



Payment Practices Barometer

International survey of B2B payment behaviour
Survey results for the Americas

Survey design for the Americas

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the “Payment Practices Barometer”. This report presents the results of the survey’s 2014 edition conducted in 4 countries in North and South America. Using a questionnaire, Conclusr Research conducted a net of 839 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics. Due to a change in research methodology for this survey, for some of the present results, no year-on-year comparison is feasible.

Survey scope

- Basic population: companies from 4 countries were monitored (Brazil, Canada, Mexico, the United States of America (US)). The appropriate contacts for accounts receivable management were interviewed.
- Selection process:
Internet survey: companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact and for quota control was conducted at the beginning of the interview.
- Sample: N=839 people were interviewed in total (approximately n=200 people per country). In each country, a quota was maintained according to three classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Telephone interviews (CATI) of approximately 15 minutes duration. Interview period: 2nd Q 2014

Sample overview – Total interviews = 839

Country	n	%
Brazil	209	25.0
Canada	210	25.0
Mexico	210	25.0
US	210	25.0
Industry	n	%
Manufacturing	229	27.3
Wholesale / Retail / Distribution	241	28.7
Services	369	44.0
Business size	n	%
Micro-enterprises	272	32.4
SMEs (Small/Medium enterprises)	463	55.2
Large enterprises	104	12.4

It may occur that the results are a percent more or less than 100% when calculating the results. This is the consequence of rounding off the results. Rather than adjusting the outcome so that it totalled 100%, we have chosen to leave the individual results as they were to allow for the most accurate representation possible.

Survey results for the Americas

A twofold macroeconomic scenario

In the coming months, the performance of the global economy is expected to continue its upward trend. Global economic growth is forecast to reach 2.9% at the end of the year, and 3.2% in 2015. Essentially, this positive trend is largely driven by improved economic conditions in advanced markets, which contribute to create a brighter climate for businesses and a better outlook for credit risk. Growth rates in some emerging economies, on the contrary, appear to be under pressure. With the likely consequence being deterioration of their insolvency environment.

This macroeconomic scenario, that shifts the focus of concern about the global economy away from advanced markets towards emerging markets, constitutes the background of the Americas survey of corporate payment behaviour in the region. In fact, our survey reflects the two main sides of this scenario.

On one hand, the advanced economies of Canada and the United States (the US), where growth has picked up and economic performance is expected to improve further this year. On the other hand, the emerging economies of Mexico and Brazil, whose economic environments differ greatly. Mexico's economic outlook is set to improve, as the country seems to benefit most from positive spill-overs from higher growth in the US. Which is positive for credit risk. Conversely Brazil, Latin America's second largest emerging market, is confronted with a more challenging economic environment, which has heightened credit risk, chiefly in the corporate sector.

The responses given by the businesses surveyed in the Americas reflect the multiple aspects of this variegated economic landscape.

The greatest challenge to business profitability this year

When asked to indicate the greatest challenge to their business profitability this year, the highest percentage of respondents in the Americas (31.0%) reported that they will be confronted with maintaining sufficient cash flow levels (Europe: 32.4% of respondents). This percentage is highest in Brazil (33.5%). Mexico follows (32.4%). Response rates for Canada and the US sit below the survey average for the region (27.6% and 30.5% respectively).

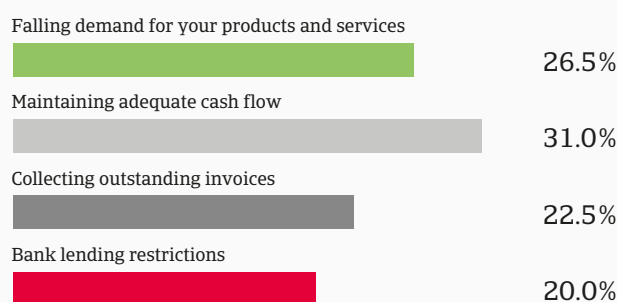
The other challenges to business profitability examined - a fall in demand for products and services, collection of outstanding invoices and bank lending restrictions - were, in comparison perceived as less worrisome by respondents in the Americas, although with noteworthy differences at country level.

For 26.5% of respondents in the region, the greatest challenge to business profitability this year will be an expected decline in demand for their products and services. This percentage climbs from 24.4% in Brazil to 27.1% in Canada, 25.2% in the US and to a high of 29.1% in Mexico; which seems inconsistent with the above mentioned economic picture for the country. More respondents in Europe (32.2%) than in the Americas share this opinion, and perceive maintaining sufficient cash flow as equally challenging as a drop in demand for products and services.

