

CASE STUDY

RECEIVABLES MANAGEMENT

UTILITY

# LIQUIDATE OUTSTANDING RECEIVABLES GAIN MORE FREEDOM

Ideally combining collections with the sale of receivables frees up budgets and resources

## Initial situation

The energy industry is one of the sectors that are especially affected by payment delays and defaults. The past ability to cut off power in the event of arrears has meanwhile become ineffective in practice, since changing providers is very easy. On average, every consumer leaves behind around 600 euros in outstanding receivables in this way. This high average claim also results in a prolonged collections process. But particularly compared to smaller claims, good success rates can also be expected after protracted debt collections. The collections process therefore needs to be designed for the long term from the very beginning. However, this leads to a high commitment of capital and staff resources.

## The solution

Our client has been trusting in financial services by Arvato Financial Solutions for many years now – from pre-court and judicial dunning procedures through to long-term monitoring. In particular, the use of state-of-the-art technologies and staff experience has delivered excellent results in collections from the outset. Over the years, it has even been possible to further improve the outstanding response rates by continuously optimizing needs-based consumer contact.

Moreover, a few years ago our client decided to sell the remaining portfolio of outstanding receivables. Thanks to its many years of experience in debt collections services, Arvato Financial Solutions was highly familiar with the factors affecting value – for instance, the sales channels used and the previous process in debtor and receivables management. This way, a comprehensible and fair purchase price could quickly be determined using mathematical, statistical methods. The purchase price was paid out directly after concluding the contract, and the usual professional processing of receivables, aimed at customer retention, began on the agreed date.

## The result

Supplementing the previous financial services with the sale of the residual claims provided noticeable relief in accounts receivable management for our client, while also immediately freeing up additional budget resources. The company utilized the staff and financial freedom attained in this way to optimize its core business for the future, in order to continue to operate successfully in the highly competitive energy utility market.



Utility companies currently need to focus particularly closely on change processes. Besides digitalization, company mergers and a generational change in management observed in many organizations are changing internal and external conditions significantly. Minimizing inherited bad debts, by selling outstanding receivables, for example, helps companies to concentrate on improving customer-oriented offers and processes.



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