

The Debt Collection Management Report

– how customers relate to your debt collection management



Introduction

On numerous occasions, Billogram has produced reports based on surveys conducted by Novus. These have focused on what customers of companies with recurring invoicing feel the relationship with their suppliers looks like, with a focus on the payment. The goal is to highlight interesting insights, which can be of use to everyone in a company that either works close to customers, in management, with communication or with the company's payment process.

Previous surveys have shown that 76% of the customers feel that the invoice is the only contact they have with their supplier. This means that the payment and the invoice are one of the most important parts of the customer journey and thereby a crucial moment in the work of making loyal customers.

In this year's survey, customers were asked questions that were partly based on more general questions about payment – how they feel they are treated in connection with it and how it affects their loyalty. The survey also touched on an area that came up in connection with previous surveys, namely what happens when the customer's payment does not go as it should. Not unexpectedly, the survey shows that most customers received a payment reminder, but more interesting is how these are perceived and affect the customer's perception of their supplier.

Enjoy your reading!

What is the basis of the report?

The report is based on a Novus survey from December 2021 that was done on behalf of Billogram. The purpose was to find out how payments and payment reminders affect the customers' relationship with their supplier. In total, Novus conducted 1003 interviews with randomly selected respondents aged 18-79.



Focus of the survey

This year, the Novus survey focused mainly on how customer loyalty is affected when the payment does not go as it should, how this can be handled better, and what effects it may have.

In previous reports, it became clear that how a company works with fees around the payment has a major impact on their customers' loyalty. A clear example of this is that 45% of broadband customers said that invoicing fees can make them look for a new supplier. Four out of ten also said that unfair late fees make them consider a supplier change.

In light of this, it will be important for companies to learn more about what affects the customer experience of the payment process positively and negatively, and then review what can most easily be changed, resulting in the greatest positive effect. In this report, relevant statistics are presented together with a brief analysis, which in some cases has been supplemented with an insight into how Billogram contributes to development in the area.

1.

Survey findings

Three out of four customers have forgotten to pay an invoice and received a reminder

Within the 30-49-year age group, this figure is 89% and for the 50-64-year age group, it is 86%.

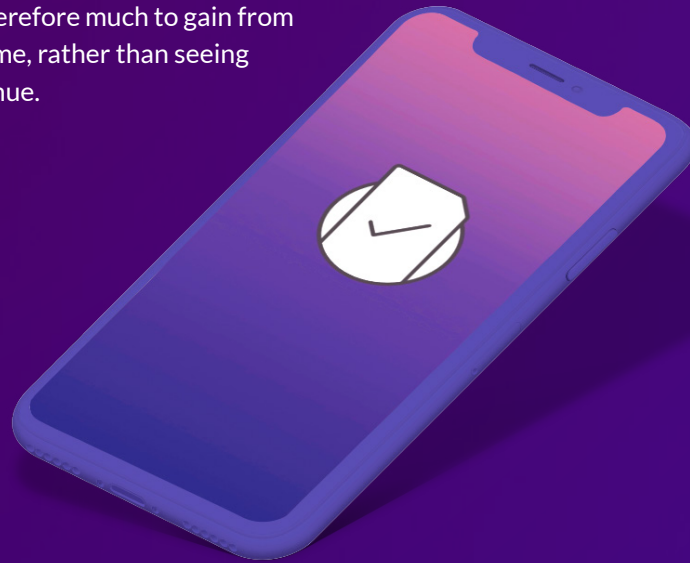
This finding is not surprising in itself, but it is an important reminder that there are major deficiencies in today's invoices and thereby an even greater development potential. Several common reasons for forgotten payments are related to how the invoice is sent and received. For customers who do not have an e-invoice or automatic payment method, such as direct debit, extensive responsibility rests with the customer to remember on their own that they received the invoice and to pay it on time. When it comes to the distribution of traditional paper invoices, there are also deficiencies in delivery reliability, as postal invoices are at risk of being delayed or getting lost.



Forgotten payments may also be related to the invoice's design and design, as varying appearances, word choices and information can lead to confusion and mistakes on the customer's part, with non-payment as a result. There is also a lack of an overall standard for what the invoice should look like, what information it should contain and how it can be paid. Several industries, including the energy industry, have clear rules on what information must be included. However, as a customer, the difference in standards between different industries can lead to greater confusion. The customer must therefore learn to interpret what information should be provided at the time of payment, when it should be made and how this is most easily done. This is not so easy, which is clear when visiting pages for frequently asked questions at companies. Here, invoice issues are almost exclusively at the top, regardless of industry or company.