Collection of outstanding invoices is a concern of 22.5% of respondents in the Americas. The response rate across the countries surveyed scarcely differs from the average for the region, except for the US (25.2% of respondents). The comparatively greater concern for this in the US is consistent with the higher 3.2% average of the total value of uncollectable B2B receivables observed in the US (2.7% average for the Americas).

Bank lending restrictions is perceived as the greatest challenge to business profitability by 20.0% of respondents in the Americas (Europe: 13.0%). This percentage ranges from 16.2% in Mexico to 23.8% in Canada. This results is likely to reflect more restrictive lending practices applied by Banks in Canada than in the other countries surveyed in the region. But it also suggests similar practices for the region overall in comparison to Europe; on average.

The greatest challenge to business profitability this year – the Americas



Sample: companies interviewed (active in domestic and foreign markets)
Source: Payment Practices Barometer – September 2014

More information in the [Statistical appendix](#)

Past due receivables and uncollectables

The concern expressed by respondents in the Americas about maintaining sufficient cash flow this year reflects the trade-credit risk picture emerging from survey responses. On average, 38.4% of the total value of the B2B invoices issued by respondents in the region was unpaid by the due date (average for Europe: 36.4%). This percentage is highest in Mexico (43.1%), and sits above the average for the region in the US as well (42.5%). In both Canada and Brazil it is nearly 34.0%.

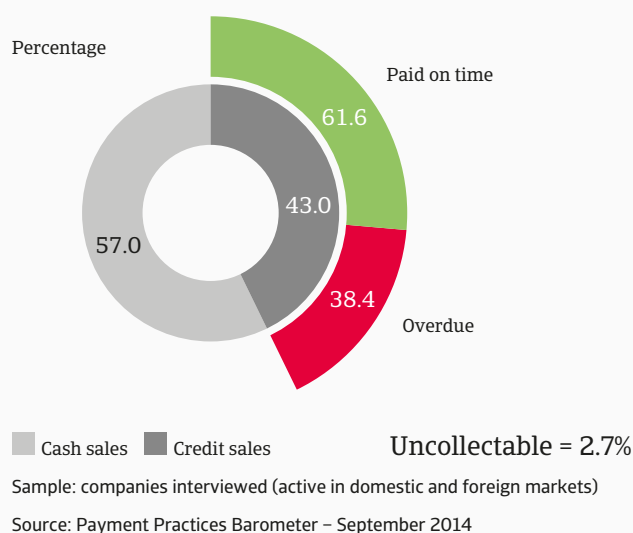
Unpaid invoices can have a serious impact on a businesses' turnover or cash flow. Not only because non-payment by buyers costs a business time and money in respect to pursuing collection of debts, but also because bad debt reserves represent money that is unavailable for use in growing the business. In addition, the longer the receivables remain outstanding, the lower the likelihood of turning them into cash.

Based on responses in the Americas, an average of 5.2% of the total value of B2B receivables remain outstanding after 90 days past due (Europe: 4.6%). This percentage is highest in Mexico

(6.2%), lowest in Canada and Brazil (4.4% in both), and 5.6% in the US. Over the past year, an average of 2.7% of respondents' receivables' were written off as uncollectable (average for Europe: 1.7%). This percentage is lowest in Canada at 2.1%, climbs to 3.0% in Mexico, 2.6% in Brazil and to 3.2% in the US.

By comparing the percentage of receivables that remained outstanding after 90 days past due to that of uncollectable receivables, we can conclude that on average, businesses in the Americas lose 51.9% of the value of their receivables that are not paid within 90 days of the due date (average for Europe: 35.0%). By country, this percentage is highest in Brazil (59.7%) and lowest in Canada (46.6%). In Mexico it is 48.4% and in the US 57.1%.

Average total value of B2B receivables by payment timing in the Americas



More information in the [Statistical appendix](#)

Days Sales Outstanding – DSO

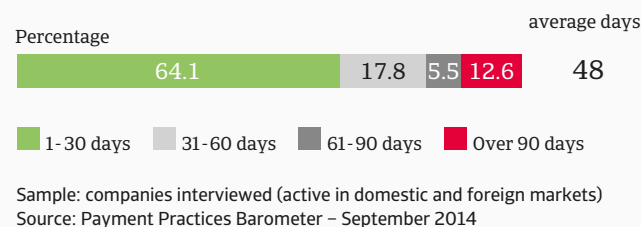
Respondents in the Americas posted an average DSO of 48 days (Europe: 50 days). Around 64.0% of the respondents reported a DSO of 1 to 30 days; just over 23.0% of 31 to 90 days, and nearly 13.0% of over 90 days. By country, DSO is highest in Brazil (59 days), lowest in Canada (39 days), 48 days in Mexico and 47 days in the US. The average DSO for the Americas is somewhat higher than the 28 days average payment term recorded in the region (Europe: 31 days). On a country basis, average payment terms do not differ notably from the regional average term.

