has been published on the industry in Ireland. It is planned to make this an annual survey and to extend the range of data collected. What we found was:

**€1.2Billion** is the total value of debt referred to third party firms for collection in 2017.

**€850** was the average debt size.

**31%** was the average collection rate for the industry, which means that over **€370Million** was put back into the economy due to the actions of the industry.

**950** people are directly employed in the industry with many more indirectly employed.

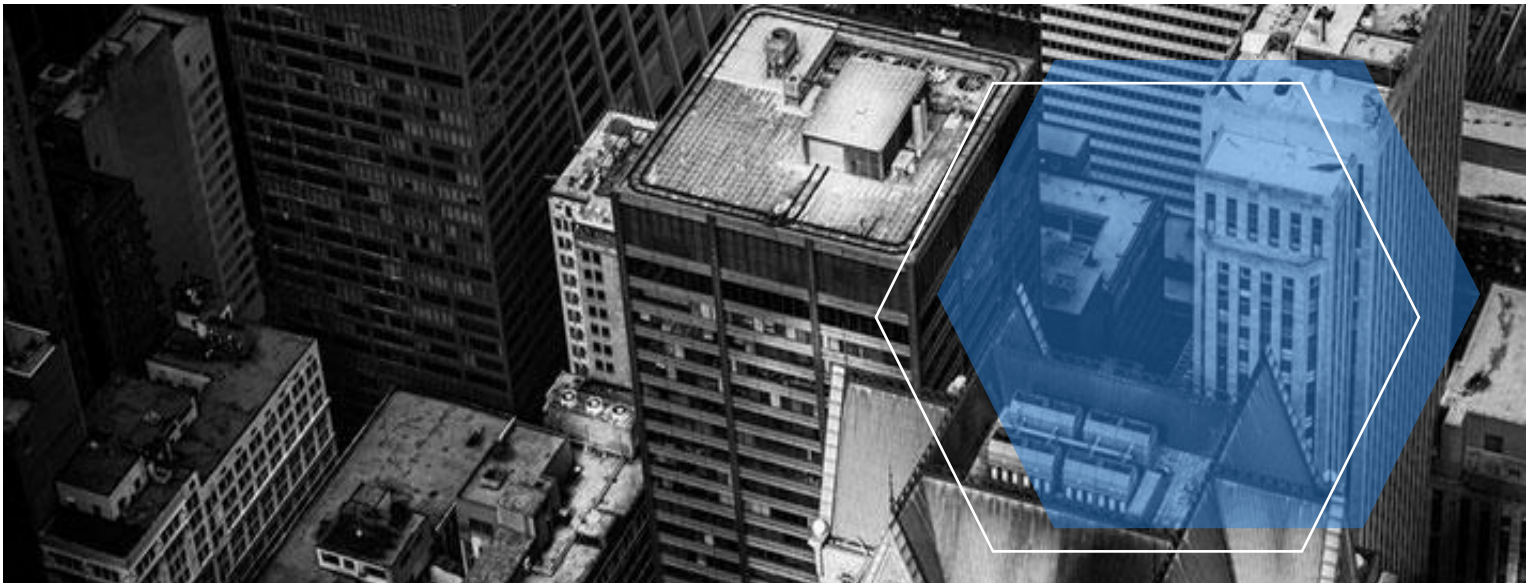
These figures show a very significant impact being made by the industry on the Irish economy.

The total amount being collected is enough to support over **9,500** jobs at the average industrial wage, and it equates to the average spend of an additional **650,000** tourists into the Irish market.

Each employee in the industry is returning over **€380,000** back into the economy, however in the USA the figure is around **€680,000**, which highlights that there is room for improvement on efficiency in the industry. Use of more automated solutions, like those offered by Esendex, could help to improve this picture.

If more SME's could be convinced to work with the industry, then there could be a real benefit to the economy.





# ANALYSIS

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The receivables management services industry in Ireland is still at an early stage of development when compared Internationally. The UK and US markets are far more mature and will be a good source of learning for the Irish industry as it develops

The collection success rates in Ireland are good but better utilisation of available technology could improve the efficiencies. Companies like Esendex provide solutions which can make a difference.

The report found that the industry has an issue with its profile which needs to be addressed by the RMSA and its members. With a hard BREXIT looking more likely, it is important that Irish businesses make use of all the supports available to them. From collections outsourcing, technology and business information services, through to invoice finance and credit insurance, the supports are available from RMSA members and an education program is needed to get the message across.

The RMSA is creating a managed Code of Conduct for the industry which is an important step in the evolution of the industry. It provides a set of standards that the signatories are agreeing to stand by and which can be managed by the association. If there is a dispute between an RMSA member and a client or debtor, then the association will be there to help resolve the matter.