Data from Billogram

In terms of forgotten payments, Billogram's customer data shows that the customer churn is almost three times as large among customers who forget their payment than among those who pay on time. There is therefore much to gain from helping customers pay on time, rather than seeing late fees as a source of revenue.

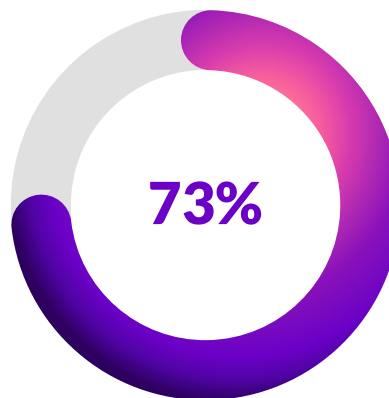


2.

Nearly three out of four have avoided ending up in debt collection

26% have had an invoice that ended up in debt collection, a figure that is highest among those aged 30-49 years (33%).

Among those who avoided debt collection, both women and people aged 50-79 stand out, 79% of whom have said that they did not end up in debt collection.



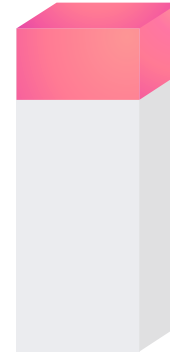
The fact that so many have managed to avoid debt collection is positive for both customers and companies. Debt collection management is intended as a last-ditch effort and a clear indication before a case goes on to the enforcement authority. For a customer who ends up in debt collection after accidentally missing a payment, there is an extensive risk that the image of the supplier is greatly damaged.

The fact that nearly three out of four did not end up in debt collection also shows that there is a widespread willingness to pay and that the time span between a missed payment and a debt collection demand is essentially long enough for recipients to have time to settle their payment.

3.

22% worry about missing/forgetting to pay their invoices

This fear is greatest in the 18-49 age group, where nearly three out of ten experience a concern.



The fact that more than one in five customers is worried about missing a payment emphasizes that there is extensive improvement potential when it comes to today's invoicing. This may involve how the invoice is designed, but also how it is distributed and what possibilities there are to easily pay it. The worry may be general, involving all invoices a person receives, or specifically linked to a recurring invoice. If the worry is linked to the invoices from the same supplier, this risks negatively affecting the overall impression of the supplier over time.

The fact that this worry is greater in the lower age group may be due to the fact that the more we are exposed to different types of invoices over time, the safer we feel with paying them. Here, however, there is a generational difference that is worth keeping in mind for today's companies. The people who are now receiving their first invoices have grown up with a far more digital experience and are used to the easy-to-use payment methods of online commerce. The contrast to a traditional invoice is therefore larger and the learning curve steeper, when it comes to understanding and learning how to pay invoices.

4.

51% get annoyed at their supplier because the price is perceived to be too high



It is easy to disregard this, as many tend to feel that a cost is too high in relation to what they feel they get in return, once the question is asked. However, as a company, this does not necessarily mean that one must oblige the customer by adjusting the price. Often the fundamental problem is that the customer does not feel that the value received matches the price. This is particularly common in industries where the product is relatively invisible and customers thereby tend to take it for granted. There is therefore a great deal of important work to do here in terms of communicating and motivating the customer's choice of supplier and the service or product the customer pays for. Rather than just lowering their prices, companies can combat the perception of their prices as too high in more cost-effective and sustainable ways.

It is also worth noting regarding the price sensitivity that in a previous survey by Novus, 47% of the customers claimed that they actively evaluate their contract when the invoice is to be paid. In light of this, either prices that rise over time or one surprisingly high bill risk being the straw that breaks the customer's back, making them look for a new supplier. It is therefore particularly important to clearly communicate what customers' costs relate to, but also to highlight your unique selling proposition as a supplier, and finally, to explain the reason behind the high bill or the rising price.

5.

Roughly three out of ten say their view of their supplier is greatly negatively impacted when they are charged a late fee

Equally many say that reminders
have a low impact on the image
of the supplier.



Among those who said that the image of their supplier is affected to a low degree, the the younger group (aged 18-29) is over-represented. This may be because they have not yet received as many invoices and have thereby been affected to a lesser extent. It may also be a sign that knowledge about these fees is not as widespread within this target group. Therefore, it may be worth communicating these fees more clearly to new customers – especially in the younger age range.

