

# explore

Staying solvent in times of coronavirus

## Strong and steady through the crisis

eos-solutions.com

The magazine for customers of the EOS Group



**Decision-making**  
How does gut feeling work?

**Cross-border**  
Debt collection worldwide

**NPL trading**  
Digital market-places save time



# EOS at a glance

## Main activities

- Fiduciary debt collection
- Purchasing unsecured and secured debt portfolios
- Real estate realization

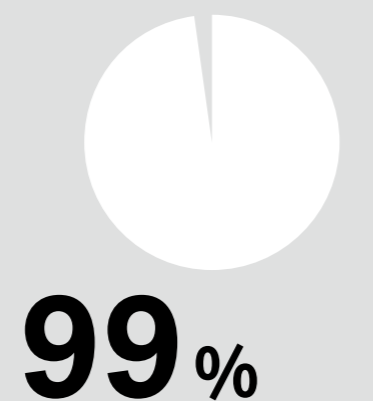
Originating in 1974 as the debt collection arm of the Otto Group in Germany, EOS is now a leading technology-driven financial investor with specialist expertise in the processing of outstanding receivables. EOS is a trusted partner to customers from a wide range of sectors in 26 countries.

For Europe's banks, we are one of the preferred purchasers of non-performing loans (NPLs). We take over receivables management for companies, municipal authorities, and administrations, even across borders. Through our services, we ensure liquidity and investments and safeguard jobs. However, our most important investment is in our employees, who use cutting-edge technology to give their best, day after day. We introduce some of them to you in this magazine.

The companies of the **EOS Group** are located in **26** countries.

Through its **international network** of subsidiaries and partners, EOS offers services in more than

**180** countries.



of all paid cases in **international debt collection** are settled by us **out of court**.

More than **7,500** employees work for the EOS Group worldwide.



**20,000**

**customers**, including banks, insurance companies, utilities, mail order firms, telcos, mechanical engineering companies and publishers, are served by our more than **60 subsidiaries**.

editorial

## Dear Readers,

What a year that was. Plenty has happened in the past 12 months, in both negative and positive ways. The crisis has shown how adaptable we humans are – how we live, work, and stick together in times of crisis.

Necessity has made some business owners inventive. Drive-in movies are celebrating a renaissance while artists and performers are using live streaming to reach their audiences. A well-known Hamburg-based gin distillery converted its entire production line to turning out hand sanitizers.

Many companies, however, were completely blindsided by the pandemic and now have their backs to the wall. What they lack is liquidity. It may be that they operate in a sector that has been severely affected, or that their partners quite simply can no longer pay their outstanding bills. So what can you do to make sure you are still solvent in the future? We explore some of the options in our coverage of the coronavirus crisis. At times like these, rethinking liquidity management can mean the difference between whether a company goes under or survives.

How to weigh the options? In the second dossier of this issue we take a look at the art of making decisions. When should we trust our gut feelings and when should we follow our heads? Especially in times of crisis, good decisions made quickly are needed more than ever. What kind of decision-maker are you?

Of course, the coronavirus is overshadowing everything at the moment, even in our magazine. However, we hope that the many inspiring stories in this issue will help you to take a break from everything that is going on. Enjoy your reading!

**Klaus Engberding**,  
CEO of the EOS Group





content



**03**

**editorial**

EOS CEO Klaus Engberding explains why we should tackle the crisis head-on without losing sight of the good things in life.

**06**

**starting up: EOS News**

A lot has been happening at EOS: We won an innovation award, launched a chatbot and a new AI system, and compiled the figures for fiscal 2019/20.

**dossier NO-1  
Corona**

**12**

**How EOS countries are experiencing the crisis**

Not every country is going through the crisis in the same way. Four of our international subsidiaries describe their experiences and expectations.

**15**

**How to stay solvent**

Many companies are struggling financially owing to the coronavirus pandemic. Good liquidity management can help firms keep their heads above water.

**18**

**Say goodbye to the open-plan office**

The market for commercial property has been upended. There are a lot of losers, but also winners.

**20**

**perspectives: The financial markets in the pandemic**

Rescue packages, entire sectors without revenue, new recommendations for market participants: Three perspectives on the financial markets in the pandemic.

**24**

**cross-border: No barriers**

EOS has been operating its Cross-border Center for 10 years. It has created a network of strong partners that is currently active in more than 180 countries.

**28**

**inside: People at EOS**

Everyone at EOS has his/her own story to tell. Four colleagues, two of whom are celebrating the 10-year anniversary of the Cross-border Center, introduce themselves to you here.

**32**

**thoughts: Understanding is the key**

The importance of cross-cultural competence is often underestimated, although it can tip the scales when securing a deal, says Ina Baum.

**34**

**fintech: NPL trading in transition**

Digital marketplaces claim to make NPL trading easier, faster and less expensive. EOS is making use of them.

**36**

**test case: One system for a lot of countries**

In a few years, several international subsidiaries of EOS will be working in the common collection software system Kollecto+. As the first country to pilot the system, EOS in Croatia has now completed its rollout.

**38**

**data flow: Data as currency**

How much digital trust do consumers have? And would they disclose their data for compensation? Overview of all the results of our survey.

**dossier NO-2  
Decision-making**

**42**

**Tell me your story**

Every debt package is unique, so determining its value can be complicated.

**44**

**“An expert knows what to ignore”**

When making decisions, is it better to use your head or trust your gut? Both are sensible strategies, explains decision-making expert Gerd Gigerenzer.

**46**

**Emotions unwelcome**

Keeping emotions out of investment decisions is the formula for success used by digital asset managers.

**48**

**style: Baptism by fire**

The coronavirus is putting companies to the test, and not just in matters of digital transformation. Having the right kind of corporate culture is becoming increasingly important during the crisis.

**50**

**tools: Hands-on is history**

How are companies protecting their employees from infection? One solution is the “touchless office”.

**52**

**outlook: The office of the future**

What will the typical office look like in the future? We asked our young colleagues for their opinions.

**54**

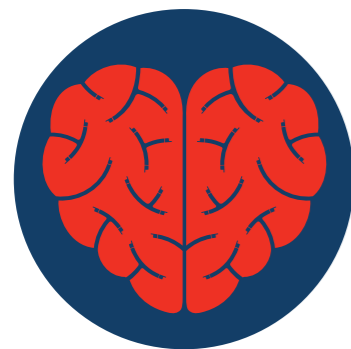
**rules: Stronger together**

The EU is working together to fight organized crime. And: Barriers to crowdfunding platforms are being removed.

**55**

**addresses**

Find your nearest EOS branch.



Illustrated by **Noma Bar** – acclaimed designer, artist and illustrator from Israel – who has designed the covers for more than 100 magazines and has won several awards for his work.

Photos: Benne Ochs (3), David Payr, Getty Images (2) Illustration: Noma Bar

## Credits

**Publisher**  
EOS Holding GmbH  
Steindamm 71, 20099 Hamburg

Tel.: +49 40 2850-1222  
E-Mail: explore@eos-solutions.com  
Web: eos-solutions.com

**Overall responsibility:** Lara Flemming  
**Editor-in-Chief:** Tabea Reich, Sabrina Ebeling  
**Publication frequency:** twice yearly

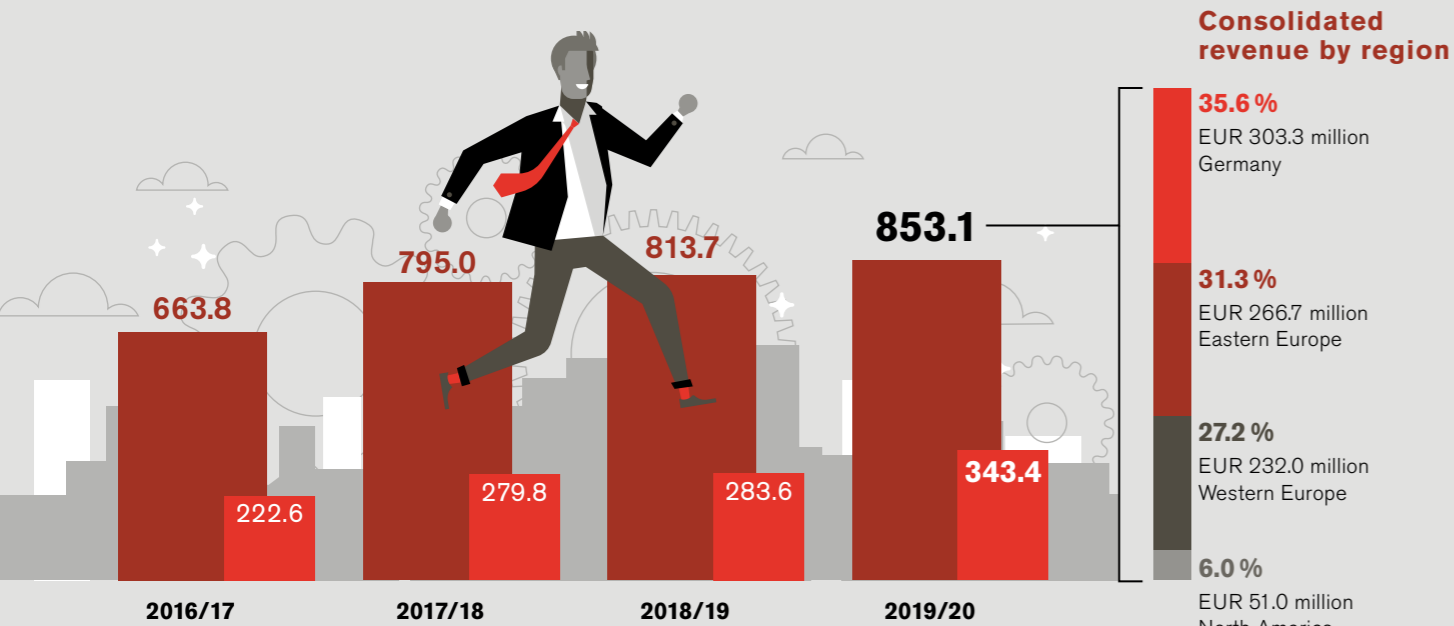
**Editing & layout:** C3 Creative Code and Content GmbH, Hamburg  
**Editorial board:** Georg Dahm, Philipp Stiens  
**Editing:** Nicholas Brautlecht (fr.), Isabelle Buckow (fr.), Denis Dilba (fr.),

Claus Hornung (fr.), Florian Sievers (fr.)  
**Art Direction:** Eva-Maria Ostendorf  
**Graphic design:** Sandra Ost (fr.)  
**Image editing:** Annegret Strauß  
**Final editing:** Kathleen Simmons (fr.)

**Project management:** Isabell Hannemann  
**Lithography:** Giesick I Medien Produktion  
**Printing:** optimal media GmbH, Hamburg

EOS fiscal 2019/20 in figures

# Big visions – great results

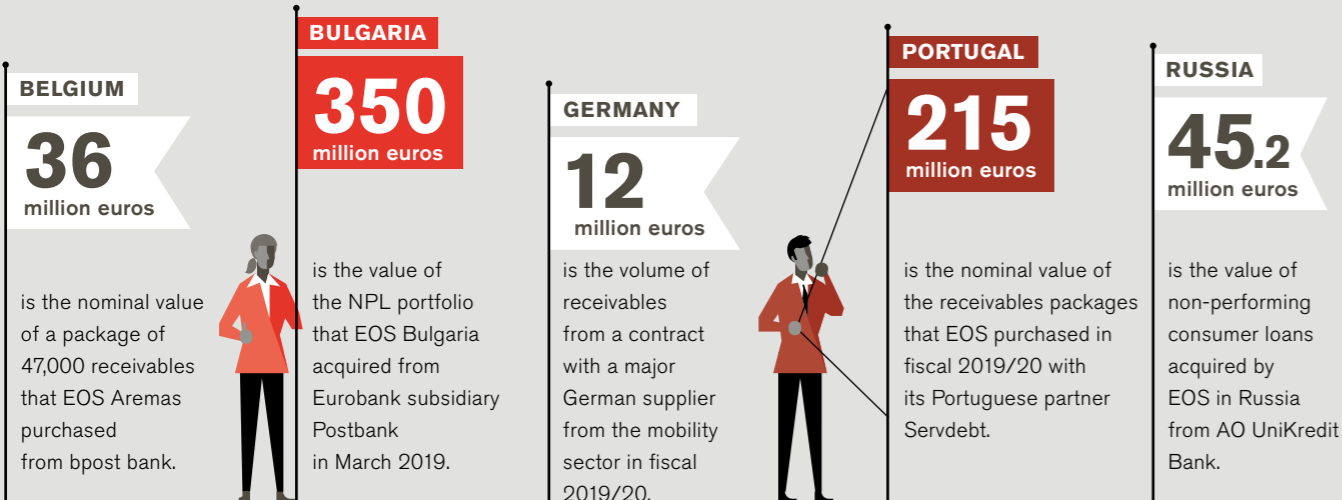


■ Revenue (in EUR million)  
■ EBITDA (in EUR million)

EOS Consolidated closes fiscal 2019/20 with a substantial increase in earnings compared to previous year, which also was very successful. At EUR 853.1 million, consolidated revenue is up 4.8 percent over the previous year's excellent results, although two companies were sold during the fiscal year.

## Selection of top investments

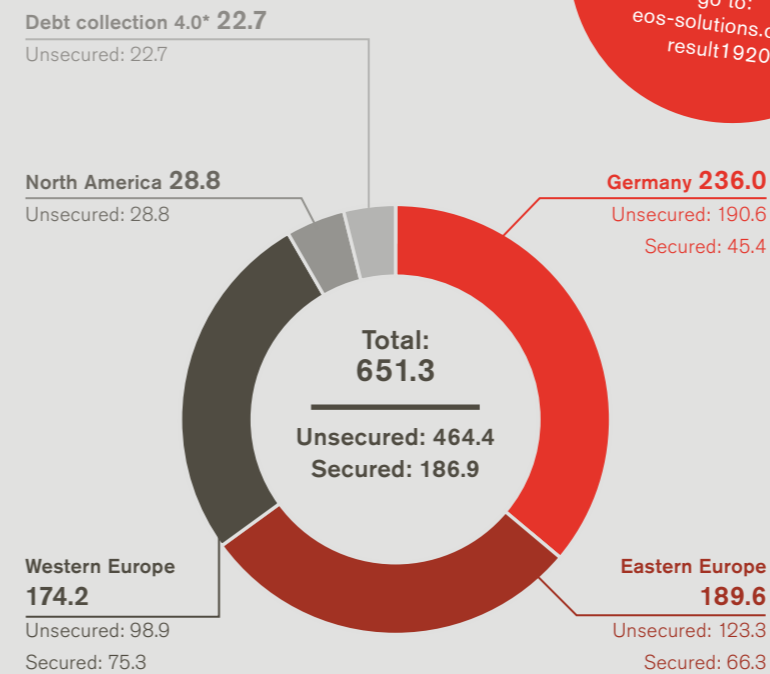
The EOS core business and growth area consists of NPL purchases and real estate requiring restructuring. Once again in 2019/20, EOS confirmed its commitment as a global investor.



