

The EUF shares its study of six European factoring markets

Analysis confirms the Industry's economic value

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The EUF commissioned the FINEST Group of researchers to analyse, compare and contrast six key European Factoring and Commercial Finance Markets. The results show that although there are considerable variations in the individual markets, together they combine successfully to make a significant contribution to the overall European economy. This independent academically derived message is important for regulators and lawmakers.

The European Factoring and Commercial Finance (FCF) market is complex, diverse and in many ways rather understated. It demonstrates many facets; it can be mature or emergent, regulated or not regulated, with or without insurance, with or without disclosure. It is also a financially significant industry with more than Euro 1,2 trillion of client turnover.

And yet it is also relatively less known and understood as a valuable tool for the provision of working capital to the real economy, supporting growth and employment. It is also less well known

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as a "win win"; not only is it an easy to access source of funding for the user, but one which is also a low loss product for the provider.

In 2013, the EU Federation for the Factoring and Commercial Finance (whose members comprise 14 European National Associations, International Factors Group and Factors Chain International, and whose respective members represent over 97 per cent of the EU28 industry volume) decided to ask the FINEST (Financial Intermediation Network of European Studies) Group of researchers to undertake an initial comparative analysis of six FCF markets in Europe: the five largest (UK, France, Italy, Germany and Spain) plus the rapidly developing market of Poland, in order to compare and contrast them and significantly also to try to make an analysis and assessment of the economic impact of our industry for Europe.

Results

The researchers, all established and highly reputed academics from each of the study countries, got to work and in summer 2014 the results

of their analyses were collated in a final report. The range of output was extensive.

In respect of factoring products, the research found that receivables collection and management is most valued service element in countries like Italy and Spain where long payment periods are prevalent. It is valued by all in cross border situations, whilst bad debt protection was considered highly important in all markets, apart from the UK. Working Capital finance again was vitally important in both Spain (where 97 per cent of potential funding was drawn) and Italy but much less so in the UK (47 per cent).

Italy and Germany have explicitly defined laws but elsewhere only more general rules apply about the transfer of receivables. In Poland and the UK there is no need for a licence to provide factoring services but in the other four countries, factors have to qualify as banks or financial institutions and meet other various specific requirements. In terms of users,

- ▶ the UK had the highest number of clients,
- ▶ whilst Germany had the largest average size.

The research shows that most clients of factoring companies belong to the industrial sector (in all countries except for the U.K. where the service sector prevails) and are particularly focused within manufacturing. Indeed, the proportional share of the industry in the sector tends to be very high if compared to its respective weight in the national economies, clearly indicating the prevalence of factoring among industrial

rather than commercial or services firms.

ROE quite high

Most FCF players are banks or bank-owned companies. However, the percentage of factors that is so ranges from 78 per cent in France to 28 per cent in Germany, where the majority of factors are either independent or captives of industrial groups. Importantly, the study shows that the average 2011 Return on Equity (ROE) was quite high in all countries, especially if compared with those of the traditional banking business.

Finally, the study estimated the overall FCF industry contribution of the EU economy. In 2011 the total effect was derived to be about Euro 336 billion (Euro 295 billion in 2010), representing around 3,5 per cent of the total GDP of the six countries. By country, the largest contribution came from Italy (Euro 102 billion, or 6,45 per cent of the Italian GDP in 2011). In Germany it was Euro 40 billion or 1,55 per cent of GDP in 2011. There were two factors that were found strongly to influence the estimated contribution: the proportion of advances with respect to the total outstanding and the average payment period.

Independent academic analysis

The study initially has focused on six of the twenty eight countries but in terms of volume these represent over three quarters of the European market. The results have tended very much to confirm general and anecdotal understanding but now additionally provide an independent academic analysis of the industry, and insights on its economic contribution and value. This information can now be used to support the Industry's case as a front line financial solution for supporting the real economy. ◀

Kurzzusammenfassung*

Der Dachverband der europäischen Factoring-Branche, die EU Federation for Factoring and Commercial Finance (EUF), hat die Forschungsgruppe FINEST (Financial Intermediation Network of European Studies) damit beauftragt, eine vergleichende

lichen Hintergründe hierzu erörtert. Zudem erforscht die Studie die Struktur der Factoring-Kunden, die in der überwiegenden Anzahl der untersuchten Factoring-Märkte aus dem Industriesektor und dort vor allem aus dem Herstellungs- und Produktionsbereich kommen. Die Studie untersucht auch den Beitrag der



Analyse von sechs europäischen Factoring-Märkten vorzunehmen. Die hieraus resultierende Untersuchung bezieht sich auf die fünf größten Factoring-Märkte (Großbritannien, Frankreich, Italien, Deutschland und Spanien) sowie einen stark wachsenden Factoring-Markt (Polen) in Europa und wurde 2014 von renommierten Wissenschaftlern aus eben diesen sechs EU-Mitgliedsstaaten fertiggestellt. Von deutscher Seite nahm Prof. Dr. Thomas Hartmann-Wendels von der Universität zu Köln an der Forschungsgruppe teil.

Sie verdeutlicht einige Unterschiede zwischen den einzelnen Factoring-Märkten, so zum Beispiel, dass in Italien und Spanien sowohl der Liquiditätsaspekt als auch die Servicefunktion des Factorings überwiegen, während gerade für Kunden in Großbritannien Liquidität eher sekundär ist. In den verschiedenen Kapiteln zu den einzelnen nationalen Factoring-Märkten werden die mög-

Factoring-Branche zur EU-Wirtschaft, der sich im Jahr 2011 auf über 330 Milliarden Euro belief, also ungefähr auf 3,5 Prozent der Bruttoinlandsprodukte der sechs untersuchten EU-Mitgliedsstaaten.

Insgesamt bestätigt die Studie viele der Angaben und Annahmen, die bereits in der europäischen Factoring-Branche bekannt sind und häufig als Argumente für das Factoring angeführt werden, jedoch bisher nicht näher belegt werden konnten. Damit liegt nunmehr eine unabhängige wissenschaftliche Analyse vor, welche die Hypothese stützt, dass Factoring eine wichtige Finanzierungslösung für die Realwirtschaft ist. Nähere Informationen können unsere Leser vom Verfasser des Beitrags oder von der EUF erhalten: www.euf.eu.com

*) Verfasst von Rechtsanwältin Magdalena Wessel, Dezernentin Recht beim Deutschen Factoring-Verband e.V., Berlin.