However, it is not only young people who feel that reminders have a low impact on the image of the supplier – many have an understanding and acceptance of the phenomenon of late fees. They may have become accustomed to reminders over time, easily distinguish the perception of the supplier from the late fee, or feel that the fee has a justified, deterrent effect. It may also be that one thinks that the cost of a reminder matches the work the supplier is doing to collect the unpaid payment.

Apart from the group above, there is a relatively large group that shares a widespread dissatisfaction about reminders. Among companies that see these fees as a source of revenue, there may accordingly be reason to reconsider or at least to investigate whether the company's approach can be changed or better communicated. There is a considerable possibility that the attitude towards the supplier can be improved even within the group that does not have a problem with late fees if the supplier chooses a more customer-friendly approach – such as a reminder without a fee on the due date, for example.

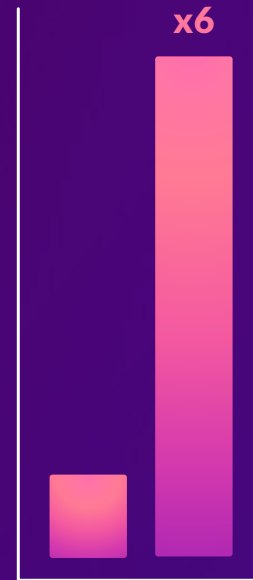
As a supplier, it may be worth obtaining a better understanding of what the attitude to debt collection management looks like within one's own customer base. A simple way may be to raise questions about this in the annual customer survey. If the dissatisfaction turns out to be widespread, there are, as previously mentioned, simple ways to keep customers from missing their payment – such as reminders on the due date. It is of course also possible to remove the fee as a supplier. This can be done for all customers or adapted at the individual level based on how loyal the customer is and what the customer's payment history looks like.

Data from Billogram

Customer data from Billogram shows that, among customers who receive a reminder, the risk of losing a customer is six times as high.

How Billogram works

Through the platform, every company can set up its own rules for the handling of reminders and debt collection. These can be adapted and automated based on different segments, but it is also easy to go in and make changes in individual cases. A customer service employee with special authorization can, for example, remove a reminder fee that has been charged to a loyal customer.



6.

Two out of three would have a better impression of their supplier if they were reminded on the due date

The change makes the biggest difference in the 18-49 age group, where seven out of ten say that a due date reminder would have a positive impact on the image of their supplier.



There is a lot to gain from helping customers pay on time. The business benefits include an improved cash flow and the possibility of improving the accuracy of the company's forecasts.

Due date reminders entail an even greater opportunity for companies that want to work to improve the customer experience and increase their customer satisfaction. Especially for those who offer subscriptions or recurring invoicing. There, the payment process constitutes the most frequent contact between the customer and supplier. The payment process therefore largely shapes the customer's overall perception of the supplier, which in turn forms the basis for how willing a customer is to remain a customer. Of course, it is important to quickly deal with any dissatisfaction that arises,

but it is just as important to prevent a negative perception by, for example, reminding the customer on the due date.

As a supplier, reminders often involve some form of handling cost, but if it is a customer with a paper invoice, there is also a cost for postage and printing. Questions about reminders are also one of the most common reasons why customers contact customer service. As a supplier, there is therefore a lot to gain from reminding customers about unpaid invoices before it is time to send out a reminder.



7.

31% stay longer as a customer with a supplier that prevents missed payments

By finding and addressing what causes customers to miss their payment, a situation is prevented where there is a risk of dissatisfaction. This may involve the company conducting customer surveys, focus interviews, looking at its customer data, or evaluating the cases related to non-payments at customer service.

However, the human factor means that some customers will continue to miss their payments. In these cases, a good response by customer service can give the customer a positive impression, but there is even more to gain from preventing a payment from being missed from the beginning. A notification of the due date that reminds the customer that the invoice must be paid today means that a negative situation is avoided, and that the customer feels that the supplier has their best interest in mind. This can contribute to a more positive overall impression of the company and an increased willingness from the customer to recommend the company's products and services to others.

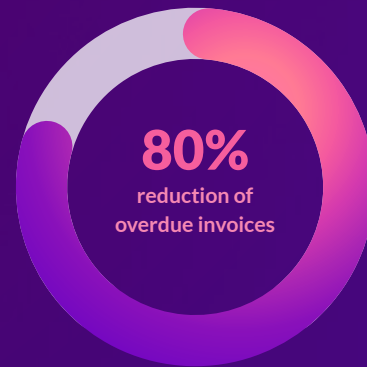


How Billogram works

Billogram offers the possibility to use due date reminders that are sent by text message or email; these are sent out on the due date without any late fee.