## Twice as strong in receivables purchasing

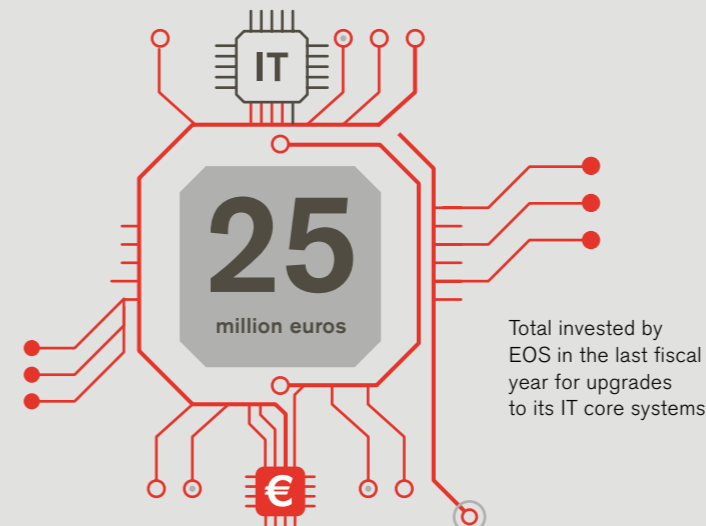
Purchases of secured receivables and real estate alone doubled in comparison with the previous year. EOS invested a total EUR 651.3 million in unsecured and secured receivables and real estate. All data in EUR million.

For the complete Annual Report 2019/20 go to: [eos-solutions.com/result1920](http://eos-solutions.com/result1920)



\*EOS buys NPLs in countries where it does not have its own company and the receivables are serviced by a local partner.

## IT investments in fiscal 2019/20



## Matrix 3

### EOS in Bulgaria markets its own software

EOS IN BULGARIA HAS BEEN WORKING with its own debt collection tool Matrix for 15 years. The company recently launched the third version of the software with a comprehensive technological upgrade. Meanwhile, Matrix 3 is proving very popular with a number of EOS customers who are using the system to improve the efficiency of their receivables management. They appreciate its flexibility and the many functions that offer much more than conventional tools like CRM systems. The license for Matrix 3 is offered in conjunction with an annual upgrade and maintenance service.



## AGM Debt collection association

### Pedd re-elected, Code of Conduct adopted

ON SEPTEMBER 17, 2020, the members of the German Association of Debt Collection Companies (BDIU) gathered in Berlin for its Annual General Meeting, which was held with special precautions in place due to the coronavirus situation. Kirsten Pedd, Chief Compliance Officer and Head of Public Affairs at EOS Group, was confirmed in her position as the association's president for a further term of office of four years.

The association also adopted its Code of Conduct (CoC). Through the CoC, member companies establish rules for debt collection services that in some cases go beyond the statutory requirements. In doing so, they aim to meet their responsibilities within the debt collection sector. The Code of Conduct covers the entire life cycle of a receivable, from acceptance of the collection order and communication with defaulting payers to other obligations related to the processing of payments and the handling of complaints and queries.



**Innovation Award 2020**

**1st place**

Business magazine Focus Money has named EOS Deutschland Germany's most innovative company in the field of receivables management in 2020. The award is presented to companies that have demonstrated particular innovative capacity in their sector.

**Chatbot**

# Hello, I'm Tom

IN JUNE 2020, a very special colleague celebrated his first day in customer service at EOS Contentia in Belgium. His name is Tom and he is a chatbot. In Flemish, French and English, he responds to the frequently asked questions of defaulting payers and transfers them to the service portal. Callers also can ask the chatbot about outstanding payments, charges and other information about their unpaid bills.

Development of the artificial intelligence tool began in October 2019. The objective was to automate customer service and make it accessible around the clock. Tom can be found on the EOS Contentia website and service portal.

**Artificial Intelligence**

# Real estate valuation done differently

WHEN EOS THINKS ABOUT BUYING a debt portfolio secured by real estate, sooner or later the Secured Portfolio Valuation Team gets involved. The team's job is to check the value of the real estate behind the receivables to determine a suitable purchase price. Until now, the evaluations have been made by internal (and in some cases external) property valuers. They now have an extra tool at their disposal that is designed to deliver more accurate results through the use of artificial intelligence.

Right now the tool is still a prototype that is being developed in-house at the EOS Center of Analytics. Using data like location or size of property, it determines the value, offering the team led by Sebastian Pollmer,

the Head of Secured Portfolio Valuation, an extra decision-making factor. The tool is intended to assist the team with pricing future offers more accurately and fairly and to help the company set itself apart from the competition.

The prototype will be used initially on the French market, where there is an extensive, freely accessible database with the historical purchase prices that AI needs to achieve better results. To process the large volumes of data, the AI system uses the computing power of the Amazon Cloud. It should be fully operational by the end of 2020. If the test phase in France is successful, the AI-assisted real estate valuation tool will soon be used in other countries.

**EOS Data Survey 2020**

**Data as currency**

WHAT DO PEOPLE THINK THEIR DATA ARE WORTH? And how much do they trust companies to process it? Data is already the fuel of the economy. But consumer attitudes on the handling of personal information are changing. EOS polled more than 16,000 people on the issue and has evaluated the results in a survey.

More on pages 38/39

"When handling digital data, trust and an appreciation of the value of such data play an important role."

Dr. Henning Stolze,  
Head of Data Governance & Data Management, EOS in Germany



**Also of interest ...**

In the case of secured debts, the real estate first has to be priced. Other factors are considered when unsecured portfolios are evaluated.

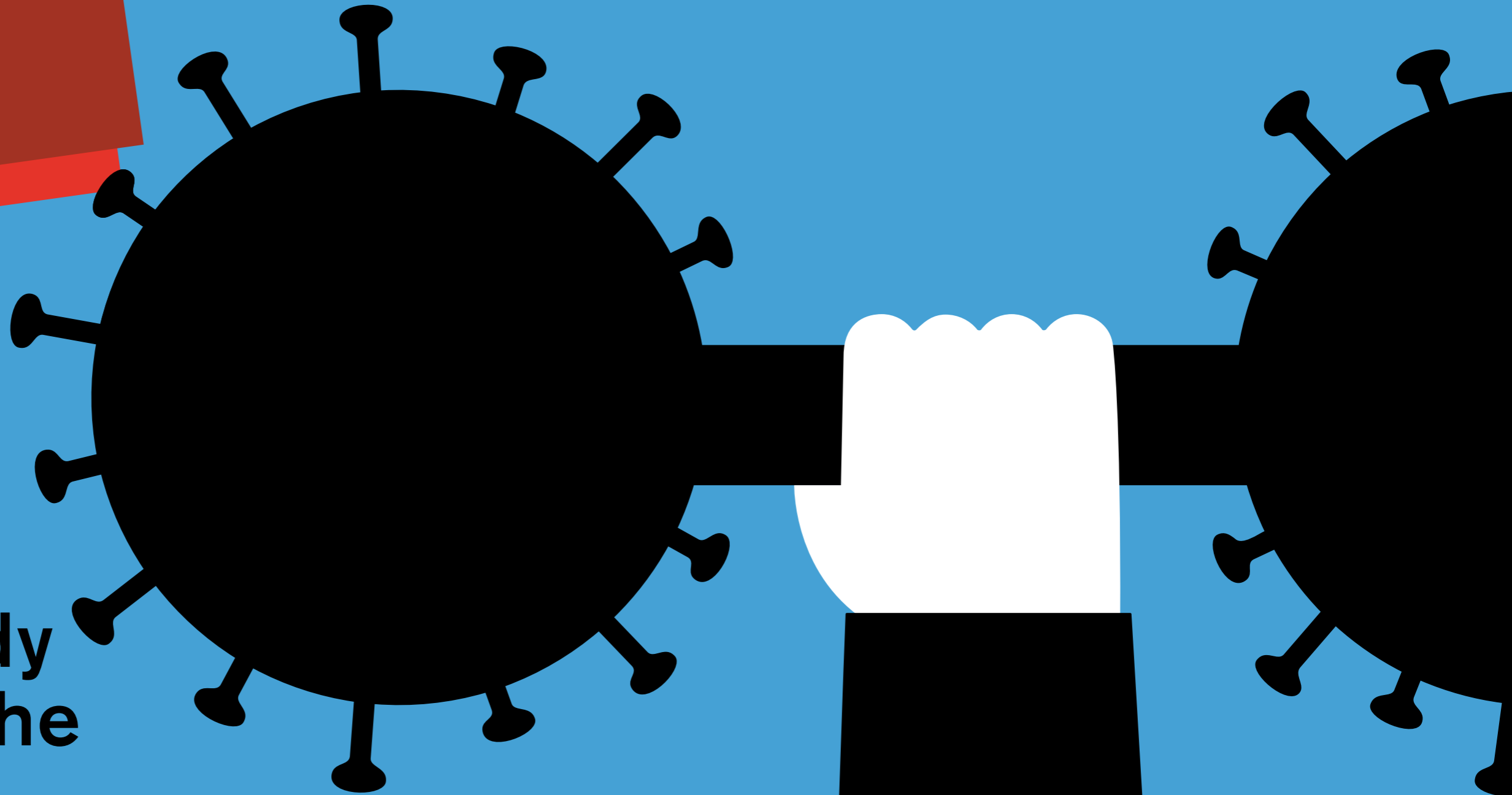
On pages 42 and 43, Matthias Schmidt talks about how to interpret the history of a portfolio.

Photos: Benne Ochs, Getty Images, PR



**Read here:**

- How four EOS countries are experiencing the pandemic.
- How companies in need stay solvent.
- How the crisis is affecting the market for commercial real estate.



## Strong and steady through the crisis

In some way or another, the coronavirus crisis affects everyone. To what extent depends on the country and industry involved. Good cash flow management helps companies in trouble overcome the crisis.

Illustration\_Noma Bar



“Most companies came through the first stages of the crisis much better than expected.”

Peter Hægerstrand Jensen,  
Managing Director of EOS  
Danmark



“Bailiffs stopped working. Out-of-court-settlements have become the focus.”

Nathalie Lameyre,  
Managing Director of EOS France



“Croatia's average NPL ratio will double to eleven percent in 2021.”

Barbara Cerinski,  
Managing Director of EOS  
Matrix in Croatia

## Who is still paying bills now?

Courts are no longer in session, consumers are worried about their financial future, and the viability of entire industries is jeopardized: What does this mean for Europe's debt collection sector? We asked four EOS national subsidiaries.

Text\_Georg Dahm, Nicolas Brautlecht

### Croatia

**Croatia's economy strongly relies on tourism — how have you been coping with the pandemic?**

BARBARA CERINSKI: Tourist numbers have declined 30 to 40 percent versus last year. This isn't as bad as initially expected, but the downturn has had a domino effect on other parts of the economy. So, we will recover less money in 2020 and 2021 than originally planned. We've got to be flexible and fast in adjusting ourselves and the way we work. The crisis won't disappear overnight.

**What's the impact on B2C clients?**

If we look at telecom companies for instance: People are using their cell phones and the Internet a lot in a crisis, but probably many will stop paying invoices soon. It remains to be seen.

**What about the B2B sector?**

The logistics industry in particular has been hit hard. Many companies initially had trouble obtaining the right import licenses. We are now being hired to collect the receivables.

**How are financial institutions handling the crisis?**

Lending to consumers and firms slowed down, state lending has risen. Our banks have performed well in the ECB stress tests, so they look pretty resilient to shocks.

**What about the NPL market?**

Croatia's average NPL ratio will double to eleven percent in 2021. But it will take us another six months to get a realistic picture as state measures to support firms and consumers include moratoriums and freezing enforcement proceedings. Right now, we're receiving payments only from out-of-court settlements with defaulting payers.

Photos: shutterstock (2), EOS (4) Illustration: shutterstock

### Denmark

**Denmark isn't in the news that much when it comes to Covid-19 coverage. So can I assume that things are OK?**

PETER HÆGERSTRAND JENSEN: Actually we haven't noticed any effects on the financials of our clients or on our own finances. We focus solely on the financial sector: Banks, financing companies, consumer credit companies. In the beginning we all feared that the crisis might lead to more payment defaults, but most companies came through the first stages of the crisis much better than expected. They set aside reserves in their books, but they haven't needed them.

**Are there any industries that give your customers reasons to worry?**

I think there are only two industries where banks are worried at the moment: hotels and especially airlines; they have been receiving some subsidies from the state, but they can't keep receiving those.

**And how are the financial institutions handling the crisis?**

They have built up a very large financial buffer since the financial crisis 10 years back and they are all doing quite well. At the beginning of the crisis there were some complaints that banks were not quick enough to support small businesses with loans, but those complaints have died down in the last couple of months.

**Do you see any significant effects on the NPL market?**

It's been totally closed down since the beginning of the crisis and it is just reopening. But I think it will get back to normal, if, and that's a big if, we aren't hit by a second wave.



“Covid has been an accelerator for e-payment in Romania.”

Georg Kovacs,  
Managing Director of EOS KSI in Romania

### Worried consumers

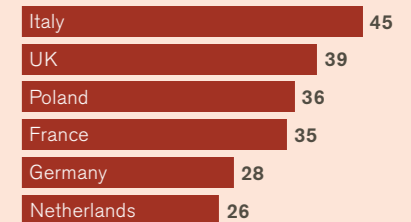
Statements by private individuals about their planned expenditure, data in percent. Source: Deloitte Consumer Tracker, 3.10.2020



I'm concerned about making upcoming payments



I'm delaying large purchases



## Romania

### How is the Covid-19 pandemic affecting the B2C collection business in Romania?

GEORG KOVACS: In the banking sector we saw a ten percent increase in case volume. In these times, banks have relied more on us as a partner than before and we have developed solutions together. So they focus more on digital collection tools. In Romania only two to four percent of the customers pay by direct debit. Everybody else pays cash at the bank, which is not easy right now. So banks tell their customers: Yes, we understand things are difficult, we'll postpone your due date, but won't you have a look at these digital payment tools? So Covid has been an accelerator for e-payment in Romania.

### So the NPL market is also quiet?

Yes, we don't expect real NPL market growth until Q1 or Q2 of 2021.

### How about your other B2C customers?

In the telecom and utilities sector our case volume increased by 20 to 30 percent. Some of that came from our competitors that choose to downsize due to the crisis, but the majority came from an increase in defaulting payers.

### How are companies keeping up?

We see an increase in payment defaults affecting the courier business, the packaging industry and the leasing industry. And then there's the medical sector: Romania has many private clinics and they have a lot of cases for us.

