



## Payment Practices Barometer

International survey  
of B2B payment behaviour

Core results Western Europe

## 1.1 Introduction

This report is a part of the 11th edition of the Atradius Payment Practices Barometer. It focuses on Western Europe, examining the primary aspects of the region's trade credit supply and management, as well as the payment behaviour of international and domestic Business-to-Business (B2B) buyers.

The objectives of this report are to provide companies doing or planning to do business in Western Europe with an understanding of the trade dynamics of the region. Without an accurate understanding of the payment practices of both domestic and foreign customers, companies can encounter serious cash flow problems that set back their businesses.

The report therefore looks at a series of key areas of trade credit and credit management policy of Western European companies, including the extent to which trade credit is granted to customers, the payment terms set for customers, the resulting incidences of late or non-payment, and the actions taken to mitigate payment risks.

The Spring 2012 Payment Practices Barometer is available on the Atradius website at [www.atradius.com](http://www.atradius.com) ■

## 1.2 Conclusions

Consistent with the difficult economic conditions across Europe, the predominant issue for businesses trying to collect outstanding invoices is a lack of available funds of their customers regardless of whether they are domestic (67%) or foreign (46%) customers. The return to a recessionary environment and the deep economic difficulties in a number of countries reviewed in this survey is playing an important role in exacerbating this issue. Current indications are that it will get worse before it gets better and to a large extent this is reflected in the 33% of respondents who expect credit risk to increase in the coming months. This is still somewhat lower than those that expect credit risk to remain at current levels (54%). But let's not forget, in many countries credit risk levels are already high.

Whether an increase in trade credit risk or the status quo is expected, the majority of respondents plan on increasing their credit management activities. Active credit management, which refers to performing credit checks and dunning; checking creditworthiness; monitoring credit risks; checking track records; and requesting secure forms of payment, are the areas where the greatest increases in action are expected.

Late payments are and remain an issue for businesses throughout Western Europe. With 31% of domestic and 27% of foreign payments for purchases of goods or services made late, businesses need to stay on top of their receivables portfolios to limit the amount of uncollectable receivables. Excessively late invoices accounted for 6.0% of domestic and 5.3% of foreign receivables, and were a particular problem in Southern Europe where the value of domestic invoices more than 90 days past due exceeded 10% of the value of domestic sales. This is a particular worry in Greece where this number climbed to almost 19%. Worse is that 3.5% of domestic and 2.7% of foreign receivables were uncollectable and ended in default.

All of these late and unpaid invoices are playing havoc on DSO. In general, DSO in Western Europe is 13 days longer than average payment terms and is less likely to decline than they are to increase. This suggests the need for improvements in receivables management for most companies. This is more evident in respect to management of domestic receivables than in management of foreign receivables.

Most companies tend to have a higher comfort level with domestic customers and, as a result, are a little more lax in their credit management practices on domestic sales. This is evidenced in the higher rates of payment default and long overdue receivables. But it also stresses the importance of paying closer attention to receivables management and ensuring the creditworthiness of your domestic as well as your foreign buyers. The results of this survey will hopefully help readers develop a better understanding of what they can do to improve their success in getting paid earlier and more frequently when they sell on credit terms.

## 1.3 Core results Western Europe

### Sales on credit terms (2.1)

- Survey respondents in Western Europe used trade credit very frequently in B2B transactions and were on average more inclined to sell on credit domestically than internationally (52.5% and 46.0% of the total value of the B2B sales to domestic and foreign customers respectively were made on credit).
- Perceptions of credit risk of domestic and foreign B2B customers varied, in some cases widely, from country to country.
- In Western Europe, the manufacturing sector made the most use of and financial services sector made the least use of trade credit in B2B transactions.
- SMEs in Western Europe were on average the most inclined to sell on credit terms to B2B customers; micro enterprises the least likely.

### Trade credit supply determinants (2.2)

- Long term trade relationships was the most influential factor in B2B trade credit decisions of respondents in Western Europe (46.5% and 40.3% of respondents granted trade credit for this reason to domestic and foreign B2B customers respectively).
- All the other trade credit supply determinants examined by our survey (allowing customers time to confirm the quality of the product before payment, promotion of sales growth and granting trade credit as a source of short-term finance) were given far lower weightings by respondents in Western Europe.
- Half of the respondents in the manufacturing sector in Western Europe prioritised trade credit supply as a tool to establish long-term trade relationships domestically.
- More than 2 out of 5 respondents across all of the business size groups surveyed granted trade credit to B2B customers to establish long-term trade relationships.

### Average payment terms - domestic/foreign (3.1)

- Overall, B2B customers of survey respondents in Western Europe were extended an average of 38 days from the invoice date for paying for their purchases on credit.
- Credit terms extended to domestic B2B customers were slightly longer (averaging 39.4 days) than those extended internationally (34.6 days).
- The manufacturing sector granted the most relaxed credit terms to their domestic and foreign B2B customers.
- SMEs extended the longest credit terms to B2B customers domestically, large enterprises the longest internationally.