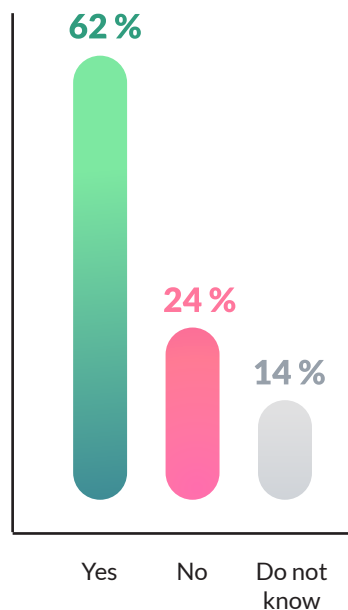
For example, some of Billogram's energy customers experienced a decrease in overdue invoices by 80% when the function with reminders on the due date was used. As a next step, Billogram is now investigating how customer data and AI can interact in order to optimize the timing and channel in which the reminder is sent out.

This may involve, for example, the choice between text messages or emails. The goal is to be able to eventually eliminate the risk of reminders and the related fee and thereby prevent a negative experience for the customer. How to choose to work with this is up to each individual supplier.



8.

Six out of ten would appreciate that it was easy to switch to automatic payment methods, such as direct debit, via the invoice



Of the 62% who want easy changes to automatic payment methods, 70% are within the 18-49 age group, which can be explained by the fact that this group has greater confidence in automation and want digital payment methods to a greater extent.

The fact that so many appreciate the possibility of automating their payments can be seen as a sign that many people experience the payment process as burdensome. Here, the addition of other simple digital payment methods, such as Swish, can be a way forward. However, it is more interesting to look at what in today's process prevents customers from making the change and what steps they would like to avoid. For direct debit set-ups, it is often required that a form be sent or downloaded. It must then be filled in, signed and posted or emailed back to the supplier. This is a process that takes time, both for companies and customers. Many therefore choose to continue with manual payments, as long as the threshold for a change is perceived as too high.


At the same time, there are major gains for the companies that manage to get the customers to choose automatic payment methods. They minimize the number of missed or wrongly paid invoices and thereby also reduce the number of customer service cases. For the customer, the flexibility of automatic payments often also means a better and more trouble-free customer experience. Statistics show that this flexibility causes the customer to stay longer, as the churn figures are generally significantly lower among customers who have direct debit, for example.

It is also interesting to note that as many as 14% have chosen to answer that they do not know if they would appreciate the possibility of switching to direct debit via the invoice, which may indicate that the knowledge of automatic payment methods and the benefits of them are not sufficiently widespread. In that case, there is important educational work for suppliers to do, both for their own sake and for the customers' sake.

Interesting data

Among Billogram's customers, we have seen that the loss of customers is twice as large among those who pay manually than with those with automatic payments.

Loss of customers with:



A horizontal bar chart with two bars. The top bar is labeled 'Manual payment' and is significantly longer than the bottom bar, which is labeled 'Automatic payment'. Both bars have a pink-to-purple gradient. The chart is set against a dark purple background.

Payment Method	Loss of Customers (Relative)
Manual payment	2x
Automatic payment	1x

Manual payment

Automatic payment

How Billogram works

The service makes it possible to change payment methods both via text message or a QR code on the analog paper invoice, and with a push of a button on the digital invoice.

9.

33% want to receive an email where the amount is specified before the money is withdrawn from the account – even though they have direct debit

The desire to receive information on the amount to be deducted from the account often increases with how much the cost fluctuates from invoice to invoice. This of course looks different for different industries, but is also dependent on whether the customer has a variable or fixed contract.

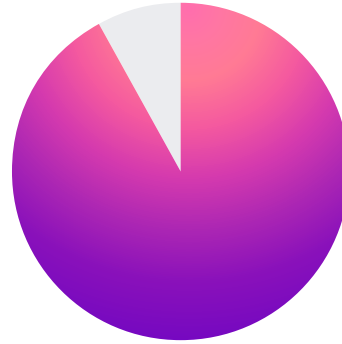


On the whole, the rule is that the more the amount stands out, the more information and better insight the customer wants. There are of course always customers who generally have a high need for control, but who at the same time appreciate the ease of payments that are withdrawn automatically.