### Is it hard for SMEs to get liquidity right now?

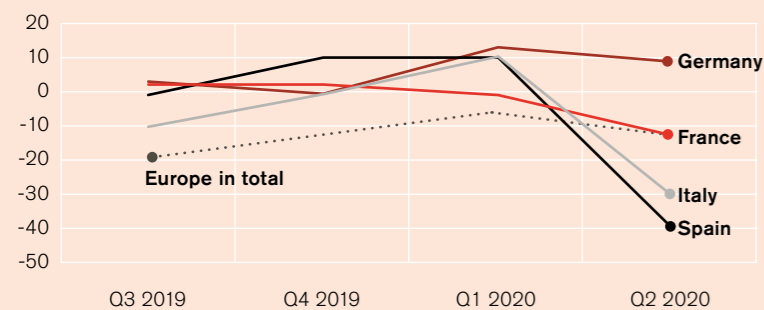
No, SMEs are getting huge access to capital through various state-guaranteed loans, and the banks are really pushing them. Other lending has slowed down.

### Are the banks fit to deal with the crisis?

For now, yes. The financial institutions were hit quite hard in 2010, when they had products and loans that weren't very rational. There were credit cards with a 100,000 euro credit limit to VIP customers and many real estate loans were not well done. This time around the banks are much better prepared. So I think there will be NPLs, but not as many as last time because they all learned their lesson.

## It's becoming easier to get a loan

The Lending Survey published every quarter by the European Central Bank (ECB) shows whether banks are tightening or loosening their criteria for issuing corporate, home and consumer loans. The diagram shows the net percentage rate of banks that report a tightening of their lending criteria. Source: ECB Lending Survey Q2/2020



## France

### How has the crisis affected your business?

NATHALIE LAMEYRE: France is one of the countries hit hardest in Europe and within the EOS world. Courts were closed and bailiffs stopped working. As a result, our revenue in the March-July period fell sharply. The same applies to earnings before tax. We're trying hard to catch up, but might not be able to reach initial targets.

### What's the impact of the crisis on B2C clients?

Repayment deadlines for unsecured loans were postponed. Out-of-court settlements, which usually make up two-thirds of our revenue, have become the focus. We found flexible solutions for a lot of defaulting payers. With mortgage loans everything has been delayed by six months at least as properties couldn't be sold.

### Significant liquidity gaps anywhere?

Among consumers, we're seeing a paradox: The state is funding short-time work and paying unemployment benefits, while people have little chance to spend money on travel, entertainment and restaurants. So, many consumers are in a pretty good shape financially. On the corporate side, we've seen a few bankruptcies, but the real problems for the economy still lie ahead of us.

### What about the contingency collection business?

When the crisis began, we and our clients decided to grant delays to defaulting payers. However, volumes have doubled since June and, with the end of the moratorium, we see that people are trying to catch up. The B2C segment has performed well, but the situation is a little bit more difficult for B2B customers.

### What about the NPL market?

There's little on offer, competition and prices are high. The sellers have postponed many transactions. So far, our investments are significantly below the level of last year's. However, we are ready for the big volumes to come on the market in a few months.



# Keeping afloat

If you can pay, you'll survive. Companies that want to survive the coronavirus pandemic and the next crisis too should establish an effective liquidity management system.

Text\_Claus Hornung  
Photo\_Benne Ochs

The coronavirus crisis has led many companies to the alarming realization that full order books and strong sales can quickly become worthless, in the truest sense of the word. When supply chains are interrupted, branches are closed and customers take a wait-and-see approach, what matters most is liquidity. In the next few months this message could carry even more weight than at the start of the crisis. Experts

are expecting a wave of insolvencies and overdue payments from customers or business partners. The situation demands that companies take some decisive measures now.

### Ensure process flows in times of crisis

To make sure that processes continue to work during a crisis, accountabilities and responsibilities need to be clearly defined. Who is allowed to release or stop payments? Who is

the deputy if the person with primary responsibility is not available? Especially during a pandemic, colleagues may be absent because they are ill, in quarantine or working from home or may be simply difficult to reach. A deputy has to be more than just a name on a piece of paper. He or she has to be familiar with the processes concerned. To maintain an overview of all data and processes, companies should appoint a chief liquidity →



officer. In fact, many companies already have a dedicated liquidity officer or "cash manager". However, in many cases the job is not to ensure the company's ability to meet its financial obligations, but merely to optimize cash flows and liquid funds. "In mid-sized companies in particular, cash managers in recent years have focused on avoiding negative interest," says Thomas Schmidt, partner in Corporate Treasury Consulting at the auditing firm EY: "Often, the attitude has been: If cash is tight, we'll simply go to the bank."

**Consolidate important data**

The cash manager has to have all relevant data gathered in one place. "This means above all that he or she has to talk to the

accountant," says EY Partner Schmidt: "For example, the cash manager sees two million euros in the account, which would be enough to cover the usual monthly payments. The accountant, however, knows that one million comes from an unforeseen one-time payment. When the monthly payments are made as usual, the company could have a cash flow problem." Just as important as the communication between colleagues is the technical framework for data reconciliation. All cash-relevant data should be retrievable digitally in a standardized form. In the case of acquisitions, one of the first steps should be to synchronize data and systems. "In a lot of companies, each department produces its own budgets.



"In times of crisis you should be looking at the figures daily, so that you can provide banks or other creditors with information quickly."

Thomas Schmidt,  
Partner at EY

"If, for example, the cash manager wants to know the amounts and timings of expected payments from the advertising budget, the manager has to call the marketing department," says Schmidt. "That's why many companies had trouble putting together all the necessary documents for a liquidity forecast at short notice when they were applying for coronavirus support from the KfW, the German development bank,"

**Monitor liquidity, find alternatives**

The sudden outbreak of coronavirus underscored how important it is to look ahead. Companies should not just keep an eye on current figures, but should use them as the basis for mapping alternative scenarios. How long can

the company survive if sales revenues collapse? In times of normal operation all that is needed is a monthly record of all relevant data, says Schmidt: "In times of crisis, you should be looking at the figures daily, so that you can provide banks or other creditors with information quickly." The process should be designed from the outset so that it can be switched to generate a daily record at any time.

**Identify default risks in good time**

To avoid cash flow problems, a company has to identify default risks. Credit checks should be standard practice, to reject risky customers preemptively or make them pay in advance. "This was actually a lesson from the global financial crisis in 2008," says Schmidt.

However, the practice was neglected in recent years when the economic climate was good. "In many companies nobody wanted to halt sales." In some cases default risks were not being recognized because companies were assessing risks using the wrong parameters. "Generally there are rigid processes in place, for example, phoning the customer after the second reminder," says Schmidt. He advises using software tools that produce predictive forecasts. "Such systems identify trends. If, for example, a customer never pays until after the second reminder, there is no cause for concern if that happens again. But if the payment practices of a previously reliable customer gradually deteriorate, then that is something to worry about and a reason to make inquiries right away." ■

Photos: Benne Ochs, Chris Weinger / EY

## "Now is the time for companies to take care of their receivables management"

### Three questions for Andreas Behmenburg, Regional Sales Manager at EOS in Germany

**In times of crisis, liquidity is absolutely crucial to business survival. Can the outsourcing of receivables help?**

ANDREAS BEHMENBURG: Definitely. Receivables management is not one of a company's core activities and generally does not get a lot of attention from management. The amount of effort involved in efficiently recovering receivables should not be underestimated. It calls for personnel resources, legal expertise and technical infrastructure that itself costs money, e.g., in the form of software licensing fees. Because EOS specializes in this area, a lot of our processes are automated, and therefore much more efficient than in companies that have to do these tasks manually. Moreover, companies are allowed to bill only for dunning charges, whereas debt collection companies are permitted to claim default losses in accordance with the German Law on the Remuneration of Attorneys (RVG), which has positive financial implications for their clients.

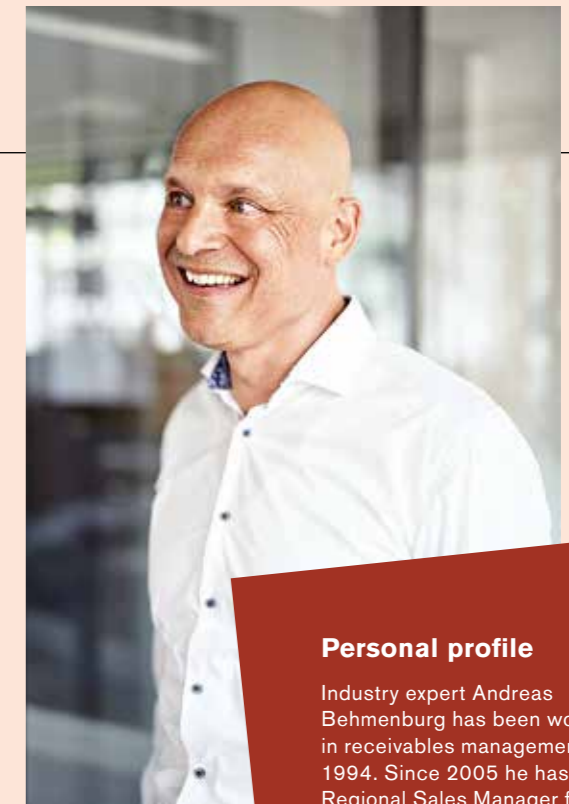
**Is the coronavirus crisis having an impact on the work of EOS?**

So far our business has been very steady and the crisis has not yet been reflected in the payment practices of defaulting customers. However, for the last quarter of 2020 and the start of 2021 a significant increase in company insolvencies can be expected, resulting in an associated rise in unemployment. We have noticed in our conversations with clients that the issue of liquidity has become much more important than it was before the crisis. This is why now is precisely the right time for companies to give more thought to professional receivables management.

**How do you determine which service provider can be trusted?**

First and foremost, a good debt collection service provider will be a member of the Federation of German Debt Collection Companies (BDIU). But it should also treat defaulting customers fairly

and equitably, so that after the debt has been settled the customer will happily use the creditor's services again. Another distinguishing feature of a good debt collection company, for example, is that its agents are personally available to defaulting customers via their preferred communication channels at the times they prefer from morning till evening. The service provider should therefore be able to use all channels like email, SMS, personal visits or chat functions with collection experts. That includes offering defaulting payers the option of using a preferred payment method like PayPal or Apple Pay. In addition, a reputable debt collection company will levy fees in accordance with the statutory regulations, because the client would generally like to continue to do business with the consumers after the debt has been settled.



**Personal profile**

Industry expert Andreas Behmenburg has been working in receivables management since 1994. Since 2005 he has been Regional Sales Manager for EOS in Germany.



# Say goodbye to the open-plan office

The coronavirus crisis also is influencing the market for commercial real estate. While the travel and restaurant sectors have to cope with severe losses, office premises and logistics facilities could boom in the long term. This could mean greater flexibility and more restrictive valuations for the trade in real estate-secured receivables.

Text\_Claus Hornung

**S**ilence has settled in German office buildings. There are some signs that it's going to stay that way. For the coronavirus crisis will leave its mark on the commercial real estate market, although the consequences vary for different types of property. For example, open-plan offices could die out, says Hela Hinrichs, Senior Director EMEA Research & Strategy at real estate consulting and investment firm JLL. "In many companies in future, the staff will no longer sit as close to one another as they did before."

At the same time, another development is pointing in a different direction. Major companies like Siemens and Deutsche Bank have announced that even after the pandemic they will allow many of their employees to work mainly from home. "I expect there will be a decline in demand for office premises," says Michael Voigtländer, the author of a study published by the German Economic Institute (IW) in July 2020 about office-based employment in Germany. However, estimates to date assume that in Germany, no more than 10 to 15 percent of the workforce could work from home on a permanent basis. That's why no significant price reductions for office premises have been seen, says JLL expert Hinrichs: "We hope that these two effects will balance one another out when the economy picks up again."

### Companies are bringing their production facilities back closer to home

There are positive developments in the logistics segment as well. During the crisis, many companies needed short-term storage areas for goods that could not be shipped. In addition, the collapse of international supply chains caused the manufacturing industry to consider new strategies: "There will be a move towards nearshoring, i.e., bringing production and storage facilities closer to home," says Hinrichs: "In the long term, this could result in a significant increase in demand for logistics premises in Europe."

The hotel sector, however, has been badly affected. In mid May, for example, hotel occupancy in continental Europe was five percent on average, according to data from JLL. This

figure had increased to as much as 27 percent by the end of July as people resumed vacation travel.

### Say goodbye to the open-plan office

The coronavirus crisis also is influencing the market for commercial real estate. While the travel and restaurant sectors have to cope with severe losses, office premises and logistics facilities could boom in the long term. This could mean greater flexibility and more restrictive valuations for the trade in real estate-secured receivables.

Interest in student residences has also fallen sharply and any changes seem unlikely in the short term, says Hinrichs. This is partly because many universities have already announced that all lectures in the winter semester will take place online, and partly because international students either cannot or do not want to return.

### Stock values of major investment funds have plummeted

The retail segment is taking a different course. Generally, demand for retail properties has declined enormously, as have the stock values of major listed real estate companies in Europe whose revenue comes from renting out retail properties. According to JLL, by the end of July the capitalization-weighted stock exchange quotations of those companies had fallen by an average of 57 percent compared with their pre-coronavirus value. However, in future some inner-city retail spaces could be used as package depots for the expanding online retail segment, says Hinrichs: "There is already a demand and in big cities like Paris and London in particular that could increasingly play a role." Moreover, supermarkets often are a positive exception. However, even here, differences are seen among countries. The UK, for example, has had a strong online grocery sector for a long time.

Across all property types, JLL figures show that direct real estate transactions have decreased by about 15 percent in Europe and almost 30 percent globally, compared to the first six months of the previous year. "I assume that the balance sheet for the year will be negative," says Hinrichs. "Nevertheless, we hope that sales will soon pick up again."

### Growing trade in receivables is reviving the market

Through a subsidiary, EOS also owns various commercial properties, primarily in the retail segment. "However, these properties are not in expensive prime locations. In addition, they are mostly supermarkets or suppliers of everyday products or services, like hairdressers," says Jochen Prinz, Managing Director of EOS Immobilien Workout: "That's why we are not expecting a major downturn in this area."

But the coronavirus crisis will also affect the trade in non-performing loans (NPLs) secured by real estate, says Prinz. In the case of existing portfolios, there is therefore a need to be flexible: "You then have to talk to the tenants about the conditions or find creative solutions, e.g., by turning an unprofitable hotel into a nursing home. In the next 12 to 24 months Prinz also expects many bankruptcies and a flood of related receivables onto the market. "We will need to proceed very carefully with our valuations and cut prices if necessary." Nonetheless, this development would probably invigorate the NPL market," says Prinz, adding: "In the last two or three years, at least in Germany, there were hardly any portfolios secured by commercial real estate on offer. If the market were to open up now, EOS could help to increase the cash flow into the economic cycle." ■



Jochen Prinz, Managing Director of EOS Immobilien Workout in Germany, expects the market for NPLs secured by commercial property to open up.