It is worth noting that the gap between the regional average figures of DSO and payment term is sizeable, and confirms that quite a few customers of survey respondents are slow in paying their invoices. Furthermore, it suggests that survey respondents in the Americas have to wait an average of 20 additional days from the invoice due date to collect a considerable amount of the value of their sales made on credit. In addition to increasing pay-

ment risk, slow payment can reduce access to financing and put financial stress on production.

The above mentioned result may explain why 74.7% of the respondents in the Americas reported they become concerned about the sustainability of the business when DSO exceeds the average payment term by 31 days (respondents in Europe: 77.0%). This percentage is highest in the US (78.2%), lowest in Mexico (72.9%) and nearly 74.0% in both Canada and Brazil. This points to the importance of having enhanced credit management policies in place, as credit insurance, which offers the most comprehensive protection against insolvency or payment default, and can help reduce DSO, improve cash flow, and can support more competitive payment terms.

Average DSO in the Americas



More information in the [Statistical appendix](#)

Main reasons for late payment from B2B customers

It can be difficult to predict which buyers will pay on time, which will pay late and which won't pay at all. Therefore it is essential to businesses to have knowledge of customers' payment practices. A correct credit risk evaluation is an essential step towards protection of profit and cash flow.

Based on responses across the Americas, late payment of B2B invoices occurs most often due to customers' liquidity constraints (46.8% in respect to domestic and 37.3% in respect to foreign customers). This is an immediate confirmation that a late debt is a potential uncollectable debt and needs to be addressed immediately. Of the four countries surveyed in the Americas, respondents in Mexico experienced payment delays from buyers due to liquidity problems most (57.8% of respondents in respect to foreign buyers and 40.5% in respect to domestic buyers).

Inefficiencies of the banking system and complexity of the payment procedure were the second most often cited reasons by respondents in the Americas for payment delays by foreign B2B customers (around 33% of respondents each). Inefficiencies of the banking system was cited by the highest percentage of respondents (39.7%) in Brazil. The lowest percentage of respondents citing this reason was recorded in Canada (around 26.0%).

Credit management policies used by respondents

Our survey in the Americas highlights that 81.5% of the respondents employ credit management policies to mitigate the risks inherent in offering trade credit in transactions with B2B customers (Europe: 58.3% of respondents). This holds particularly true for respondents in Mexico (84.5%) and Brazil (83.4% of respondents). Canada and the US show a response rate of 80.5% and 77.4% respectively.

Unlike the 52.0% of respondents in Europe, using mostly dunning (payment reminders) when managing B2B receivables, respondents in the Americas appear to use a more differentiated approach to receivables management, with checking buyer's creditworthiness, and requesting secured forms of payment each practiced by around 50.0% of respondents, and monitoring buyers' credit risk practiced by 47.5%. Across the countries surveyed in the region, these policies appear to be employed quite uniformly.

More specifically, when it comes to the most often accepted forms of payment in B2B transactions, 74.4% of the respondents in the Americas reported accepting electronic/bank transfers. This finding may explain why invoice payment from respondents' foreign customers are often delayed due to inefficiencies of the banking system (around 33.0% of respondents in the region). The percentage is highest in Mexico (87.0%), lowers to 77.9% in Brazil, 67.1% in Canada and falls to 65.5% in the US.

Among the other forms of payment examined in our survey, cash, check, and credit card are accepted by around 55% of respondents each. PayPal is currently the least accepted form of payment. With the exception of respondents in the US (38.8%), no more than 32.0% of the respondents from any other country accepted payments via PayPal. However, respondents in the Americas as those in Europe (57.6% vs. 50.4% respectively) believe that the use of streamlined payment methods, such as PayPal, in B2B trade will increase in the near future. By country, the most convinced of this are respondents in Brazil (68.3%). This comes as no surprise as Brazil shows the highest percentage of respondents across the countries surveyed reporting payment delays due to inefficiencies of the banking system.