Increased clarity and transparency about the cost generally contribute to customers obtaining more trust and better relationships with their suppliers. Today, more and more companies are getting better at highlighting the customer's payment history and user data; this is frequently done on My pages. However, this solution comes with two challenges. First, customers are usually only shown past data, rather than information about upcoming or impending costs. Second, it is often a challenge to get customers to visit My pages. This is due, among other things, to the fact that such pages almost exclusively require that the customer first log in, which in turn requires access to login information. All of this together raises the threshold for the customer to make the effort to log in.

10.

92% would appreciate information from their supplier as to why an invoice is higher than usual



An invoice where the amount stands out raises questions that, if left unanswered, often lead to dissatisfaction and an increase in incoming customer service cases. If the amount is affected, for example, by the season, commodity shortages, or similar aspects, the risk is high that the customer's knowledge of this is low or is completely lacking. By communicating proactively, a negative reaction can be avoided and instead turned into a positive interaction. This makes the customers feel that the supplier has their best interests in mind and thereby strengthens the relationship, which in turn increases loyalty.

For today's companies, proactive communication is often a challenging task, as the number of channels is increasing, while the number of channels that reach the entire customer base is becoming fewer and fewer. That remaining option is to communicate widely in all channels, which becomes both time-consuming and costly.

If a cost increase applies to all customers, an effective way to reach out to the majority of customers can be a mailing together with the invoice. The disadvantage of these is that they often generate an extra cost when it comes to paper invoices, as another page is to be printed and packed. Some digital invoices offer the possibility to adapt the email communication so that the customer can be informed of the price change before opening the attached PDF invoice.



How Billogram works

As the importance of efficient customer communication has increased, Billogram has redesigned the invoice to provide space for more information. This applies partly to paper invoices, partly to the email that goes out with digital invoices and on every digital invoice. Information and images can be added and varied with each mailing. Different messages can also be directed at different target groups. There is space on Billogram's digital invoice which can, for example, be used to share information about rising costs, personal offers or surveys. This functionality is also an effective tool to make available information that otherwise requires the customer to log into My pages. For example, consumption data can be presented on the invoice and link directly to My pages.



11.

Only two out of ten trust paper invoices sent in the mail to arrive



This figure is perhaps more alarming than surprising, considering that the majority of all invoices are still postal. Regardless of how legitimate the customers' distrust is, there is cause for concern. This is because when invoices are delayed or do not show up it often causes dissatisfaction, customer service cases and a loss of trust in the supplier. Even in cases where the blame for the invoice not arriving rests with the printing partner or a failed mail delivery, the customer's frustration is often directed at the supplier anyway. It is the company that the customer sees as ultimately responsible for the invoice arriving on time.

Unlike suppliers who can charge a late fee, the customer cannot demand compensation for a missing invoice. If it is a one-off event, the customer is often understanding and forgiving, but if it becomes a pattern, it will probably contribute to increased churn.

In addition to the customers' lack of trust in postal deliveries, there are also several other reasons to push for a phase-out of postal invoices. Paper invoices generally run a higher cost, as printing, enveloping and transport must be covered by the price. The cost of postage and print now rises almost annually, which means that paper invoices become even less sustainable in the long run. In some industries, this cost can be compensated for in the form of an increased invoice fee, but the question is how the customers perceive these fees and how this affects the overall impression of the supplier and thus the customer's loyalty. It is likely that it is enough that one supplier stops charging invoice fees, in order for the rest to be forced to follow suit.

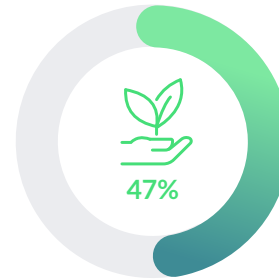
How Billogram works

Digital invoices come with a number of advantages for both companies and customers; among other things, the customer is given increased freedom of choice and improved opportunities for self-service.

In addition to the extended functionality and access to easy payment methods directly on the invoice, Billogram has also developed handy tools to easily shift customers from paper to digital format, directly via the invoice. Using them is optional, but is included in the price.

12.

Almost half of respondents would consider switching to a digital invoice for the sake of the environment



This may be seen as a sign of how highly prioritized sustainability issues have become today and how customer willingness to also contribute has increased. With this, higher demands are also made on companies actually delivering more than empty promises in terms of their environmental work, as well as other efforts made to demonstrate social responsibility.