# What now for the financial markets?

**Rescue packages for unprecedented amounts, entire sectors with no revenue, new recommendations for lenders and debt collection companies: three perspectives on the financial markets amid the pandemic.**

## Banks

### “Liquidity hoarding is being scaled back again.”

**Mr. Stickling, you recently presented the European Banking Study 2020, in which you write: “The GFC was the banks’ original sin; the pandemic is their absolutism.” What do you mean by that?**  
HEINZ-GERD STICKLING: In the global financial crisis the turmoil was triggered by the banks and certain sub-markets. What we have now is a completely different situation. We are coming out of a ten-year economic boom and the banks are not part of the problem, but part of the solution, as an extension of governments and central banks.

**But could the banks cope if corporate and personal insolvencies pile up and loans become non-performing?**  
The better we now manage to cushion the double hit of collapsing supply and demand that is currently affecting companies, the better that banks too will come through this crisis. In this context they are conducting themselves very cleverly, by trying to support all companies that were on a sound footing prior to the pandemic. The order of the day is to go in quickly and get back out again as soon as possible.

**How do you expect this to affect the issuing of corporate loans?**  
When the crisis broke out and the degree of uncertainty was high, all companies, even those in good financial health, extended their liquidity facilities. And the banks played along. We now have the first phase of fighting the pandemic behind us and have reached a “new normal”. The figures show that this hoarding of liquidity is already

being scaled back again. Everything we are seeing now is very normal and rational.

**Are you also seeing banks that are currently building up risky bad debts?**  
No, not yet. The last “normal” recession was the dot-com crisis, with a peak in corporate bankruptcies three years later. This recession is completely different. We are coming out of a ten-year economic boom. Companies have not over-invested, many are doing really well so far, and compared with the turn of the millennium, they have doubled their equity on average.

At the same time, we are seeing the largest rescue packages in history. And for the first time, simultaneous rescue measures are in place: The central banks have responded and fiscal policy immediately stepped up to the plate on a scale that we have never experienced before. The result is that we are experiencing a crisis in slow motion.

**What does that mean?**  
It means that we will see the real effects this year only in the balance sheets of those few banks that are so strong that they can take these negative effects on the chin. Most banks are putting everything possible into risk avoidance. The hits will then come in 2021 and 2022, depending on how effective the rescue measures are. We can then expect corporate insolvencies to peak, and that’s when things start to get interesting.

**So what happens then?**  
The lesson from the dot-com crash is that when the economy picks up again you

need to invest. But at this point in time, some companies are already diminished, i.e., they have lost too much substance, can no longer keep pace with the market dynamics and so have to withdraw from the market. This is also a sore spot for banks. In their profit and loss statements the write-downs for loans are increasing and at the same time banks are facing growing demand for (investment) loans. The key question is therefore: In 2022 will banks still be in a position to help the real economy and companies to get back onto a sustainable path to growth or their original trajectory of economic potential? This is not so much about the banks’ balance sheets but their ability and willingness to issue loans. That has a lot to do with how the supervisory authorities or regulators respond.

**What kind of measures would be helpful then?**  
At a European level, regulation has already worked well, for example, with regard to relaxing accounting requirements. But we do not actually need these relaxations now during this acute crisis. We will need them in the next few years. The banks are going to experience an upswing in risk weighted assets (RWAs) because the average credit ratings will get worse. Then, if I have even more NPL portfolios etc., on top of that, I have to underpin it all with equity. That’s why it is so important for the relaxations in accounting requirements to be available when the banks are genuinely under pressure, and that we don’t say that the crisis is forgotten.

**You mentioned NPLs. How is this segment going to perform, as more portfolios are now coming onto the market?**  
In Germany that’s a non-issue, as we have an NPL rate of one percent. But we have

also made great progress in all of Europe, with an average of three percent, which is a very good value. There are only a few of the usual suspects still left with significant NPL rates: Italy, Cyprus and Greece, but it is precisely these countries that have also made major progress in reducing them. More crucial is the issue of the sovereign-bank nexus: Italian banks, for example, have a lot of Italian government bonds on their books, which are regarded as risk-free and therefore do not have to be backed by equity. From an economic perspective this is not clever. It is leading to many discussions about the banking union and capital markets union. We need to keep a closer eye on this so that we achieve harmonized economic and financial markets in Europe.

**In this context, does a harmonized insolvency law play a role?**  
A huge role. Italy, for example, has a dysfunctional insolvency law, while Germany has an efficient insolvency law. So for years, Germany has had more bankruptcies than Italy, although Germany’s economy is performing extremely well. This speaks volumes.

**As a company, how do I best prepare now for the coming years, when things might get tight at the banks? In your study you talk about getting back to the “principal bank concept”.**  
In every loan relationship there is information asymmetry. The company always has much better information than the bank. That’s why it is smart of a bank to enter into a long-term relationship with its clients, because this is a way of reducing information asymmetries. It is also a smart move for a company, because a bank will then find it much easier to support a company in challenging times as well. The more volatile a market is, the smarter it is from a company perspective to have a bank that I can trust and that trusts me. This is the traditional relationship between a principal bank and its clients. The willingness of a bank to issue a loan is invaluable, especially in times when it is almost impossible to charge nominal interest. As a normal SME with a healthy equity ratio, the interest cost is negligible. Another reason why it is much smarter for a company to have a good relationship with its bank. This is something that the major banks are now rediscovering.



**Financial markets expert Heinz-Gerd Stickling** is Partner at strategy and management consultancy ZEB.

Photo: ZEB



**Andreas Buecker** is Director General of FENCA, (Federation of European National Collection Associations), which represents the interests of European credit servicers and credit purchasers.

**Receivables Management**

## “We are seeing a mosaic of different approaches.”

**You have been in close contact with your member associations since March. How are the pandemic responses hitting the receivables management market?**

**ANDREAS BÜCKER:** As you would expect, it is a complete mosaic of different approaches ranging all the way from countries like Denmark, where basically no legislative initiatives were taken that would affect the collection business, to jurisdictions like Romania or Croatia, which discussed a payment moratorium until the end of 2020, or Italy, which decided in June that collection is one of the essential services and should continue as before. So there's a whole range of approaches.

**So what we are seeing is more of a patchwork than a consolidated European approach.**

Yes, but it's not all bad. The European Commission actually did a good thing with the publication of the Best Practice Guide. They didn't try to impose new legislation, which would have been a long and far too complicated process. Instead, they reached out to stakeholders, including FENCA, and said: Let's try to establish best practices to help vulnerable borrowers on the consumer and on the business side across all jurisdictions. That's what we released on July 14.

**But can one set of rules work across the board?**

Yes, they have been designed to be adaptable to different national circumstances, which was very important to us. For example, an early draft called for a payment moratorium for business and consumers of at least six months. We opposed this because different national economies are hit differently and recover differently. So now the guidelines say three to six months, and depending on the national circumstances, it could be extended if need.

**Have you found yourself at odds with the consumer protection side on this?**

Not really. We didn't want excessively long moratoria because they are not in the interest of people who find themselves in arrears. And we share this view with the European debt advice organisation. The goal should always be to repay the loan. It makes economic sense, and it is psychologically beneficial for the person.

**That almost sounds too peaceful.**

Oh, it was not an easy conversation to have. FENCA president Claus Spedtsberg and I have been through two very lengthy roundtables. But in the end, all parties – banks, consumer lenders, SMEs and

consumer protection organisations – moved toward an agreement. Everyone involved worried that the measures we take in a time of crisis would set a precedent. But we don't expect these best practices will be a basis for future legislation.

**Let's talk about non-performing loans.**

That is the big unknown. There is a piece of legislation that's still pending. The NPL directive is supposed to stimulate the secondary market by regulating credit services and purchases more than they are now and for the first time on the European level. It will be interesting to see how this moves forward during the German council presidency because it hasn't moved a lot recently. What we are still waiting for is the position of the European Parliament.

**How do you think the pandemic will influence that piece of legislation?**

Everyone assumes that the number of NPLs will increase again, and that will undoubtedly have reverberations on the legislative process, and FENCA will continue to be actively involved. But everything else is a matter of speculation.

**Company finances**

## “The pain will come later. But it will come.”

**Mr. Magunia, is it not so that coronavirus assistance packages are supporting a lot of companies that were on the brink of failure anyway?**

**PETER MAGUNIA:** The way we see it is that even before the coronavirus crisis, many companies had made a huge effort to introduce necessary structural change, which is not easy. Now they are also being hit by this absolutely unprecedented coronavirus pandemic. Under normal circumstances, and without adapting the regulatory requirements, a great many companies would have toppled immediately. This is something that even economically strong countries like Germany cannot cushion.

**Are the economic support packages sustainable?**

It depends on whether a company makes use of the time it gains to make its strategy viable for the future and improve operational efficiency. If a company does not actively tackle these issues, then government support is nothing but a flash in the pan. The pain will come a bit later. But it will come.

**Are you thinking about measures like better working capital management in this context?**

Absolutely. Working capital management is right at the top of this list, also to protect cash flow and that's complex. A lot of companies have initiated liquidity optimization measures, but there is no concerted approach as yet. Sometimes responsibilities are spread over too many different departments, and sometimes the issue has not yet grabbed the attention of the entire management team. We recommend setting up a "cash office" where everything is concentrated and structured.

**If government assistance programs give me access to cash flow, why should I bother about working capital management at this point?**

Companies need to ask themselves: Are we currently steering our boat towards a cliff? You cannot rely on the current situation, with all the government aid and financing options available, to last. National economies cannot keep doing this. So you need to take steps now.

**What role can financial services providers play in this process?**

Apart from providing support through their products, they can act primarily as sparring partners and advisors. If, for example, a company wants to determine how much liquidity it has to raise, it needs to have an integrated business plan consisting of different scenarios: How much do I need in the event of scenario A, B, or C? But in many SMEs and mid-sized companies, this kind of planning process does not yet exist. In this situation, banks and other financing providers can be very good sparring partners and support companies that often are unfamiliar with such tools.



Photos: Peter Himsel / FENCA, Axel Martens / Agentur Focus / Roland Berger

**Peter Magunia** is Partner at management consultancy Roland Berger in the Competence Center Restructuring, Performance, Transformation & Transaction.

# Borders no obstacle



eos-solutions.com

Although international trade stimulates a country's economy, it also creates a problem: outstanding invoices. With the establishment of its Cross-border Center 10 years ago, EOS found a way to recover debts across national borders.

Text\_Isabell Buckow Photos\_Henning Ross (3), Benne Ochs (1)

For more than 10 years, EOS and its partners have been making great strides in cross-border debt collection.

EOS explore 02\_2020

**P**et owners, who are numerous in his native Holland, create the most work for Raymond Pappot. "They often buy products online that they cannot find here, especially from shops in Germany," he says. Raymond knows thousands of these consumers by name, and every day a few more are added. On behalf of a German online retailer, EOS passes on to Raymond

the outstanding invoices that Dutch customers have yet to pay. His job is to recover the debts. Raymond has been running a debt collection business since 1988. He lives and works in Almere, 25 kilometers from Amsterdam. In 2015 he got a phone call from Romina Rosiello-Ene, who recruited him as a partner for the EOS Global Collection Network. Since then he has also been extremely successful

in recovering the debts of the German creditors that are customers of EOS Deutscher Inkasso-Dienst in Germany.

"A lot of people order things from other countries and then don't pay, for whatever reason," says Romina, Senior Manager International Relations & Solutions at EOS. But even under these circumstances, they soon receive a reminder letter from a debt collection service

in their own country and in their own language. "This is the power of the EOS Global Collection Network," says Romina: "With the help of our international partners, we can recover debts all over the world."

### Just a click away

Romina helped to establish and develop the EOS Cross-border Center. "Of course interna-

tional debt collection is nothing new," she says. But in many places, receivables management was very labor-intensive and complicated. "You need to determine where the defaulting payer is, then find a local partner to take over the case. You also need to send files and ensure that you comply with the statutory regulations of each country," she continues. That involves more effort than some companies are capa-

ble of or even want to make. "This is why in the end, many companies give up on their receivables." With the help of the EOS Cross-border Center, these creditors no longer have to write off their debts. Because the Center substantially reduces the work involved in receivables management by finding permanent partners in each country, like Raymond Pappot in the Netherlands, and through →

## cross-border

a technical innovation, the "EOS Global Collection" online portal.

That is where the local partners of the creditors can enter all the relevant information about a case, including name and address of the defaulting payers, amount of receivable and interest, invoices and reminders, and entire files. Using a country code, the platform automatically passes the case on to the relevant specialist in the country concerned, who then recovers the debts locally. EOS partners and customers can follow the progress of a case in real time, from acceptance of the collection order to completion of the recovery process.

### A strong network

"The biggest conflicts in international debt collection arise from cultural differences and different mentalities," says Romina. "Collection agents working in international recovery therefore need to be sensitive to these aspects." This is why in the platform they also have access to numerous helpful tools that are important for local knowledge, like the "Global Wiki", which lists the legal specifics, peculiarities and "good to knows" for many countries. "We enter into an alliance only if the partner is prepared to work with the platform," says Romina. "It is the very key-stone of our work."

To ensure smooth interaction between countries, EOS has developed quality standards for its partners. The Cross-border Center

makes sure that they know and adhere to the standards. The center offers the partners advice and support and also hosts webinars, workshops and training programs all over the world. Even cases that previously seemed futile can be resolved. One such example is SkyToll, a supplier of on-board units (OBUs) for toll collection in Slovakia.

Truck drivers using Slovakian freeways have to pay tolls. They carry a toll device on board (OBU) that records their route and calculates the tolls. Payment is made afterwards. The problem is that a lot of freight forwarders don't pay their invoices, and recovering the receivables is often complicated, as 70 percent of SkyToll customers come from other countries, primarily from Poland, the Czech Republic, Hungary and Romania. To get the money back from all these places single-handedly is a mammoth task. For years, SkyToll had to simply watch its outstanding invoices pile up. The company's financial situation was deteriorating. And at some point it was obvious that the situation could not continue. SkyToll needed help from an experienced service provider to collect the money from the defaulting payers and turned to EOS KSI in Slovakia.

In 2015, EOS took over about 16,500 SkyToll cases, many of them up to two years old. It was an endeavor that even SkyToll itself did not have much faith in at first, recalls EOS KSI Managing Director Michal Šoltés.

"SkyToll found it hard to believe that we could recover the outstanding debts." But the



Raymond sees the partnership with EOS as a major benefit in his daily work.



"The biggest conflicts in international debt collection arise from cultural differences and different mentalities."