Most often used credit management policies in the Americas



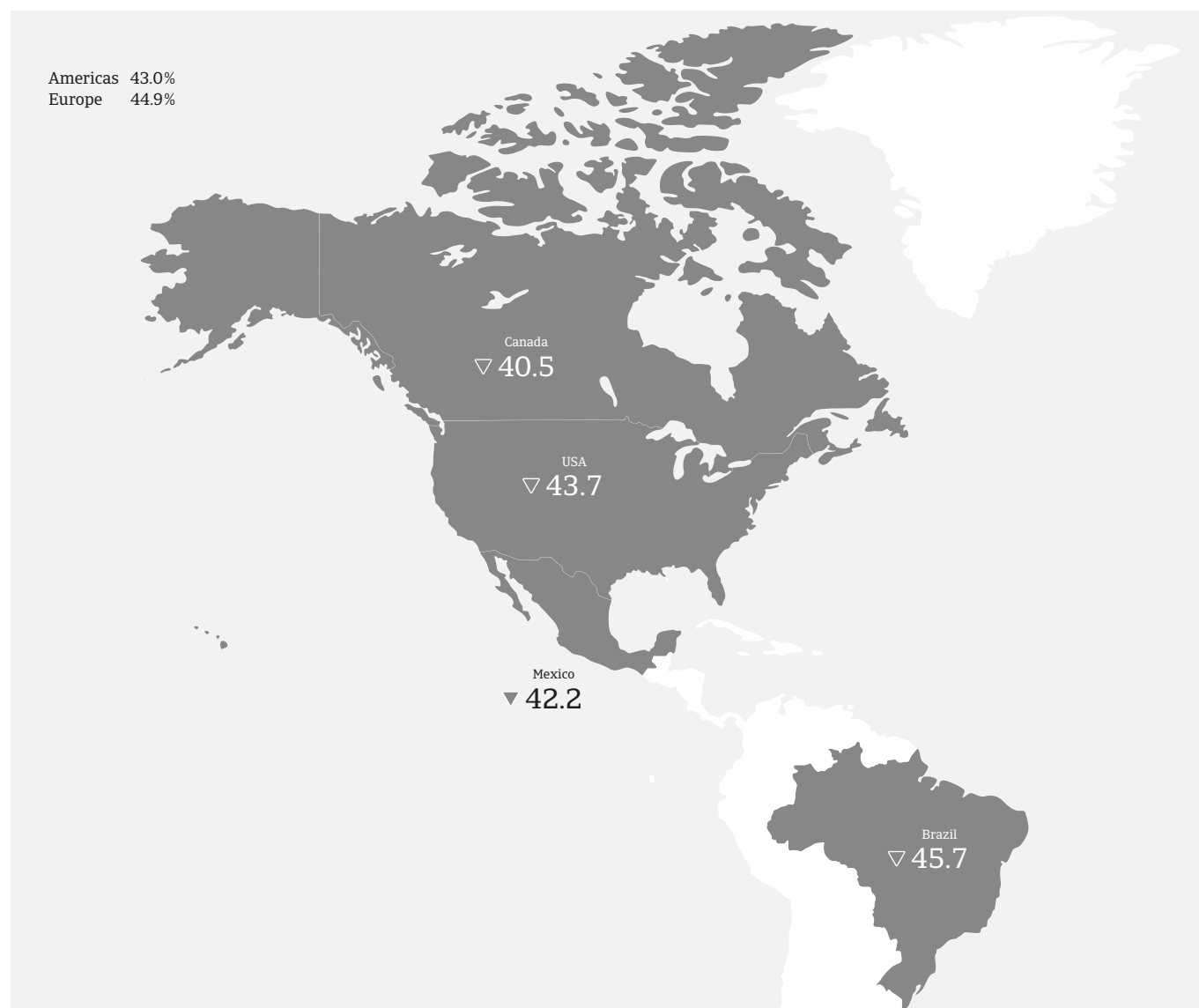
Sample: companies interviewed (active in domestic and foreign markets)
Source: Payment Practices Barometer – September 2014



Statistical appendix

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The Americas: proportion of total B2B sales made on credit



Sample: all interviewed companies

Source: Payment Practices Barometer – September 2014

By industry / by business size

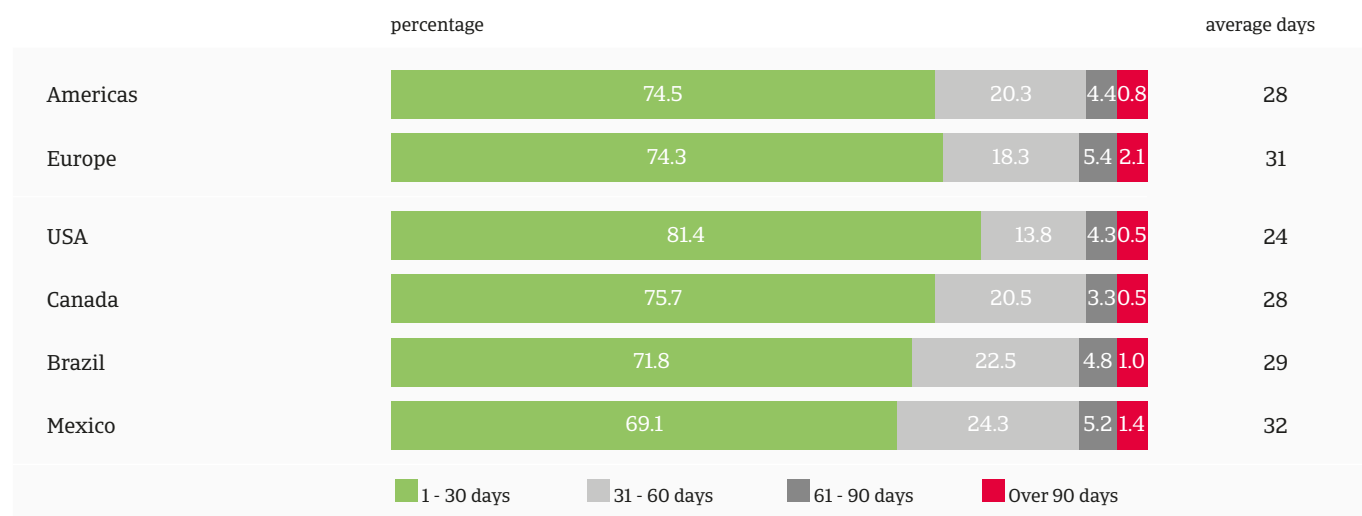
Total	Industry			Business size		
	Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
Americas						
43.0%	44.4%	43.6%	41.9%	40.0%	43.7%	47.7%