### Early payment discounts (3.2)

- Over 30% of respondents in Western Europe offered discounts for early payment of invoices. Italy was the most active in this respect.
- Discounts were most frequently taken advantage of by B2B customers of French respondents.
- The manufacturing sector was the most likely in the survey to offer discounts for early payment of invoices.
- B2B customers of medium-sized and large enterprises were the least keen on taking advantage of the discounts for early payment of invoices.

### Trend in the use of credit management tools (3.3)

- Nearly half of the respondents in Western Europe anticipate checking buyer's creditworthiness more frequently over the next six months.
- Respondents in Western Europe anticipate an increase in their requests for secured forms of payment from B2B customers and in their active credit management activities.
- The services sector is the most likely to increase checking of buyer's creditworthiness over the next six months.
- More than half of the respondents from SMEs anticipate an increase in their frequency of buyer's creditworthiness checks over the next six months.

### Overdue B2B invoices (domestic/foreign) – Payment timing (4.1)

- Overall, B2B invoices issued by respondents in Western Europe were almost as likely to be paid late by foreign customers as they were by domestic customers. An average of 30.6% and 27.0% of the total value of the invoices issued by Western European respondents to their domestic and foreign B2B customers respectively were paid after the due date.
- The proportion of the total value of domestic past due receivables that were still delinquent after over 90 days past due was slightly higher than that of past due receivables arising from international trade.
- Both the manufacturing and the wholesale/retail/distribution sectors recorded the highest percentage of domestic past due B2B invoices.
- Small enterprises recorded the highest percentage of domestic B2B invoices paid after the due date, as did medium-sized enterprises in relation to foreign B2B invoices.

## Main reasons for payment delays from customers (4.2)

- B2B invoices in Western Europe were more likely to be paid late due to liquidity constraints of domestic than of foreign customers (66.8% and 46.2% of respondents in Western Europe cited insufficient availability of funds as the main reason for payment delays by domestic and foreign customers respectively).
- All other reasons for payment delays investigated in the survey were assigned far lower weightings by Italian respondents.
- The manufacturing sector was the most impacted by payment delays due to insufficient availability of funds of the customers.
- Both micro and small enterprises were the most impacted by payment delays due to insufficient availability of funds of B2B customers.

## Uncollectable receivables - domestic/foreign (4.3)

- On average, in Western Europe the proportion of uncollectable B2B receivables arising from domestic trade was higher than that arising from export trade.
- An average of 3.5% of the total value of domestic B2B receivables was written off as uncollectable. As to foreign B2B sales, an average of 2.7% of the total value of foreign B2B receivables was reported by respondents as uncollectable.
- The financial services sector recorded the highest proportion of uncollectable B2B receivables arising from domestic and international trade.
- Small enterprises recorded the highest proportion of domestic and large enterprises the highest proportion of foreign uncollectable B2B receivables.

## Trend of payment risk over the next six months (4.4)

- Over half of the respondents in Western Europe expressed the opinion that trade credit risk will not change over the next six months.
- Three times as many respondents expect deterioration of trade credit risk over the next six months than anticipate improvement.
- The wholesale/retail/distribution and financial services sectors were the most pessimistic as to deterioration of trade credit risk over the next six months.
- SMEs in Western Europe were the most pessimistic, by business size, as to deterioration of trade credit risk over the next six months.

## Average Days Sales Outstanding (DSO) – second half 2011 (5.1)

- Survey respondents in Western Europe posted an average DSO of 51.4 days, which was notably higher than the average payment term (38 days) reflecting the volume of invoices that are paid late (see 4.1).
- On a country basis, the highest DSO was posted by respondents in Turkey, the lowest by respondents in Denmark.
- Analyzed by business sector, the manufacturing sector posted the longest average DSO.
- From a business size perspective, small enterprises recorded the longest average DSO.

## DSO trend over the past year (5.2)

- 67.0% of the respondents in Western Europe reported no change in DSO over the past year.
- More than twice as many survey respondents experienced an increase in DSO than did a decrease.
- The financial services sector was the most impacted by an increase in DSO over the past year.
- Small enterprises were the most impacted by an increase in DSO over the past year. ■