**Romina Rosiello-Ene,**  
Senior Manager International  
Relations & Solutions at EOS

On the 10th anniversary of the Cross-border Center, Romina and her colleague Nour Al Dabbagh talk about themselves and their work.

More on pages 28/29

results exceeded expectations, with 40 percent of cases successfully resolved. "Today, SkyToll is one of our best cross-border customers," says a delighted Michal.

In the Netherlands, 1,200 kilometers away, Raymond Pappot and his team can resolve out-of-court up to 90 percent of the cases that they handle each year for EOS. "This reduces the costs for both parties," says Raymond. The EOS Global Collection Network is the main reason why he is so successful. "It's a huge advantage to be part of the network. It enhances the reputation of my firm and our profile as an international player." Because in the Netherlands, EOS is well established as a reputable and reliable debt collection service provider. "People know that they can trust us," says Raymond. "The logo alone opens doors." Accordingly, business is going well for Raymond. So well, that last year he had yet another telephone call from Romina, who was pleased to inform him that he was now an EOS "Preferred Partner", an exclusive designation for particularly good and trustworthy debt collection partners of the Cross-border Center.

The Cross-border Center itself is continuously improving and growing. "In 2010 we started up with 26 internal and external partners," Romina recalls. "Now we have 83." They all ensure that receivables claims can be enforced in more than 180 countries via the EOS Global Collection Platform. The results speak for themselves. In 10 years, EOS Global Collection partners processed 400,000 cross-border cases worldwide and achieved the settlement of outstanding invoices worth more than EUR 100 million. And there's more to come. The demand for international collections in the B2C and B2B segments is growing rapidly in the Netherlands, in Slovakia, and all over the world.

### For a debt-free world

"In the meantime we have become established in a lot of countries," says Romina. But not yet in all, which is why Romina and her team are continuing to pull out all the stops to fill the last blank spaces on the world map of debt collection. In the hope that soon, wherever they come from, no individual or company will have to just sit and watch while their outstanding invoices pile up. ■

To maintain the high quality standard, EOS provides its partners with ongoing training.



inside

# People at EOS: And who are you?

The jobs that we do are many and varied, so at EOS we need employees who are unique. We introduce some of them here, including two who are celebrating the 10-year anniversary of the Cross-border Center.



## Nour Al Dabbagh

**Works**  
as Consultant at the Cross-border Center at EOS in Hamburg since the beginning of 2017.

**Is particularly passionate about**  
short tours on his bike to explore new places, provided the weather is fine, of course.

"I SPENT TEN YEARS in the oil and gas industry and ten years in the hotel business before coming to EOS. Today I advise our internal and external customers in the Cross-border Center on our global collection platform. It really is a special job, because I am in contact with people from all over the world every day and am able to help them with their problems. I am really happy to get a 'thank-you' back.

In my free time I like to read, swim or do something with my three young daughters. While working from home in the early days of the corona crisis, I was able to spend more time with my family, as I'm usually stuck on the train for two hours a day."

Photos: Sebastian Schmid (1); Benne Ochs (1)



## Romina Rosiello-Ene

**Works**  
as Senior Manager International Relations & Solutions in the Cross-Border Center at EOS in Hamburg since 2010.

**Is particularly passionate about**  
travel and discovering new cultures. In addition to German, she speaks English, Italian and French.

"WHEN I JOINED EOS 10 years ago, the Cross-border Center was just starting up. Initially my job was to find new partners through which we could offer our services in countries where EOS does not have local representation. This resulted in the EOS Global Collection Network, which I still look after today alongside my other activities. When I look back, I see a tremendous evolution. Many of the partnerships that I have built up in the past 10 years have been hugely instrumental in helping to bring the EOS brand to markets we didn't normally operate in. And that's a really good feeling!

I enjoy the cross-cultural aspects of my work, the extensive travel, and organizing and attending interesting events. In my job every day is different and that's what makes it so special!"

"DATA PRIVACY IS EXTREMELY DIVERSE. Because companies cannot manage projects without data, a data privacy expert is always a crucial player. I get a lot of enjoyment out of my wide-ranging exchanges with my data privacy colleagues in other countries. We look at the bureaucratic, legal and cultural 'hurdles' and work together to find a solution that is water-tight in terms of data privacy.

Especially in the context of cultural change, EOS offers its staff a lot of opportunities to tackle and implement things differently. When working remotely from home during the coronavirus situation, my colleagues and I saw that our exchanges are highly effective in the virtual space. This suits me very well, because I have been able to move back to Münster. The region Münsterland is my birthplace and childhood home. My family lives here and I like to have my family around me. It's a good balance to my international activities at EOS."



### Stephan Bovermann

**Works**  
at EOS since 2007 as Senior Group Privacy Officer.

**Is particularly passionate about**  
cooking. Preferably Greek or Italian, but occasionally down-to-earth Westphalian dishes.



### Petra Lackova

**Works**  
at EOS in Slovakia for 10 years, currently as HR and Marketing Specialist.

**Is particularly passionate about**  
the novels of Jane Austen. Her favorite is "Pride and Prejudice".

"EOS IS LIKE A FAMILY FOR ME. And I have already held a number of roles in the ten years that I've been here. After working in admin, the complaints department and the Cross-border team, I ended up in HR, because I love working with people. In addition, I've been part of the marketing team since the beginning of the year and I'm also involved as a Culture Companion at EOS.

Because many people are denied such opportunities, I try to give something back to the world by organizing fundraising campaigns. Currently at EOS we are raising funds for women who have been victims of abuse. I hope that campaigns like this inspire people to do more. Generally, the coronavirus crisis has caused a lot of people to shift down a gear and focus on the important things in life. To experience that was very special for me!"



# “It’s not about knowledge, but understanding”

When companies send a management team to China, develop software in India or take over a firm in Mexico, it’s not just a tour de force in terms of personnel resources and logistics, but also a major intercultural accomplishment. Intercultural consultant Ina Baum explains why having expertise in this area is worth its weight in gold.

## Ms. Baum, you’re an expert in intercultural communication. Why should companies engage in this issue?

INA BAUM: Because competence in this area can often be the tipping point that determines whether a cross-cultural collaboration, partnership or customer relationship is going to work or not. Or to put it another way: A lot of my clients approach me because they have previously had painful experiences. From a company’s perspective it can therefore be very smart to engage in the issue of intercultural communication before you end up wasting a lot of time and money and ruining good contacts.

## Does this mean that firms underestimate the importance of intercultural competence?

There are exceptions to the rule, but in a nutshell, yes, absolutely. Most companies from a German-speaking or Anglo-Saxon culture assume that intercultural collaboration means paying attention to the etiquette of the respective country. Some examples are not sticking your chopsticks upright in your rice but placing them across the bowl, greeting business partners in the correct order, or not wearing a certain color to a business meeting. Of course this is not wrong, but there’s a lot more to it than just having this kind of knowledge.

## What is it about then?

It’s not about knowledge, but understanding. Only when we really understand how another culture works can we adapt to it and act accordingly. The mistake people often make is thinking that everyone more or less functions as they do. In my work with German teams I am constantly astounded by how many people cannot imagine that it is possible to work differently than we do in our culture. That is very short-sighted thinking. Other cultures have different sets of beliefs and value systems, and that naturally has a significant influence on the work environment.

## Can you give us an example?

A lot of German companies have development hubs in India. One aspect of these partnerships that Germans often complain about is that their Indian colleagues lack initiative. But Indian society has a strong hierarchical structure. In such cultures – which, by the way, predominate worldwide – people have a different mindset. Leadership roles are much stronger and managers give their employees instructions about what has to be done and in which order. Here in Germany, an engineer learns that if he/she points out a problem, he/she is supposed to find a solution immediately if

possible. In India that would be seen as presumptuous. I once had to rescue a corporate takeover that almost failed because a member of the German team interrupted his boss in a crucial meeting. He merely wanted to remind him of a matter that was important for the deal. The other party, in this case from Mexico, interpreted that as a complete loss of authority by the German boss and wanted to pull out.

## How do you work with a team from a hierarchical culture?

If, as a member of a German team, I want something from my Indian colleague, I don’t just write an email or call my colleague directly, but ask my boss to contact my colleague’s boss. The two managers then discuss the matter and the Indian boss tells the team member to communicate with me.

## It sounds complicated.

And it is. A typical mistake in this kind of scenario is that after the process has worked well three times, on the fourth occasion the German boss has had enough and tells the team member that he/she doesn’t have time for all this coming and going and that the Indian colleague should be contacted directly. In taking this approach the German boss is assuming that colleagues in India must have understood by now how it works. But this will immediately cause a bottleneck in the work again and everything will come to a halt. German managers still mistakenly believe that it is possible to “re-educate” the other party.

## But wouldn’t it be possible to actually agree on new rules together?

I consider that to be an arrogant approach. Why should colleagues in other countries go along with this? Indian and Chinese colleagues are not just sitting around in the hope that some German will come by and finally explain to them how life works. They are proud to be Indian or Chinese and just like us are firmly convinced that their way of working is the proper and best way. Intercultural collaboration means continuously adapting to the other party.

## As a company, how can I improve my intercultural competence in the long term?

First of all I analyze: “Who needs what?” and “How much of it do they need?” Staff members working in reception who have contact with a lot of international customers, for example, need to know only the do’s and don’ts that apply to their specific area. Those who are involved more intensely in

projects need a higher degree of intercultural competence. I then build up these skills systematically and effectively, initially through a comprehensive workshop covering the basics. Then I let people practice what they have learned in the field for about six to eight months. It has proven effective to then hold a second workshop that explores the team measures in more depth. In this context I like to bring the team members from both cultures together directly.

## Having done all that, does a company then have what it takes for effective intercultural collaboration?

Staff come and go, so as a firm I need to keep on top of it and train new recruits accordingly. Companies like EOS, which are way ahead with regard to intercultural collaboration, have integrated the development of these skills into the onboarding process for new employees.



## Personal profile

Ina Baum is one of the world’s leading experts in intercultural communication. For more than 25 years, the specialist from Cologne has been advising companies on intercultural leadership skills, the establishment of globalization strategies and the development of executive high-performance teams capable of operating across national and continental borders.

# NPL trading in transition

**Trading in non-performing loans has been going on for a long time. Nevertheless, banks continue to have high NPL inventories. One of the reasons for this is that the business of NPL divestment is often complex, expensive and time-consuming. Digital trading platforms are designed to solve these problems.**

Text\_Denis Dilba

One man's pain is another man's gain. This saying is a succinct way of describing the basis of the business model for non-performing loans, better known internationally as "NPLs". While creditors (often banks) see non-performing loans as a burden, other market

participants, such as investors and firms like EOS that specialize in the trading of NPLs, take over the loans with prospects of doing a lucrative business. "The idea behind it is to pay less for an NPL portfolio than you hope to recover by collecting the debts," says Karel Smerak, Head of Investment at EOS. In

practice, however, these kinds of NPL deals turn out to be very complicated, take months to process and entail high costs for both buyer and seller. "Six months can easily go by until the contracts are signed," says Smerak, drawing on his own experience.

## The amount of time a platform saves depends on the type of NPL deal

Digital NPL trading platforms like Debitos, DebtX or NPL Markets see these very challenges as their opportunity, as they aim to simplify NPL trading and thereby make it much faster. "Imagine that these kinds of online trading platforms are a bit like eBay for NPLs," says Smerak. The first step is for the sellers of NPLs to upload the data on their portfolios to the platform. The registered buyers are then alerted to the new offer. If they are interested in acquiring it, they can get the full details of the NPL offer after signing a confidentiality agreement. Once all the buyers' questions have been clarified, the bidding process begins. "Through our platform we are cutting the duration of a standard NPL deal to one-third of the time that it would have taken on average without us," says Gianluca Savelli, CEO of the London-based platform NPL Markets. Some of the substantial increase in speed is being achieved through the additional support the platform provides for the preparation and analysis of portfolio data.

NPL Markets and competing platforms charge for these services through a commission or subscription fee paid by both

contractual partners. "The platforms work particularly well for standard NPL products. Generally they consist of a large volume of smaller receivables, such as mobile phone contracts," says Smerak, who has used NPL Markets, Debitos and DebtX. However, in Smerak's experience, if the individual receivables are for larger amounts, or the NPL portfolios more complex, particularly from a legal perspective, you no longer save a lot of time even with a digital platform. "In these circumstances, good personal contacts continue to make the difference, because you also have to meet more often to negotiate with all parties involved," says Smerak. Nevertheless, the EOS expert considers the option of trading NPLs on digital platforms as a considerable step forward overall.

## The coronavirus crisis is set to boost the NPL market and the use of trading platforms

Evidently, this view is shared by the experts from the European Central Bank, who, since 2017, have been promoting the increased use of public NPL trading platforms to reduce the NPL inventory in the eurozone. In particular, the speed with which NPL portfolios can be reduced is becoming much more important against the backdrop of the coronavirus crisis and the associated increase in loan defaults that are expected to result. According to the latest "NPL Barometer" survey published by the BKS (Federal Association of Loan Purchase and Servicing), the NPL rate

"The online platforms work particularly well for standard NPL products."

Karel Smerak,  
Group Director – Capital Markets and  
Transactions, EOS



will reach a record level in the coming year. "We are continuing to assume that the absolute figures will triple to more than EUR 100bn in the next three years," says BKS President Jürgen Sonder. The logical expectation of the sector is that in the near future, there will be more NPL deals overall and consequently, more of them will also be made via NPL platforms. NPL Markets CEO Smerak actually considers this a necessity.

"In 6 to 12 months it will be a different market," he predicts. Due to the comparatively stringent regulations, banks would be forced to reduce their NPL inventory, no longer concluding just a few major, carefully selected NPL deals, but 10 to 15 transactions at a time. And for each NPL deal the bank would need to know exactly where it stands, says the NPL expert. Even today's much discussed easing of NPL reduction rules would not change anything: "To a great extent, the majority of NPL business will no longer be done manually. In this context, digital NPL platforms can reduce the workload involved and offer the necessary overview," Savelli says. With or without a platform, the prospects are very good for the NPL business of EOS, which is why Karel Smerak says he is not yet making any definite vacation plans for the next year. ■



Digital NPL platforms like NPL Markets provide a better overview of NPL trading and in many cases can accelerate contractual agreements.

Photos: Achim Muthaupt, shutterstock

# One system for a lot of countries

**Kollecto+ is the centralized debt collection system of the EOS Group. After years of development, EOS in Croatia was the first country to complete the rollout of the software at the end of 2019. Many other countries are set to follow. A progress report.**

Text\_Philipp Stiens

**D**ebt collection software is basically what makes a debt collection service provider tick. It's where all data about collection cases and defaulting payers is captured, retrieved and processed. Until this time, many EOS national subsidiaries had developed their own software. From now on, Kollecto+ will ensure that processes are standardized and synergies better exploited across borders to make the collection process smoother and more efficient.