Sample: all companies interviewed

Source: Payment Practices Barometer – September 2014



Average payment terms recorded in the Americas (average days)



Sample: all interviewed companies

Source: Payment Practices Barometer – September 2014

By industry / by business size

	Industry			Business size		
	Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
1-30 days	70.74%	76.35%	75.61%	81.62%	72.35%	65.38%
31-60 days	22.27%	19.50%	19.51%	15.44%	22.03%	25.00%
61-90 days	6.11%	2.90%	4.34%	2.94%	4.32%	8.65%
Over 90 days	0.87%	1.24%	0.54%	0.00%	1.30%	0.96%
Average days	28	25	30	27	28	32

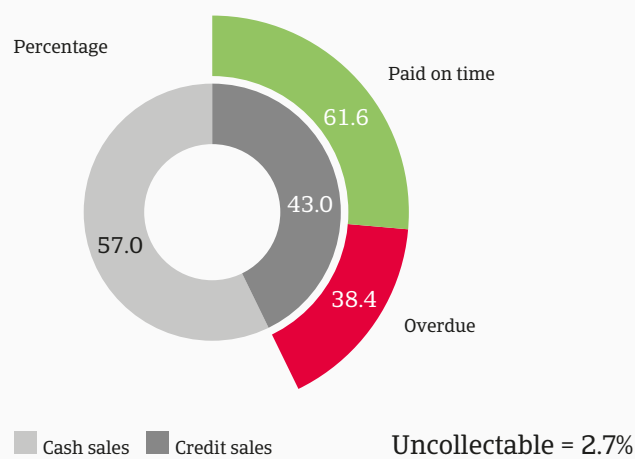
Sample: all interviewed companies

Source: Payment Practices Barometer – September 2014

The Americas: proportion of total B2B receivables by payment timing

	Overdue (% of total value of credit sales)	Uncollectable (% of total value of receivables)
Americas	38.39%	2.69%
Europe	36.39%	1.61%
Mexico	43.10%	2.99%
USA	42.45%	3.20%
Canada	33.96%	2.05%
Brazil	33.50%	2.63%

Average total value of B2B receivables by payment timing in the Americas



Sample: companies interviewed (active in domestic and foreign markets)

Source: Payment Practices Barometer – September 2014

By industry / by business size

Total	Industry			Business size		
Americas	Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
38.4%	40.6%	41.3%	34.7%	35.4%	39.0%	39.5%