In terms of both invoicing and handling of forms, there are great opportunities to reduce a company's CO₂ emissions. According to a report from the KTH Royal Institute of Technology, a Swedish transition to electronic invoices would reduce the country's emissions by up to 41,000 tonnes of CO₂ per year, which for most companies also means less work and lower costs. To put 41,000 CO₂ tonnes in perspective, the reduction corresponds to emissions from 500 tanker trucks filled with gasoline. So every customer who changes their paper invoice means a small contribution to something that has a large effect combined.

It is important, however, that the switch itself is not complex, for the will to change is far from synonymous with the energy to act, especially if it takes some effort by the individual customer. For example, the use of paper forms is often time-consuming and costly for both companies and customers, and in that case an email form is an easier way to go. It is even better, of course, to give the customer the opportunity to easily switch or change the distribution method through My pages.

How Billogram works

We offer a switch from paper invoices by QR code or text message directly on the invoice. In this way, the customer can act directly at the time of payment when the desire arises and the willingness to change is there.



13.

46% would appreciate it if it was clearly visible on the digital invoice whether it was paid or not



One of the biggest problems with invoices is the cognitive burden they entail for the recipient. People usually have several invoices that they receive and pay every month. It is therefore important to keep track of which ones have been received, where they are kept, how they are best paid, and if they have been paid. Even the most organised person can miss an invoice, for example, if they're out of town.

For many companies, basic questions such as "is my invoice paid?" or "can you send my invoice again?" constitute a large part of the company's incoming customer service cases and thereby cost time, resources, and money unnecessarily.

How Billogram works

We offer our suppliers the opportunity to use simple and free tools that efficiently shift customers to a digital and interactive invoice, which works like a website. In this way, it does not risk getting lost to the same extent as postal invoices. In addition, the interactive invoice has functionality that in real time makes it clear whether it is paid or not and highlights any previous invoices that are not yet paid.



Summary

Although the survey Novus carried out covers a wide range in the area of payments, several of the customers' responses point in the same direction. So what lessons can be learned from this study?

A missed payment is a missed opportunity

The fact that so many customers miss their payment and also worry about missing it, in combination with a missed payment having a negative impact on the overall impression of the supplier, means that there is a lot to gain for the supplier that uses this to its advantage. The link between missed payments and impaired loyalty is further corroborated by the fact that 31% say that they stay longer with a supplier that prevents missed payments. Customer data from Billogram also shows that the loss of customers is almost three times as large among the customers who miss their payment, than with those who pay on time. Today, it is possible to avoid many of the reasons that a customer misses their payment. For example, the invoice's due date can be made clearer, or payments can be scheduled by customers in advance directly via the invoice. At the same time, it is also effective to remind the customers on the invoice's due date, which Billogram carries out via email or text message.

The importance of proactive communication

The majority of the customers would appreciate being reminded of an unpaid invoice on the due date. They would also appreciate greater clarity about why their cost is higher than usual when this is the case. Even among customers with automatic payments, there is a demand for more communication, as these customers want, among other things, their cost to be communicated to them before the money is withdrawn. The demand for proactive communication is clearly widespread. This communication is also the key to being able to justify as a supplier why you are the best choice for your customer, but also why the customer's cost looks the way it does, in order to avoid your customer switching you out for a promise of a better price.

Demand for the ease of digital services

There are very few who trust the traditional paper invoice to arrive in the mail and, at the same time, there is an increasingly widespread demand for alternatives in the form of flexible digital solutions. In a previous Novus survey, a full seven out of ten customers claimed that they now had higher expectations of new digital solutions than five years earlier. This is also clear when the customers in the latest survey express a desire to be able to see for themselves whether an invoice is paid or not, and want the possibility to easily switch to automatic payments themselves. So digital flexibility is about improving the clarity of the invoice and the customer's possibilities for self-service, but it is also a prerequisite for enabling proactive and more personal communication.

Thank you for taking the time to read this report and we hope that the content was instructive! Read more about payments and Billogram [here](#), or download our customer relationship report for more interesting reading!

About Billogram

Since its launch in 2011, Billogram has renewed an outdated billing process by offering companies with recurring payments an intelligent digital platform for payments. At the same time, we improve the customer experience around the payment process with easy interactive invoices.

With the help of smart technology, we help companies strengthen their relationships with their customers, at the same time that we automate processes, reducing costs, increasing revenues, and reducing customer churn. The result is a payment that benefits everyone.



www.billogram.com