

# Connecting to Portugal's late payers

Leading Portuguese telecom operator Sonaecom provides a wide range of cutting-edge mobile, fixed and internet services. To collect subscriber payments in a country prone to late payment, it relies on the proven expertise of Intrum Justitia.

WORDS PETER WISE / PHOTOS RACHEL TORRES

When it comes to getting paid, Sonaecom, one of Portugal's top three telecommunications companies, faces a double challenge. The first is to manage the collection of monthly payments from more than 2.8 million users of its wide range of mobile and fixed voice, internet and TV services. The second is to do this in a cost-effective way in an economy where it takes longer to get paid than in almost any other European country.

"The majority of customers in Portugal do not pay their invoices on time," says Luís Costa, the director of Sonaecom's payments division, which employs a full-time staff of 90 to run the company's credit management and payments system.

In this challenging climate, Sonaecom has developed a long-standing relationship with Intrum Justitia Portugal, on which it relies to recover part of its overdue payments.

"We have been working with Intrum Justitia for eight years and we are very happy with the relationship" says Mr. Costa. "We have stayed with them because they deliver the best results. Intrum Justitia

is the benchmark against which we judge the performance of other credit management companies. As a result, we have increased the amount of business we give to Intrum Justitia, which now handles more than 70 per cent of our overdue payment collections."

**The relationship began** in 2001 when Intrum Justitia bought the European Receivables Management Services of Dun & Bradstreet, the company that Sonaecom had been working with up to that point.

Sonaecom is the telecommunications, media and software and systems integration sub-holding company for the Sonae group, Portugal's biggest private-sector conglomerate. Its payments operations focus on the 1.5 million people who subscribe to its mobile telephone service known as Optimus, together with 750,000 users of its Novis and Clix internet service-provider brands, 350,000 subscribers to its Optimus Home fixed-line voice service and about 200,000 users of its Kanguru mobile internet service. Its services also include "triple-play" voice, internet and TV products.

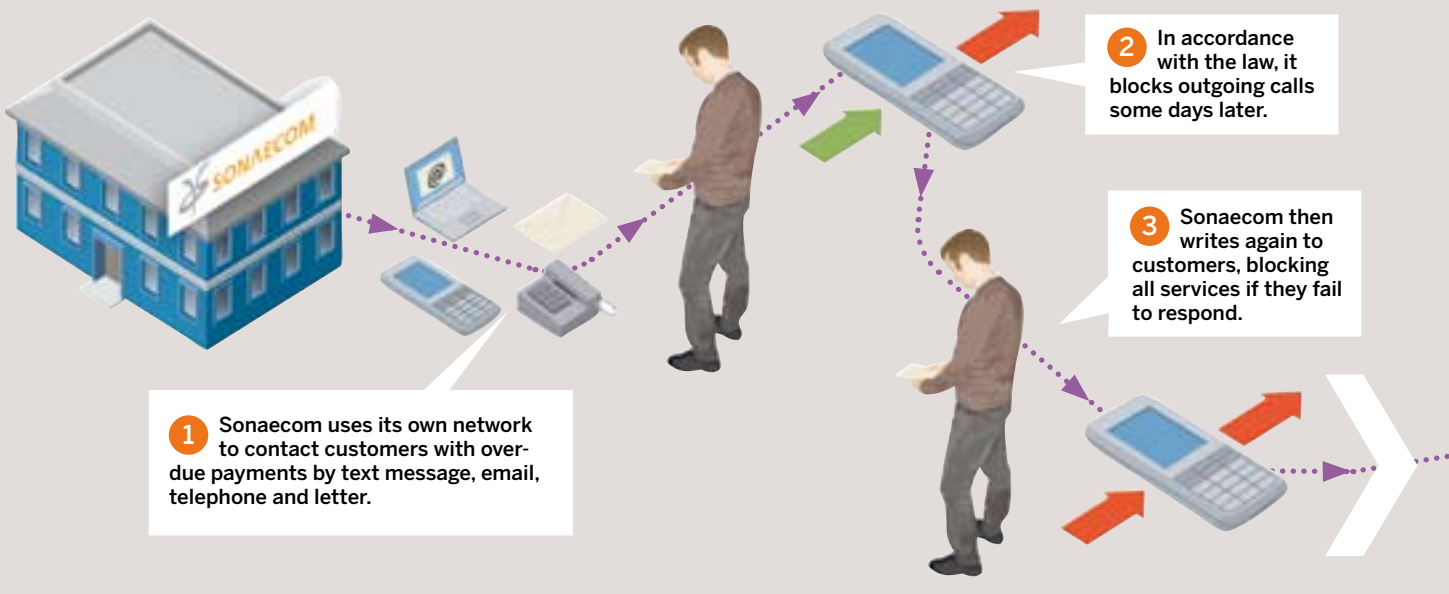
Although most Optimus subscribers prepay for ▶





Sonaecom, one of Portugal's leading telecom groups, uses its own networks to contact late payers. "The cost to us is virtually zero," says Luís Costa.