Sample: all companies interviewed

Source: Payment Practices Barometer – September 2014



The Americas: main reasons for payment delays by domestic B2B customers

	Insufficient availability of funds	Dispute over quality of goods delivered or service provided	Goods delivered or service provided do not correspond to what was agreed in the contract	Complexity of the payment procedure	Inefficiencies of the banking system	Incorrect information on invoice	Buyer using outstanding debts / invoices as a form of financing	Formal insolvency of the buyer (example: liquidation, receivership, bankruptcy)	Invoice was sent to wrong person	Other
Americas	46.83%	21.35%	21.99%	28.33%	28.85%	26.26%	28.33%	26.13%	21.35%	4.27%
Europe	49.47%	15.35%	12.34%	16.38%	16.03%	15.07%	29.42%	21.59%	11.63%	7.61%
Mexico	57.79%	13.57%	16.08%	33.67%	31.16%	25.13%	33.17%	33.17%	25.63%	2.51%
Brazil	46.23%	17.59%	19.60%	26.13%	32.66%	24.62%	29.15%	25.63%	21.11%	3.52%
Canada	44.32%	27.57%	22.16%	24.86%	23.24%	25.95%	20.54%	18.38%	20.00%	5.95%
USA	38.42%	27.37%	30.53%	28.42%	27.89%	29.47%	30.00%	26.84%	18.42%	5.26%
Industry										
Manufacturing	40.19%	27.57%	28.04%	30.84%	31.31%	32.71%	31.31%	29.44%	22.90%	2.80%
Wholesale / Retail / Distribution	48.68%	20.61%	21.93%	30.70%	28.51%	24.12%	32.02%	26.32%	22.37%	1.75%
Services	49.85%	17.82%	18.13%	25.08%	27.49%	23.56%	23.87%	23.87%	19.64%	6.95%
Business size										
Micro-enterprises	49.79%	12.88%	12.02%	22.75%	22.75%	15.88%	16.74%	17.17%	15.02%	8.15%
SMEs	46.14%	23.64%	27.50%	31.82%	32.27%	31.14%	32.95%	29.77%	25.45%	2.50%
Large enterprises	43.00%	31.00%	21.00%	26.00%	28.00%	29.00%	35.00%	31.00%	18.00%	3.00%

Sample: all interviewed companies (active in domestic markets)

Source: Payment Practices Barometer – September 2014

The Americas: main reasons for payment delays by foreign B2B customers

	Insufficient availability of funds	Dispute over quality of goods delivered or service provided	Goods delivered or service provided do not correspond to what was agreed in the contract	Complexity of the payment procedure	Inefficiencies of the banking system	Incorrect information on invoice	Buyer using outstanding debts / invoices as a form of financing	Formal insolvency of the buyer (example: liquidation, receivership, bankruptcy)	Invoice was sent to wrong person	Other
Americas	37.25%	23.35%	20.68%	33.51%	32.98%	25.49%	22.64%	28.16%	25.49%	3.03%
Europe	35.67%	18.98%	16.10%	23.93%	23.76%	17.56%	23.60%	18.33%	14.36%	8.48%
Mexico	40.54%	20.27%	16.89%	33.78%	33.78%	22.97%	23.65%	27.70%	28.38%	4.73%
Canada	38.93%	28.24%	21.37%	30.53%	25.95%	27.48%	22.14%	22.14%	22.14%	4.58%
USA	38.30%	28.37%	27.66%	34.75%	31.91%	22.70%	21.28%	31.21%	29.08%	2.13%
Brazil	31.21%	17.02%	17.02%	34.75%	39.72%	29.08%	23.40%	31.21%	21.99%	0.71%

Industry

Manufacturing	35.68%	23.78%	25.41%	37.30%	34.59%	30.27%	24.32%	33.51%	27.03%	1.62%
Wholesale / Retail / Distribution	40.24%	23.67%	20.12%	28.40%	31.36%	20.71%	27.22%	31.36%	27.81%	1.78%
Services	36.23%	22.71%	16.91%	34.30%	32.85%	25.12%	17.39%	20.77%	22.22%	5.31%

Business size

Micro-enterprises	29.46%	19.64%	15.18%	33.04%	26.79%	18.75%	12.50%	25.00%	18.75%	7.14%
SMEs	39.44%	23.61%	22.78%	32.50%	34.72%	27.50%	26.11%	28.33%	26.67%	2.22%
Large enterprises	38.20%	26.97%	19.10%	38.20%	33.71%	25.84%	21.35%	31.46%	29.21%	1.12%

Sample: all interviewed companies (active in domestic markets)