"Eighty to 90 percent of all work processes in debt collection are very similar in all countries. The remaining 10 to 20 percent can be readily configured in the system and adapted to the circumstances of the specific country," says Igor Stojančević, the project manager responsible for migrating the system in Croatia, where the software was piloted. But the Kollecto+ project began much earlier.

### Three steps forward, one step back

When the development team from Romania began its work just under five years ago, there was still no preconceived idea about what the outcome should be. The only stipulation was to create an IT system that all EOS national subsidiaries could work with in the same way. To that end, the developers worked closely with the project teams from the EOS national subsidiaries. For example, with Igor and his project team members in Croatia. "The development was a very agile, step-by-step process," Igor recalls. "We built it module by module, always three steps forward and one step back again."

It's no coincidence that the development team is from Romania, because that's where

the precursor software Kollecto was programmed. Kollecto+, however, is not so much an update as a general revision. A look at the make-up of the team is a clue to how much the project is being prioritized, as the project is being conducted with the backing of none other than Marwin Ramcke in his capacity as EOS Group Director with responsibility for Eastern Europe.

The four-phase rollout in Croatia started in July 2017. Firstly, the secured collection cases were migrated from the old to the new system in January 2018. That was followed by the unsecured contingency cases in July the same year and new finance module in May 2019. Finally, the unsecured debt purchased, and legal department was connected to the new system by the end of 2019. In the end almost 490,000 cases were transferred to the new system. The data not only came from the old collection software but also from the legal department's system, finance system, various Excel files and many other sources. The migration of the unsecured cases from receivables purchases alone took four whole days and nights. The most important part of the project was system stabilization and data clearance after migration was finished.

### On the right track

Today, more than 200 members of staff are working with Kollecto+ at EOS in Croatia and all six departments are connected to the system. A few months after the system went live, they shared their initial experiences with the project team by completing a questionnaire. The results revealed that the changeover was

not equally well received by every department. Whereas the debt collection departments expressed a lot of satisfaction, staff from the finance department felt there was still work to be done. "One of the benefits of Kollecto+ is that it greatly simplifies work steps. However, in some areas we simplified too much, so that certain actions are now no longer possible," says Igor. "So the extensive feedback that we got from the questionnaire is all the more important, as it shows us where we still need to improve."

Although everything is not running perfectly, we are still seeing the benefits of having a centralized system: As more of our companies work with Kollecto+, we'll be able to incorporate more experience in the ongoing development of the system. Any problems occurring will probably have been dealt with long before the rollout of the next country. Every national subsidiary that has the capacity to do so also contributes new ideas and functions to the system. Poland and Macedonia are currently working on the first automated processes. This means that in future there will be fewer and fewer repetitive steps," says Igor. All users of the systems are sharing the costs for the ongoing development.

"We are in a continuous process," says Igor. Even though his active role in the project team is over for the time being, the development effort is by no means finished. Today, he is using his experience to help the project teams at other EOS national subsidiaries. Bosnia, Serbia, Slovenia and Romania are ready to launch. Eight other countries are set to follow in the next few years. ■

Photos: Getty Images, EOS



**"We built it module by module, always three steps forward and one step back again."**

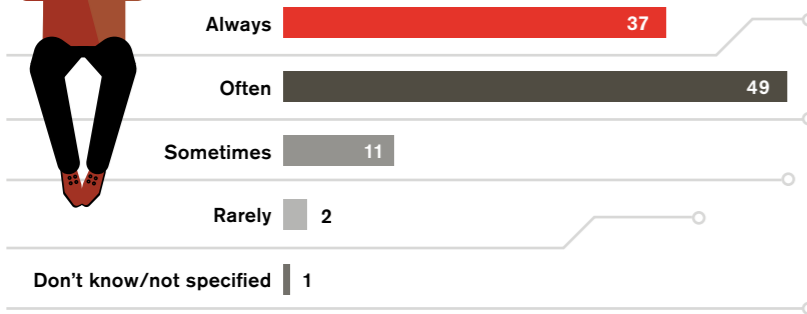
**Igor Stojančević,**  
Project Manager at EOS in Croatia

Igor supervised the rollout in Croatia from the very start. He is now using his experience to help other EOS national subsidiaries.  
(Team members from left: Dr. Alexander Borchers, Igor Stojančević, Denis Jakob and Ivan Detelić)



### How long are you online in your free time?\*

A good third of all consumers count as heavy users. That means that they are permanently online and leave deep data traces behind. (in percent)



## Data as currency

Yes, our data is worth protecting. But a lot of people are willing to disclose it in return for compensation. This was one of the findings from the new EOS survey "What's the value of data?" 2020, which was conducted in Europe, Russia and the USA.

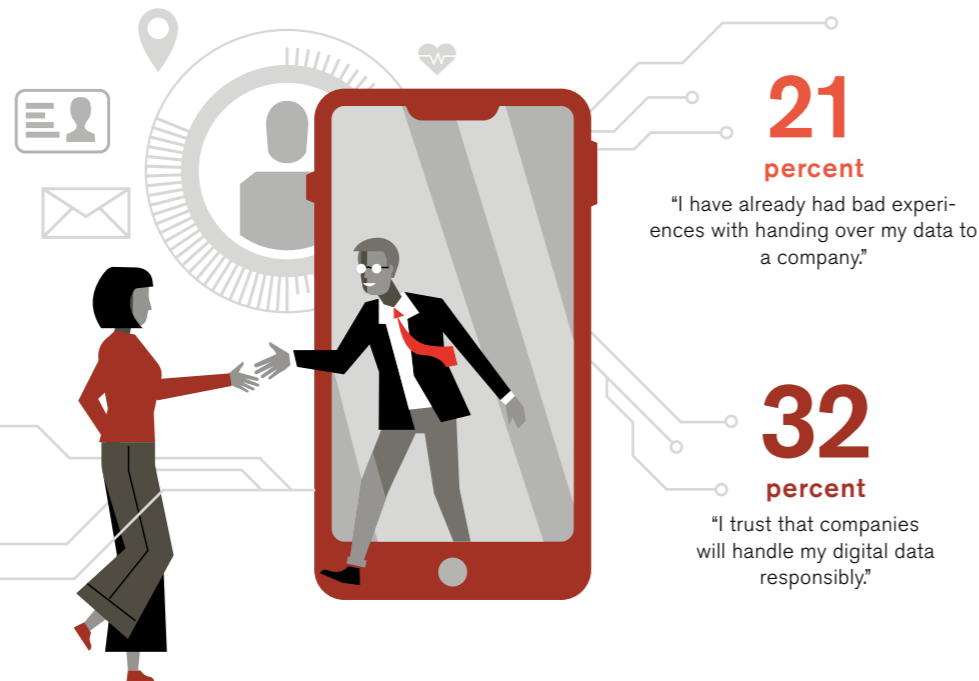
### Mistrust predominates\*

More than half of consumers are skeptical when it comes to disclosing their data. As many as one in five has had bad experiences with sharing data.

# 53

percent

"I am very skeptical when it comes to sharing my data with companies."



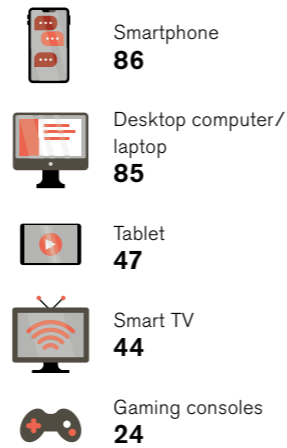
### Who consumers trust\*

Banks and online payment providers enjoy the greatest degree of trust, while online retailers and social media come at the bottom of the scale. (in percent)



### The hardware is always the same\*

Smartphones and PCs are the most popular means of access to the data highway. (in percent)



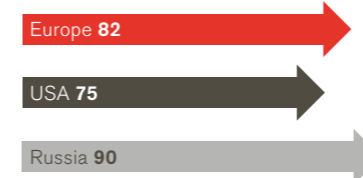
### Only one in three Americans is open to the "data for compensation" model.

"I am willing to share my data with companies if I receive compensation for it." (in percent)



### Nine out of 10 Russians would sell their data for money.

Willingness to disclose data to a trustworthy company for monetary compensation. (in percent)



### Which form of compensation is preferred?

Loyalty points are most attractive to Americans, while Russians are big fans of material rewards. (in percent)



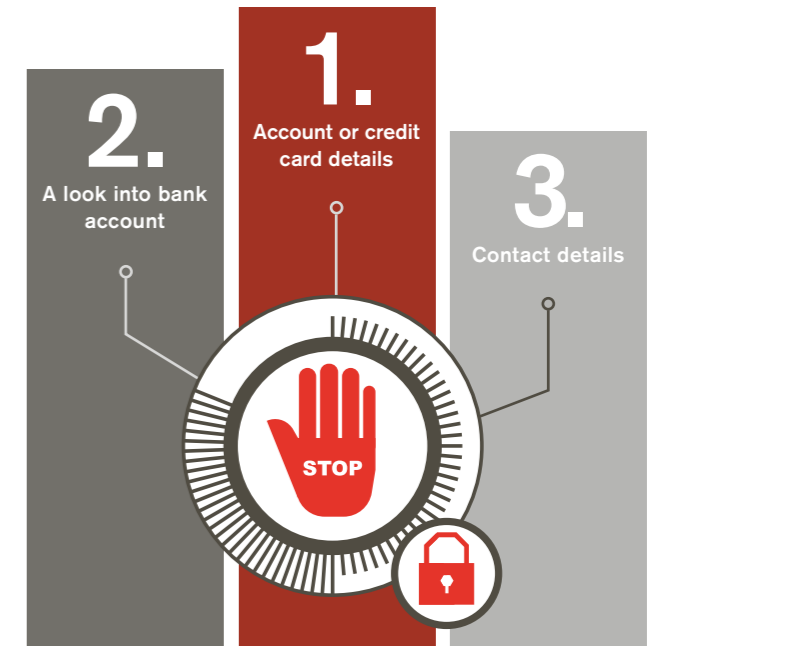
dataflow



Simply scan this QR code to see the entire survey with even more results and country statistics.

### Sensitivity of data\*

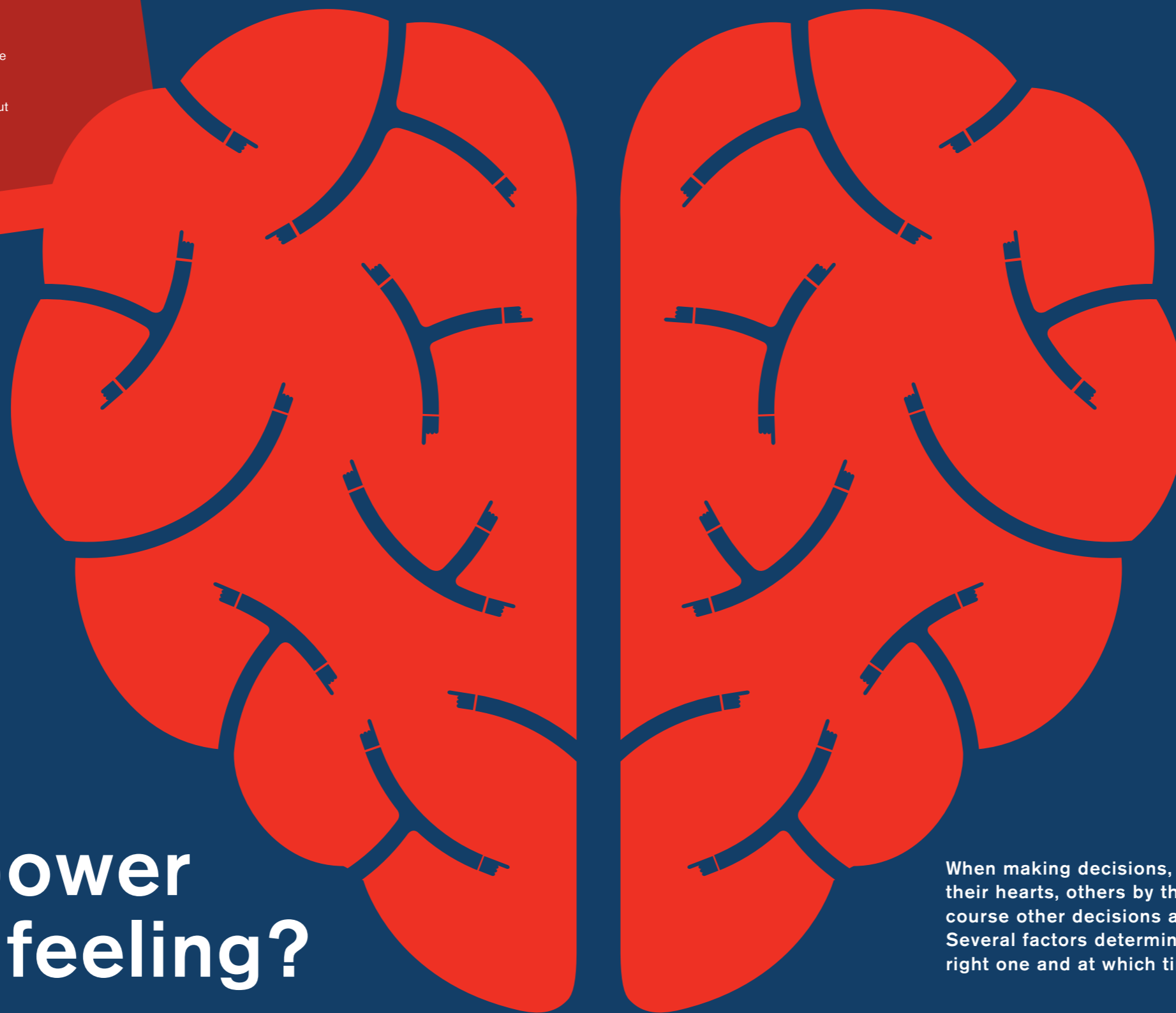
Top 3 data categories especially worth protecting



Source: EOS survey of 16,300 people over the age of 18 in 15 European countries, Russia and the USA in online interviews in March 2020.

**Read here:**

- How the raw data of a receivables package tells a story.
- How intuitive decisions occur.
- How a robot advisor takes the emotions out of investment decisions.



## Brainpower or gut feeling?

When making decisions, many people are guided by their hearts, others by their gut feeling. And then of course other decisions are made based on knowledge. Several factors determine which variant will be the right one and at which time.

Illustration\_Noma Bar

# Tell me your story

To evaluate a receivables package you have to get to know it first. Before EOS submits an offer for a debt portfolio, its experts scrutinize it very closely with a view to determining a purchase price that is as appropriate as possible.

Text\_Philipp Stiens  
Photo\_Benne Ochs



“An algorithm could never develop a sense of the portfolio's story the way an analyst does.”