## This is how the cooperation between Sonaecom and Intrum Justitia works





There is a strong tendency in Portugal not to comply with payment deadlines



In Portugal, where the average payment period is three months, Sonaecom employs a staff of 90 to run its credit management and payments system.

mobile phone services, Sonaecom invoices and manages payments for roaming charges that do not come directly out of their prepaid accounts. It also collects payments from the ten per cent of Optimus customers who prefer monthly invoices to prepayment.

“In fact, we prefer non-prepayment customers, because they feel less restrained and generally generate higher revenues,” says Mr. Costa.

Although Portugal benefits from an advanced electronic payments system and ATM network, known as the Multibanco system in which all banks participate, only about 30 per cent of Sonaecom’s customers pay by direct debit.

“Technologically, Portugal’s payment systems work well. Customers can even set up direct debit payments on the internet or at ATMs,” says Mr. Costa.

“The problem is cultural. Most Portuguese people prefer not to use direct debit, but to pay themselves each month using their bank cards. We run a lot of campaigns encouraging our customers to use direct debit and we consider 30 per cent to be a very good level in Portuguese terms.”

Because the cost of phone calls, text messages and emails is close to zero for a telecommunications company like Sonaecom, the group handles all the initial dunning process of resolving accounts receivable in-house.

“We have in the past given serious consideration to involving Intrum Justitia at this stage of the collection process, but we have so far concluded that the extra cost would not be justified since the cost to us of contacting late payers with text messages,



ILLUSTRATION SVENSKA GRAFIKBYRÅN

automatic phone calls and emails is virtually nil,” says Mr. Costa.

**Sonaecom reminds customers** in this way as soon as the last day for monthly payments expires and keeps up the pressure through text messages, emails and phone calls. It handles key business accounts manually through personal contacts from a specialist team. Dunning for other customers is automated, according to a computer matrix based on risk profiles.

“Careful segmenting is vital to our business as it enables us to focus our efforts on the most problematic customers,” says Mr. Costa.

The company is legally obliged to give subscribers a minimum of ten days warning in writing before it can block services. In the case of mobile phone services, it begins by barring outgoing calls and, if customers fail to respond, later blocks all services. It is at this stage – about five to six weeks after the expiry date for payment – that Sonaecom passes on its unpaid invoices to Intrum Justitia for collection.

“We send batches of debt to Intrum Justitia each week by category of customer,” says Mr. Costa. “Perhaps 1,000 Optimus invoices one week and 600 outstanding Kanguru payments the next. Intrum Justitia sends us weekly reports so that we can track progress and we hold monthly meetings to review performance.”

He says Intrum Justitia has in the past had higher success rates in collecting payments from residential customers, but has more recently achieved comparable levels of success in the business sector.

“I’m very happy with Intrum Justitia’s performance,” says Mr. Costa. “They have a competitive edge over the competition. We find them to be more organised, more structured and more reliable in terms of achieving targets.”

Despite this praise, he stresses that Sonaecom carefully monitors the performance of competing credit management companies against each other.

“We give Intrum Justitia the bulk of our business because they produce the best results. But we are always testing one or two other companies to see how their performance compares. We would not consider giving one company a monopoly of the collection process.”

A new Portuguese law came into force on 26 May that will considerably tighten up payment deadlines. It classifies telecommunications as “essential services” on a par with water and electricity and requires operators to bring debt cases to court within five months of the payment expiry date. There had previously been no official limit.

“Over the medium to long term, I think the new law will produce positive results,” says Mr Costa. “The big question is how the court system will deal with the immediate big increase in injunctions.” ▶

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## SONAECOM

▶ Sonaecom is one of Portugal’s leading telecom operators, offering telecommunications, media and software and systems integration. It is a sub-holding company for the Sonae group, Portugal’s biggest private sector conglomerate.

▶ Sonaecom was created in 1994, and assumed its current name in 1999.

▶ Number of customers: a total of 2.8 million.

▶ Number of employees: 1960.



We give Intrum Justitia the bulk of our business because they produce the best results.



Portugal’s culture of late payment means Sonaecom has to bar a large number of customers from making mobile phone calls every month.