Source: Payment Practices Barometer – September 2014



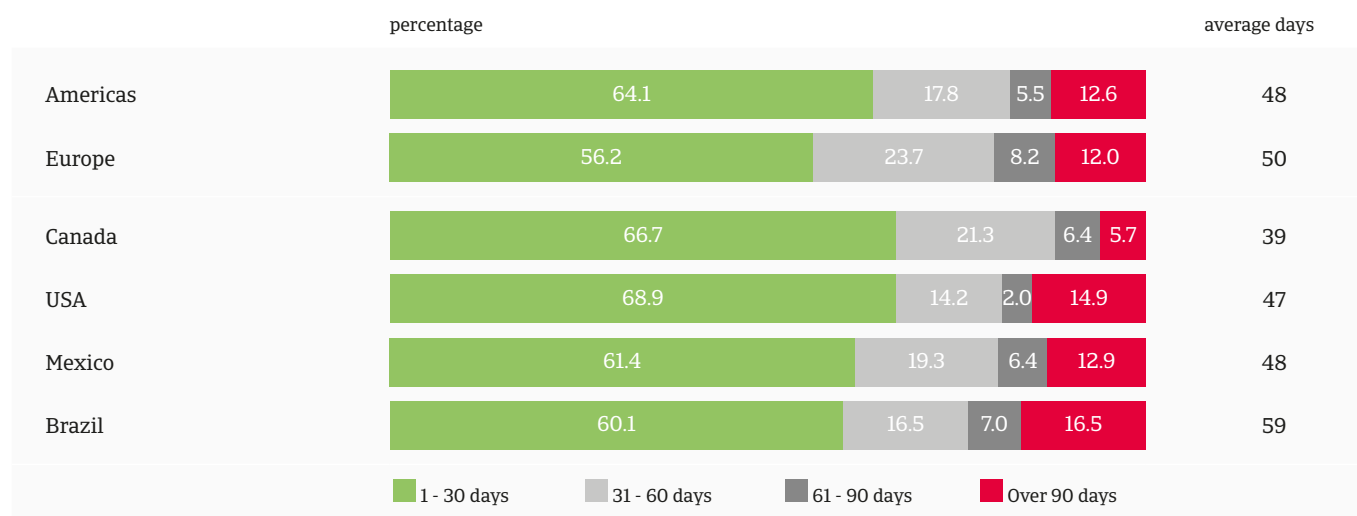
Credit management policies used by respondents in the Americas

	Reserve against bad debts	Self insure	Send payment reminders (dunning)	Retain a collections agency	Sell on cash terms	Check buyer's credit- worthiness	Monitor buyer's credit risk	Request secured forms of payment	Diversify customer base
Americas	37.71%	37.25%	21.68%	30.38%	33.89%	50.23%	47.48%	50.23%	33.28%
Europe	30.24%	20.68%	52.00%	28.51%	31.75%	43.14%	35.91%	34.88%	22.84%
USA	41.83%	37.25%	23.53%	38.56%	39.22%	54.90%	54.90%	53.59%	41.83%
Canada	40.00%	35.63%	10.63%	41.25%	33.13%	46.25%	41.88%	52.50%	30.63%
Brazil	39.64%	44.97%	20.71%	15.98%	27.81%	47.34%	53.25%	53.85%	33.73%
Mexico	30.06%	31.21%	31.21%	27.17%	35.84%	52.60%	40.46%	41.62%	27.75%
Industry									
Manufacturing	39.59%	41.62%	18.27%	26.90%	33.50%	47.72%	51.27%	55.84%	38.07%
Wholesale / Retail / Distribution	32.80%	39.68%	23.81%	36.51%	39.15%	48.68%	41.27%	47.09%	26.98%
Services	39.78%	32.34%	22.68%	28.62%	30.48%	53.16%	49.07%	48.33%	34.20%
Business size									
Micro- enterprises	29.27%	22.56%	18.29%	23.78%	30.49%	36.59%	35.37%	42.68%	24.39%
SMEs	38.23%	43.80%	24.30%	33.16%	36.96%	52.66%	49.87%	50.63%	33.92%
Large enterprises	50.00%	35.42%	16.67%	30.21%	27.08%	63.54%	58.33%	61.46%	45.83%

Sample: all interviewed companies (active in domestic and foreign markets)

Source: Payment Practices Barometer – September 2014

Average DSO recorded in the Americas



Sample: all interviewed companies

Source: Payment Practices Barometer – September 2014

By industry / by business size

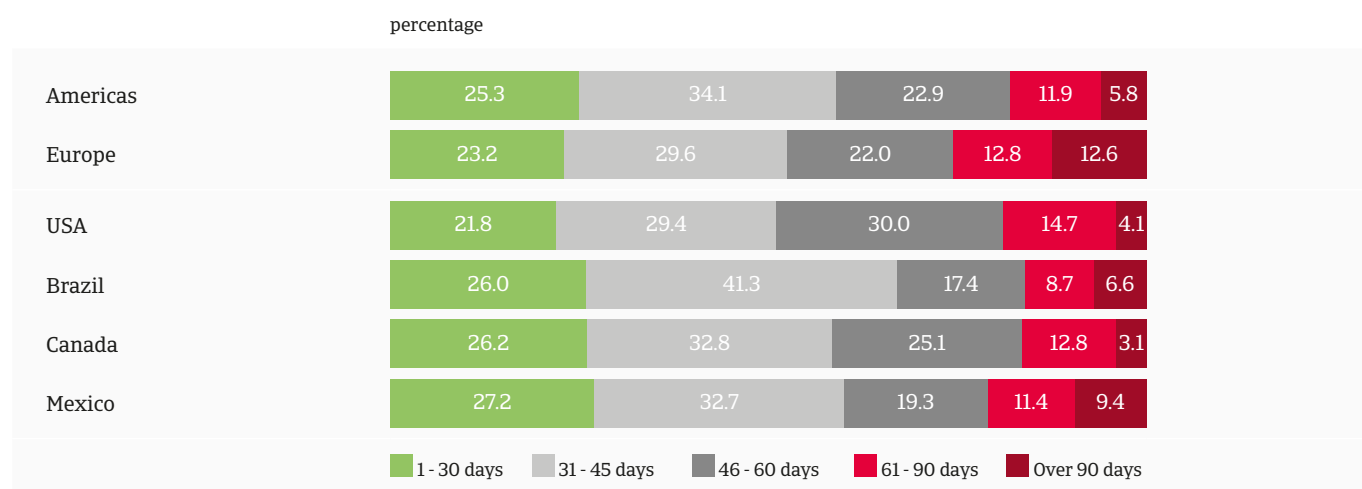
Industry			Business size		
Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
48.3	47.2	49.3	50.5	48.1	45.1