**Matthias Schmidt,**  
Head of Operational Debt Purchase  
at EOS Group

Some portfolios can contain up to a million receivables. That's why we look at it as we would a school of fish. We need to understand what makes the school tick and what direction it is swimming in, not the direction of each individual fish,” says Matthias Schmidt, Head of Operational Debt Purchase at EOS Group. As part of the risk management function, Matthias and his team work with specialists in methods and analysis to scrutinize closely about 800 such debt portfolios every year. At the end of what is a complex process, a purchase price can be recommended.

Have they ever been wrong with their recommendations? “Yes, definitely!” Matthias admits. “But our success rate is pretty good.” Matthias actually has a doctorate in physics. After graduating, he first worked in the field of semi-conductor technology development, then as a consultant working mainly with “bad banks”. “And now my job is to find out what makes receivables portfolios tick,” he says. What all his previous roles have in common is the need to deal with complex subject matter. “I am someone who loves to understand the background,” he says. It's an essential quality when you are evaluating portfolios. Ultimately, it's about making a decision involving a lot of money.

“Unlike fiduciary collection, we are taking a substantial risk with a debt purchase. Because once the purchase has been completed the money is gone,” says Matthias. So that he and his team can have a look beforehand at the portfolio being negotiated, the seller provides an anonymized package of raw data in the form of an Excel file. Every line in the file represents an outstanding receivable and defaulting payer.

#### From raw data to story

The information provided can differ considerably. “In a worst case scenario, all we have is the amount of the individual receivables.

But we also get datasets containing 50 to 60 columns of information, for example, on when the debt became overdue and when it will become time-barred (or legally uncollectable), or where the defaulting payer lives. The more rock solid information there is, the better the chances of recovering the receivables and making money with the portfolio.

Apart from quantity, the quality of the data plays an important role: “In some countries, you might get seven phone numbers for each receivable. You won't know which one is still current until you have tried them all,” says Matthias. “Or you won't know whether the information is still up-to-date. Obviously, that depends. Details provided ten years ago when a loan was made might no longer be correct.” There may be transcription errors, e.g., if ownership of the receivable changes or two banks merge or systems are transferred to a new system. After reviewing the data, Matthias and his team ask themselves two questions: What do we know, and sometimes much more importantly, what do we not know?

“To really become aware of the story, sometimes it's enough just to produce a graphic representation of the given parameters. Here too, as so often in life, drawing helps,” says Matthias. “Doing this makes it easier for you to notice any anomalies.” Another factor is the context in which the portfolio is being sold. For example, is it a portfolio from a period of crisis? When was the last time a payment was actually made, and what do the accounting entries and dates mean?

What is the seller's history and what happened on the market? What is the percentage of insolvencies? Are there new laws that change the way we work, and what does this do to the nature or the story of the portfolio that we want to continue writing?” With every question the profile of the debt portfolio becomes more detailed. To drill down even deeper, he and his team then divide the receivables into qualitative and quantitative groups: “It is at this point that the portfolio acquires something of a human aspect. Because each portfolio tells its own story and is completely unique,” he adds.

#### A look into the past

Next, the EOS analysts look for empirical data from the past. EOS has an extensive pool of data. For the purposes of the evaluation, they ask the following questions: Which benchmark has a similar story to tell? Has EOS already purchased a comparable portfolio, e.g., in the same sector or region? How did the realization of the receivables turn out in that particular case? The analysts use historical data to develop benchmark averages by which new portfolios are measured, albeit against the background of current, or much more importantly, future circumstances. The evaluation also considers whether there have been upheavals in the interim, or changes in the political environment. “The debt collection system is constantly changing, so of course we have to take that into account and adjust the forecast accordingly, based on the benchmark,” says Matthias.

In special cases, his team falls back on algorithms, which are used to process complex data. A good result, however, does not depend on raw data alone. The human factor also plays an important role in the evaluation: “An algorithm could never develop a sense of the story of the portfolio the way an analyst does,” says Matthias. At a certain point you also need intuition. ■

# “Experts know what they can ignore”

When intuitive decisions are based on specialist expertise they are often fast, efficient and successful, says German psychology professor Gerd Gigerenzer. His book with the English title “Gut Feelings: The Intelligence of the Unconscious” has been translated into more than 20 languages.

Text\_Florian Sievers

**Professor Gigerenzer, how do people make decisions?**  
GERD GIGERENZER: Decision-making theory understands decisions as a choice between a given option A and a given option B. But the reality looks somewhat different. In the case of experienced decision-makers at least, a single option very quickly appears to them to be the better solution and one they then examine consciously or unconsciously. Only after they have rejected this option will they look for a second one. In many areas, people therefore do not actually decide at all, but evaluate what looks like a promising first option.

**But how is a decision made in favor of one or the other option?**  
The more experienced a decision-maker is, the more likely he or she is to make a decision unconsciously. This is called “intuition” or “gut feeling”, which can be understood as a kind of unconscious intelligence based on years of experience.

**Many people make a distinction between those who decide on the basis of gut feeling and those who make decisions based on facts that are as detailed as possible. Does this contrast even exist?**  
Decisions based on gut feeling are definitely different from conscious judgments. Both are sensible strategies and, as a rule, you need them both because they complement one another well. But there is no clear distinction between rational and intuitive decisions. Both are just different ways of reaching the same goal. Ultimately, both are based on the evaluation of facts.

**Which decision-making process is better?**  
The behavioral economics community has recently done a complete about-face on its opinion as to which method is better or worse. For a long time, reflective judgment was seen as rational and sound, while intuitive decisions were considered prone to error. But this interpretation is wrong. If someone has fundamental knowledge of a subject (domain expertise) and then makes an intuitive decision, the results achieved will not be worse than those of someone who needs to process a lot of facts first before deciding. Only novices weigh up everything first. Experts know what they can safely ignore. They use speculative conclusions and short research processes to reach a result.

**Does this mean that intuitive decisions are therefore faster and more efficient?**  
That is their great advantage. If the decision-maker has a lot of domain expertise, the results are generally even better.

Nevertheless, intuitive decisions are still regarded as unreliable or even arbitrary.

**What is the importance of intuitive decisions in business?**  
I investigated a number of listed German blue-chip companies and found that about half of all important decisions are ultimately based on intuition. Naturally there are decisions where the facts are so obvious that no intuition is needed. In other cases, the advantages and drawbacks of the options are not as clear. Then, after reviewing all the facts, the decision is made according to gut feeling, which is actually based on experience.

**Have you found differences in different areas of the economy?**  
The owners of family-run companies regularly draw on their gut feeling and they stand by it, describing their judgments as “based on experience”. Managers of large and in some cases listed companies, on the other hand, would never admit to making any decisions based on gut feeling.

**Why?**  
Because they intuitively sense what needs to be done, but cannot provide reasons. They need to justify their decisions, e.g., to supervisory boards or shareholders. In those

situations it is not enough to simply say that you decided based on your gut feeling. So a lot of money is spent on justifying decisions retroactively. For example, management consultants have told me that they estimate that 50 percent of their work consists of retrospectively finding reasons to justify decisions already made. They provide the good reasons afterwards, packaged into a 200-slide PowerPoint presentation.

**What are the limits of intuitive decisions?**  
If something is not predictable, like exchange rates or share prices, then intuition is of no help. I analyzed 15 years worth of forecasts of the major German financial institutions for the German stock index DAX. The results revealed that the stock market experts cannot predict the performance of the DAX, but their forecasts can be accurately predicted. Because, to put it simply, they always reflect the current trend and therefore overlook any turning points. That type of forecast is absolutely counterintuitive and worthless. But people buy into them so they can relinquish responsibility for their decisions.

**In view of this, what are your tips for investors?**  
The most important thing is that you shouldn't be steered towards an investment by someone else, because that means you are suppressing your own intuition.



Photo: Arne Sattler

## Personal profile

German psychology professor Gerd Gigerenzer coaches managers, investment experts and others on risk assessment and decision-making. Intuitive decisions are one of his key research interests. He is the Director of the Harding Center for Risk Literacy at the University of Potsdam, Faculty of Health Sciences, in Brandenburg.

# Emotions not welcome

**Robo advisors are digital asset managers whose investment decisions are based on data and statistics. The automated system is designed to avoid rash, emotional reactions.**

Text\_Philipp Stiens



**Y**ou could say that human beings are not cut out to be investors," says Jacob Hetzel, Head of Distribution at Scalable Capital, Germany's largest provider of robo advisors. "We tend toward kneejerk reactions, sell off when storm clouds gather, or cling to our investments through a misguided emotional attachment instead of cutting our losses." Robo advisors are digital asset managers, i.e., "emotionless systems" based on an algorithm. They make decisions based exclusively on data and statistics to protect their customers from emotional miscalculations.

#### Investment trend from America

The concept of algorithm-managed investment funds originated in the USA, where algorithms are managing more than USD 600 billion, equivalent to around one in every twenty dollars invested. In Europe, robo advisors are still relatively unpopular, with an investment volume of less than EUR 100 billion. However, Statista forecasts an increase in volume to more than EUR 250 billion by 2024. German investors, who are increasingly trusting their savings to one of the many providers of robo advisors, are major drivers of this growth.

One of them is Scalable Capital, the largest such firm on the German market with an investment volume of more than EUR 2 billion. Like most providers, its portfolios are made up of ETFs (exchange-traded funds), i.e., passive index funds. It services asset classes like government bonds, real estate, raw materials, currencies and equity ETFs. Depending on their risk tolerance, customers can choose from among 23 risk categories. The risk is measured against the value at risk (VaR), the potential maximum loss over a period of one year.

The scale starts at a possible loss rate of three percent. Risk-tolerant investors can go as high as a VaR of 25 percent.

Photos: BYOK



**"If it says in tomorrow's newspaper that the world is ending, that won't change anything for the algorithm."**

**Jacob Hetzel,  
Head of Distribution  
at Scalable Capital**

#### Learning from the past

The job of the algorithm, which is pulling the strings in the background, is to maintain this rate. "There is no one investment model that works equally well for all market phases," says Hetzel. That is why the portfolios have to be monitored continuously and adjusted in the event of a change in the market. To do so, the algorithm looks at comparable developments in the past. How did certain asset classes behave lately in the case of comparably strong fluctuations? "For the US stock market you can look at the data from the last

120 years," says Hetzel. "Naturally, patterns can be identified that provide information about how the markets could perform in certain situations."

On the basis of these patterns the robo advisor predicts the risk a year into the future. If the forecast deviates from the defined VaR of the respective portfolio, it is adjusted. The risk of a portfolio is regulated via its equity ratio, as equity ETFs are the asset class with the greatest market fluctuations. If the algorithm determines a deviation of the risk upwards, the equity component is reduced, if the deviation is downwards, it is increased.

#### Face the crisis without panic

A major difference to human investors is that the robo advisor reacts to market fluctuations, not to the events that have triggered them. "If it says in tomorrow's newspaper that the world is ending, that won't change anything for the algorithm," says Hetzel. Ultimately, the objective is to curb emotional decisions. In this case it doesn't matter if it's the election of Trump, Brexit, or the coronavirus crisis. "If the market falls by ten percent in one day, the algorithm will not be able to predict that. It isn't a crystal ball," says Hetzel. Consequently, clients of the digital investment advisors also have felt the impact of the coronavirus crisis. Statistical data should help now to map out a suitable strategy to deal with the sometimes drastic fluctuations triggered by the crisis and to minimize associated risks.

Even though the algorithm used at Scalable decides on the fate of the portfolios, its recommendations are still implemented by human hand. The team of 10 functions as the ultimate control mechanism that puts the recommendations to a final logic check. Hetzel says: "If the algorithm were to suddenly redeploy 100 percent to emerging market ETFs, we would of course scrutinize the calculations once again. Otherwise, we stick to what the algorithm tells us." ■



# Baptism by Fire

Word is out that the Covid-19 pandemic has accelerated megatrends like digitalization and mobile working practices. The crisis is making even more radical changes to corporate cultures and leadership styles.



A rare sight these days: Andreas Kropp goes to EOS headquarters in Hamburg only once or twice a week. At the time of this magazine's production more than 80 percent of EOS employees were working from home.

In Germany, we tend to think about what CANNOT work," says Andreas Kropp with a laugh. "If anyone had told me six months ago that within just a few weeks, and with a minimum of red tape, we would enable more than 1,500 of our colleagues to work remotely from home, I would have asked: What planet are you living on?" At EOS Andreas, who is responsible for business in Germany, also heads the crisis management team that has been coordinating pandemic measures since February. The team's work has involved regular video calls with all stakeholders, providing the workforce with no-nonsense information, and organizing a complete shift to remote working from home. It was not just a technical tour de force, but also the ultimate baptism by fire for a corporate culture that upholds the values of trust, communication and independence.

EOS is not alone. Amid the pandemic, every sector and every company is finding out that "soft" factors are actually the hard criteria for a company's chances of survival. The latest publications from management researchers and consultants are peppered with terms like "empathy", "compassion" and "communication" as the characteristics of good corporate leadership. Psychologists see parallels between the emotional stresses of the Covid-19 crisis and the five stages of grief: denial, anger, bargaining, depression, and acceptance. Which manager has the tools to handle the emotional states that

Photos: EOS / Jann Klee, Stocksy

staff members are experiencing? Many conventionally trained managers find it difficult to provide what is needed at this time, i.e., being more visible and in contact with people than ever before. Statements like "I have to keep the show on the road, others should take care of the emotional stuff" are no excuse. Companies need to compensate for what people are losing bit by bit as every month of working from home goes by, especially the feeling of being part of a community whose values they are committed to. A well-formulated corporate purpose, which EOS has long had, also provides a vital connection during these times.

### No nice-to-have

"EOS is not operating as a non-profit," says Andreas. "It is important that we continue to reach all our KPIs, and that is happening. Productivity is good, even after the rushed shift to remote working from home. Our customers have noticed that things are running exactly as reliably as they were before." Andreas believes that the transition went so smoothly due to the company's longstanding efforts to create a contemporary corporate culture and a willingness to embrace change. "We recognized that in future we will need teams that are much more self-organizing and independent people who can make their own decisions in their specialist fields. Because in a fast-paced world, a hierarchy takes too long to decide things and no longer finds the best

decision." This kind of culture, says Andreas, is possible only through hard work and consistency, including, and especially, at management level. For example in the internal communication process: "I am stunned when I hear of companies where people hear about the end of their short-time working not directly from the company itself but from a social media blog!"

### Acid test for cultural change

The Covid-19 crisis has proven to be a baptism by fire for the change process that EOS has been implementing for years under the title "Cultural Journey@EOS". "During the pandemic we did not consciously think about cultural change but just put it into practice," says Andreas. "This is exactly what I imagine cultural change to be. It alters our behavior in such a way that we do what is necessary to survive."

It is not just the Cultural Journey that helps with the pandemic response. For years now, the company has been converting processes and structures to digital ways of working.