Sample: all interviewed companies

Source: Payment Practices Barometer – September 2014



Average DSO becomes a reason for concern for respondents in the Americas, when it is ... days longer than the payment term



Sample: all interviewed companies

Source: Payment Practices Barometer – September 2014

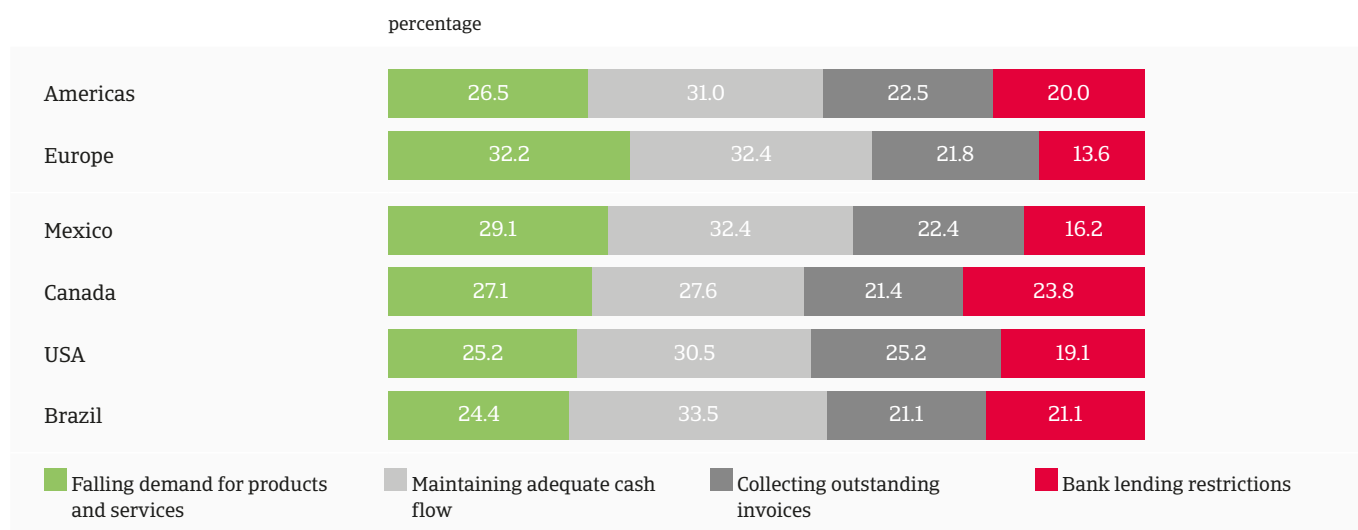
By industry / by business size

	Industry			Business size		
	Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
1-30 days	25.00%	28.57%	23.34%	36.18%	20.22%	21.21%
31-45 days	31.13%	32.03%	37.18%	34.55%	34.16%	32.32%
46-60 days	26.89%	20.78%	21.90%	15.45%	26.74%	24.24%
61-90 days	12.26%	12.99%	10.95%	9.35%	13.26%	12.12%
Over 90 days	4.72%	5.63%	6.63%	4.47%	5.62%	10.10%

Sample: all interviewed companies

Source: Payment Practices Barometer – September 2014

The greatest challenge to business profitability in 2014 for respondents in the Americas



Sample: all interviewed companies (active in domestic and foreign markets)

Source: Payment Practices Barometer – September 2014

By industry / by business size

	Industry			Business size		
	Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
Falling demand	28.38%	23.65%	27.10%	28.68%	25.92%	23.08%
Adequate cash flow	24.89%	35.27%	31.98%	36.76%	28.08%	28.85%
Outstanding invoices collection	24.89%	22.82%	20.87%	19.12%	24.19%	24.04%
Bank lending restrictions	21.83%	18.26%	20.05%	15.44%	21.81%	24.04%

Sample: all interviewed companies

Source: Payment Practices Barometer – September 2014

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