"But it's only now that the exciting questions are coming up," adds Andreas: "What is the effect of this situation in the long term? How do we preserve our shared culture in a prolonged pandemic? How do we put trust into practice? How can we get new recruits to grow into the team from a distance?" In the light of these challenges, equipping 1,800 home offices with secure IT infrastructure almost looks like the easier task. ■



## Hands-on is history

**The coronavirus has turned our typical office routine upside down. Many companies are hoping to return to their offices soon. One approach that brings hope is the “touchless office”, which not only enhances the safety of staff but also boosts the digitalization of the workplace.**

Office life is no longer the same since COVID-19 grew into a global pandemic. Companies have to come up with creative ideas for bringing employees safely back to the office. Smart working models and strict hygiene concepts will allow offices to resume operations again, at least to some extent. For many companies, however, a complete reopening will remain a balancing act.

One key challenge is having to disinfect communal areas continually. Corona viral

particles can survive on plastic and metal surfaces for two to three days. Everything touched by people's hands is a potential source of infection.

Minimizing this risk is one of the aims of the “touchless office” concept. Many other measures in the concept have the beneficial side effect of advancing digital transformation in the workplace.

Siemens Smart Infrastructure and the US software developer Salesforce are behind the concept with fewer manual interactions in the

office and more digital control, including the automation of processes in everyday work practices. Together, they are working on a solution that will enable employers to re-imagine and reopen their post-corona offices.

### Connected and app-managed

The two technology partners chose employees from their own companies to be the first test subjects. In their company headquarters in San Francisco and Zug, Switzerland, employees are using digital access cards which

give them contactless access to buildings and elevators. Another key component is an intelligent system for occupancy management. By means of automatic check-ins and check-outs, the system records in real time how many staff are in offices and meeting rooms. If a threshold is exceeded, an alert is issued so corrective action can be taken immediately.

To prevent overcrowding of office spaces from the outset, the Siemens subsidiary Building Robotics Inc. has developed an in-house office app called Comfy, which allocates available desks or conference rooms to staff on request. Comfy is not a pioneer in this field. App-based workplace management solutions were available before corona and are now enjoying a surge in popularity in discussions about contactless offices. No wonder: you need only to pick up your smartphone to control the light, the air conditioning system or the sunshades. Potentially contaminated switches no longer need to be touched. Moreover, staff members can use Comfy, for example, to request disinfection of the workspace when they've finished working.

In theory, systems like these can be expanded to incorporate any IoT-capable (Internet of Things) device. Filing cabinets that can be locked digitally, an app-controlled photocopier, a coffee machine that responds to voice commands – networking is an important requirement for the touchless office. Employers have the option of tracking office use in real time and in compliance with privacy guidelines. In addition to effective contact tracing in the event of an infection, the collected data allow companies to devise long-term measures on how the available workspace can best be used in the future. In times of upheaval, every company will be grateful for such information. ■

Photos: Luis Alvarez / Getty Images Illustrations: Shutterstock

## tools

### Top 3

## The contactless office

If you want to make your office coronavirus-safe(r) for the long term, you have to do more than install contactless sanitizer dispensers in the hallway. Relatively simple measures allow you to drastically reduce the number of “touch points” in the office.



### App and voice control

Air conditioning systems, coffee machines, office lighting: more and more equipment these days can be connected to the internet and operated via an app. The Internet of Things is the way to go! Many of the products are already compatible with the most popular voice assistants: “Alexa, one cappuccino with extra foam please!”



### Contactless access control

There are many different authentication options for the office door, including facial recognition, Bluetooth signal or a simple chip card. It is crucial that no door handle is touched after the door is unlocked – in other words, the door should open automatically or when pushed.



### Touchless visits to the toilet

The following measures are nothing new, but nowhere in the office are as many manual interactions required as when going to the toilet. Motion sensors make it possible to flush the toilet, use the tap and operate the soap and paper towel dispensers without any contact.



## Physical office – virtual workspaces

When it comes to adapting new technologies for everyday work practices, Facebook is leading the charge. By its own account, the tech giant is currently testing the use of augmented reality (AR) to enable its staff to safely return to work. In this context, breeding grounds for bacteria such as computer mice, keyboards and even screens will be banned from the office. Instead, employees will move around in “infinite workspaces with configurable virtual screens, whiteboards, and other visionary tools.”

## “EOS is already very progressive

when it comes to working conditions. It offers flexible working hours, remote working from home, free English courses and a whole lot more. If you develop these ideas a bit further, I could imagine that at some point computers will disappear from our desks and instead we'll be wearing virtual reality headsets, like in the movie 'Ready Player One'. We will then be using our thoughts to navigate through the EOS digital environment and complete our work. In future, meetings with colleagues could also take place in a digital space via hologram.”

**Martin Galbička, 28,**  
Legal Agent,  
EOS KSI in Slovakia



## “During the coronavirus crisis, most of us were working remotely from home,

which worked extremely well. In my view a lot of colleagues were even more organized and effective at home than they are at the office. This is why I think that the way we work is going to change in a lot of companies. People no longer need to meet face-to-face, but can communicate in video conferences. Despite this, companies need to provide their staff with modern and inviting work spaces. For the younger generation in particular, a workplace they feel good in is more important than a high salary.”

**Sabina Ryšánková, 27,**  
Receptionist at  
EOS KSI in Slovakia

## “I can easily imagine people sharing a workstation in future.

This means that the employer can save money, because it needs to make only half of the work area available. The employee, on the other hand, saves the time normally spent commuting to and from work. In my case, that amounts to one and a half hours a day. Although it all worked well, I wouldn't like to spend all my time working from home. I need that direct contact with my co-workers. In the area I work in I don't expect many radical changes in the way we work for the time being. As a legal agent, I have a lot to do with government authorities, where changes tend to take longer than in other areas.”

**Denis Tománek, 28,**  
Legal Agent,  
EOS KSI in Slovakia



## “The traditional 9-to-5 job will die out more and more in the years ahead.

Employees are looking for more flexibility in their daily work routine. In addition, the digitization of our work processes has not just made us more efficient but also location-independent. This is why in future, a majority of people will work remotely from home and will go into the office only for important meetings. These kinds of freedoms are very important to me, even more important than money. After all, who wants to work in an unpleasant work environment?”

**Lenka Zsigová, 23,**  
Finance Support,  
EOS KSI in Slovakia



# What will the office of the future look like?

The coronavirus pandemic has shown that our familiar everyday office routine is extremely versatile. What direction could the trend take in future? And what actually matters to the younger generation? We asked around.

Photos\_David Payr

rules

# Stronger together

In the second half of 2020, the European Union introduces measures for collective action against organized crime. In addition, crowdfunding will soon be even easier, especially for small companies.



## New EU measures

**Collective effort against money launderers**

TO PREVENT future scandals like the Luanda Leaks, Cum-Ex or the Panama Papers, the members of the European Parliament welcomed the EU Commission's action plan to effectively combat money laundering and the funding of terrorism.

To induce member states to implement the measures, the MEPs are calling for a tougher approach, for example, in the form of infringement proceedings. In addition, judicial and law enforcement authorities in the member states should work together more closely and share information with one another. This process will be facilitated by Financial Intelligent Units (FIUs) and cross-border registries that provide member states with access to relevant information and support their work in cross-border cases. The intention is to extend this oversight in future to new sectors like crypto-assets.

Release C 2020/2800  
[bit.ly/money\\_laund](https://bit.ly/money_laund)



## Crowdfunding

**Harmonization of national guidelines**

FINANCING is often a problem for start-ups and SMEs. Crowdfunding is a welcome alternative that allows companies to collect money from a lot of different sources, generally via online platforms. In July 2020, the EU Council adopted new regulations to improve the way such crowdfunding platforms work for crowdfunding campaigns of up to EUR 5 million.

The harmonization of the minimum requirements is designed to make operations easier for platforms offering their services across borders. The EU member states will now work on common authorization and supervision rules. The project is being coordinated by ESMA (European Securities and Markets Authority). Common guidelines also will increase legal certainty and protect investors in particular.

Press release 6799/20  
[bit.ly/crwdnd1](https://bit.ly/crwdnd1)



## Financial investigations

**More power against organized crime**

PROCEEDS FROM ORGANIZED CRIME in the EU are estimated to be around EUR 110 billion per year. Because the relevant authorities are often powerless, in June 2020 the EU Council called on the EU Commission to pursue improvements in the fight against serious and organized crime.

The Council's proposed action in five areas:

- creation of a stronger legal framework for freezing and seizure of assets with a view to their possible subsequent confiscation
- improved cross-border collaboration through the centralization of bank account registries
- exploration of whether financial intelligence units (FIUs) could help facilitate a more efficient exchange of information
- discussion of a legislative limitation on cash payments in member states
- further improvement of the legal framework for virtual assets

Press release 8927/20  
[bit.ly/orgcrime](https://bit.ly/orgcrime)

**EOS worldwide – we're happy to help.**

## Western Europe

### Belgium

**EOS Aremas Belgium SA/NV**  
Boulevard St Lazarelaan 4–10/2  
1210 Brussels  
Tel.: +32 2 5080 233  
supportctx@eos-aremas.com

### EOS Contentia Belgium SA/NV

Industrielaan 54 K  
7700 Mouscron  
Tel.: +32 56 39 17 11  
info@eos-contentia.be

### Denmark

**EOS Danmark A/S**  
Langhøjvej 1 A  
8381 Tilst  
Tel.: +45 70 221020  
kontakt@eos-danmark.dk

### Germany

**EOS Deutschland GmbH**  
Steindamm 71  
20099 Hamburg  
Tel.: +49 40 28501911  
vertrieb@eos-deutschland.de

### EOS KSI Inkasso

**Deutschland GmbH**  
Gottlieb-Daimler-Ring 7–9  
74906 Bad Rappenau  
Tel.: +49 7066 91430  
info@eos-ksi.de

### EOS Immobilienworkout GmbH

Aktienstraße 53  
45473 Mülheim an der Ruhr  
Tel.: +49 208 882550  
info@eos-immobilienworkout.com

### France

**EOS France**  
10, impasse de Presles  
BP 587  
75726 Paris CEDEX 15  
Tel.: +33 1 53583939  
contact@eos-france.com

### Ireland

**EOS Credit Funding DAC**  
3 Ballsbridge Park The Sweepstakes  
Ballsbridge  
4 Dublin  
Tel.: +353 1 6319089  
p.murray@eos-creditfunding.ie

### Austria

**EOS ÖID Inkasso-Dienst Ges.m.b.H.**  
Siebenbrunnengasse 21/Obj.D/5. OG  
1050 Vienna  
Tel.: +43 1 5447171  
info@eos-oeid.com

### Switzerland

**EOS Schweiz AG**  
Flughafenstr. 90  
8302 Kloten  
Tel.: +41 58 4119300  
collection@eos-schweiz.com

### Spain

**EOS Spain S.L.U.**  
Manuel Guzmán, 1 Esc. 1, Planta 7  
15008 A Coruña  
Tel.: +34 981 079955  
info@eos-spain.es

### United Kingdom

**EOS Solutions UK Plc**  
2 Birchwood Office Park  
Crab Lane  
Fearnhead  
WA2 0XS Warrington  
Tel.: +44 1925 816626  
contact@eos-solutions.uk.com

## Eastern Europe

### Bosnia-Herzegovina

**EOS Matrix d.o.o.**  
Zmaja od Bosne 7  
71000 Sarajevo  
Tel.: +387 33 569250  
infoba@eos-matrix.com

### Bulgaria

**EOS Matrix EOOD**  
6 Racho Petkov Kazandzhivaya Str., fl. 6  
1766 Sofia  
Tel.: +359 2 9760800  
infobg@eos-matrix.bg

### Greece

**EOS Matrix S.A.**  
270A Vouliagmenis Avenue  
17343 Athens  
Tel.: +30 210 9792990  
info@eos-matrix.com

## Kosovo

**EOS Matrix DOOEL L.L.C.**  
**Kosovo Branch**  
Str. Mujo Ulqinaku no.5  
10000 Prishtina  
Tel.: +381 38609018  
infoks@eos-matrix.com

## Croatia

**EOS Matrix d.o.o.**  
Horvatova 82  
10010 Zagreb  
Tel.: +385 1 6407100  
kontakt@eos-matrix.hr

## North Macedonia

**EOS Matrix DOOEL**  
Aminta III No. 1  
1000 Skopje  
Tel.: +389 2 3200400  
infomk@eos-matrix.com

## Montenegro

**EOS Montenegro DOO**  
Capital Plaza, Šeik Zaida 5, III/A44  
81000 Podgorica  
Tel.: +382 20 435100  
infocg@eos-matrix.com

## Poland

**EOS KSI Polska Spółka z o. o.**  
ul. Bitwy Warszawskiej 1920 r. 7a  
02-366 Warsaw  
Tel.: +48 515 815515  
info@eos-ksi.pl

## Romania

**EOS KSI România S.R.L.**  
10A Dimitrie Pompeiu Blvd  
020337 Bucharest  
Tel.: +40 21 3003558  
office@eos-ksi.ro

## Russia

**LLC EOS**  
Bldg. 9, 12 Tverskaya St.  
125009 Moscow  
Tel.: +7 495 7887900  
info@eos-solutions.ru

## Serbia

**EOS Matrix DOO**  
Belgrade Office Park  
11070 Belgrade  
Tel.: +381 11 3300700  
info.rs@eos-matrix.com

## Slovakia

**EOS KSI Slovensko, s.r.o.**  
Pajštúnka 5  
851 02 Bratislava  
Tel.: +421 2 32300111  
ba@eos-ksi.sk

## Slovenia

**EOS KSI d.o.o.**  
Letališka cesta 33  
1000 Ljubljana  
Tel.: +386 1 3000500  
info@eos-ksi.si

## Czech Republic

**EOS KSI Česká republika, s.r.o.**  
Novodvorská 994/138  
142 00 Prague 4 – Braník  
Tel.: +420 241 081111  
info@eos-ksi.cz

## Hungary

**EOS Hungary**  
Váci út 30.  
1132 Budapest  
Tel.: +36 1 8850100  
info@eos-hungary.hu

## North America

### Canada

**EOS Canada Inc.**  
325 Milner Avenue, Suite 1111  
Toronto ON M1B 5N1  
Tel.: +1 800 2685638  
eos-info@eos-ncn.ca

### USA

**EOS USA**  
700 Longwater Drive  
Norwell, MA 02061  
Tel.: +1 800 8869177  
info@eos-usa.com

**“Finance  
is changing.  
We like  
it that way!”**

---

Klaus Engberding,  
CEO of the EOS Group

This issue may be over – but there's plenty more  
for you to read: You can find our surveys, annual reports  
and of course “EOS explore” as PDFs at

**[eos-solutions.com](https://eos-solutions.com)**