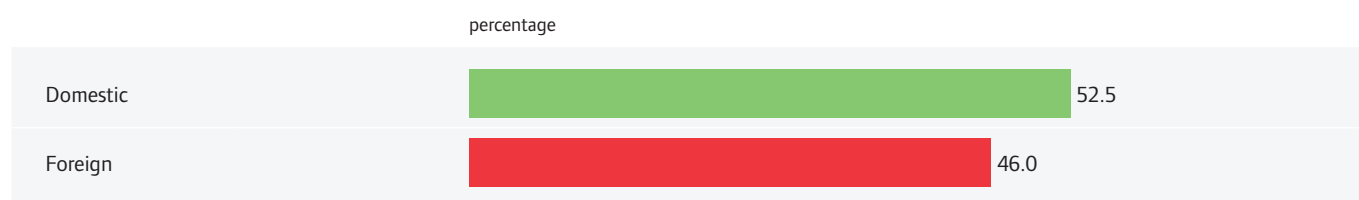


## 2 Use of trade credit

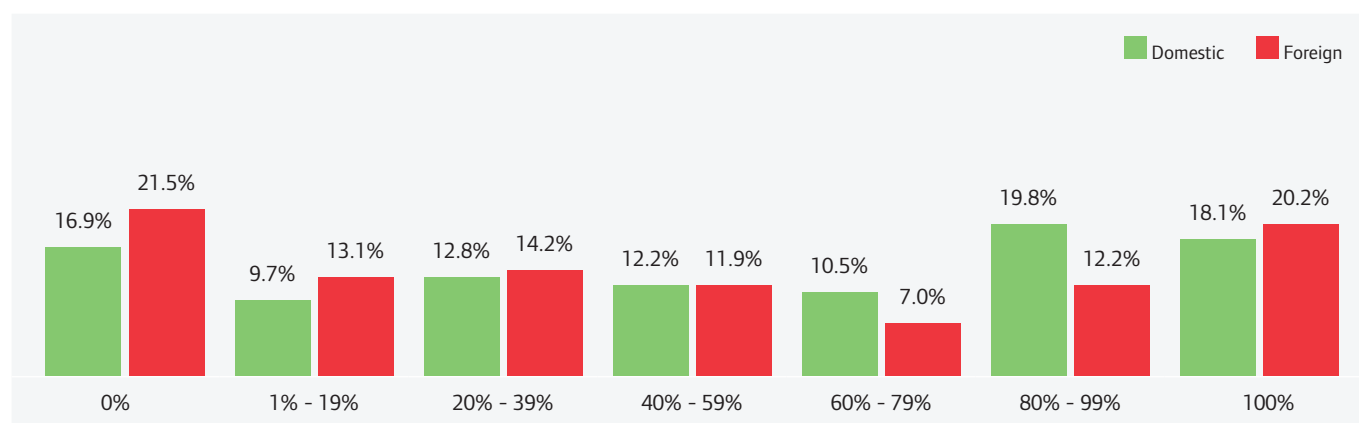
- Respondents in Western Europe used trade credit very frequently in B2B transactions, particularly on the domestic market
- Long term trade relationships was the most influential factor in B2B trade credit decisions of Western European respondents

### 2.1 Sales on credit terms

#### B2B sales made on credit terms - averages



#### Domestic/foreign B2B sales made on credit terms (by percentage of respondents)



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

Source: Atradius Payment Practices Barometer – Spring 2012

#### Overall

**Respondents in Western Europe used trade credit very frequently in B2B transactions, particularly on the domestic market**

As to the use of trade credit in B2B sales to domestic and foreign customers, survey respondents in Western Europe appeared to be, on average, more inclined to use trade credit domestically than internationally. At overall survey level, 52.5% and 46.0% of the total value of the B2B sales to domestic and foreign customers respectively were made on credit. 16.9% and 21.5% of respondents were completely credit averse making no credit sales at all to domestic and foreign B2B customers respectively. At the other end of the scale, 18.1% and 20.2% of respondents were completely trade credit friendly and made 100% of their domestic and foreign B2B sales respectively on credit. On a country basis, the use of trade credit in B2B sales varies notably. While most countries were more credit friendly with domestic customers, there was no dominant leaning in about half of the countries.

French and Danish respondents, for instance, were just as likely to sell on credit to domestic customers as they were to foreign customers (French sales on credit averaged approximately 26% and Danish 55% of the total value of domestic and foreign B2B sales). Only Belgium showed a significant leaning towards being more credit friendly to foreign customers (29.0% of the total value of domestic B2B sales was on credit, versus 39.6% of foreign sales). Belgium also recorded the highest percentage of respondents making no credit sales at all to domestic customers (38.1%). The Netherlands and Ireland also showed a greater preference for selling on credit internationally than domestically. Ireland recorded the highest percentage of the total value of foreign B2B sales made on credit across all the countries surveyed (69.4%) followed by Spain (65.4%). Spain also had the highest percentage of domestic B2B sales made on credit terms (an average of 73.1% of the total value of domestic B2B sales were made on credit). Greece (66.1%), Turkey (65.8%) and Ireland (65.3%) followed.

## By business sector

**Manufacturing and financial services sectors in Western Europe made the most and the least use of trade credit in B2B transactions respectively**

In line with the survey pattern, all business sectors surveyed in Western Europe showed a clear preference for using trade credit domestically. Respondents in the manufacturing sector made the most use of trade credit in domestic B2B sales (61.3% of the total value of the domestic sales to B2B customers was made on credit). Both the wholesale/retail/distribution and the services sectors transacted half of the total value of their domestic sales to B2B customers on credit. The least open attitude towards granting trade credit to domestic B2B customers was shown by respondents in the financial services sector (46.1% of the total value of the domestic sales to B2B customers was made on credit). Foreign B2B sales on credit ranged from a high of 50.3% in the manufacturing sector to a low of 39.8% in the financial services sector.

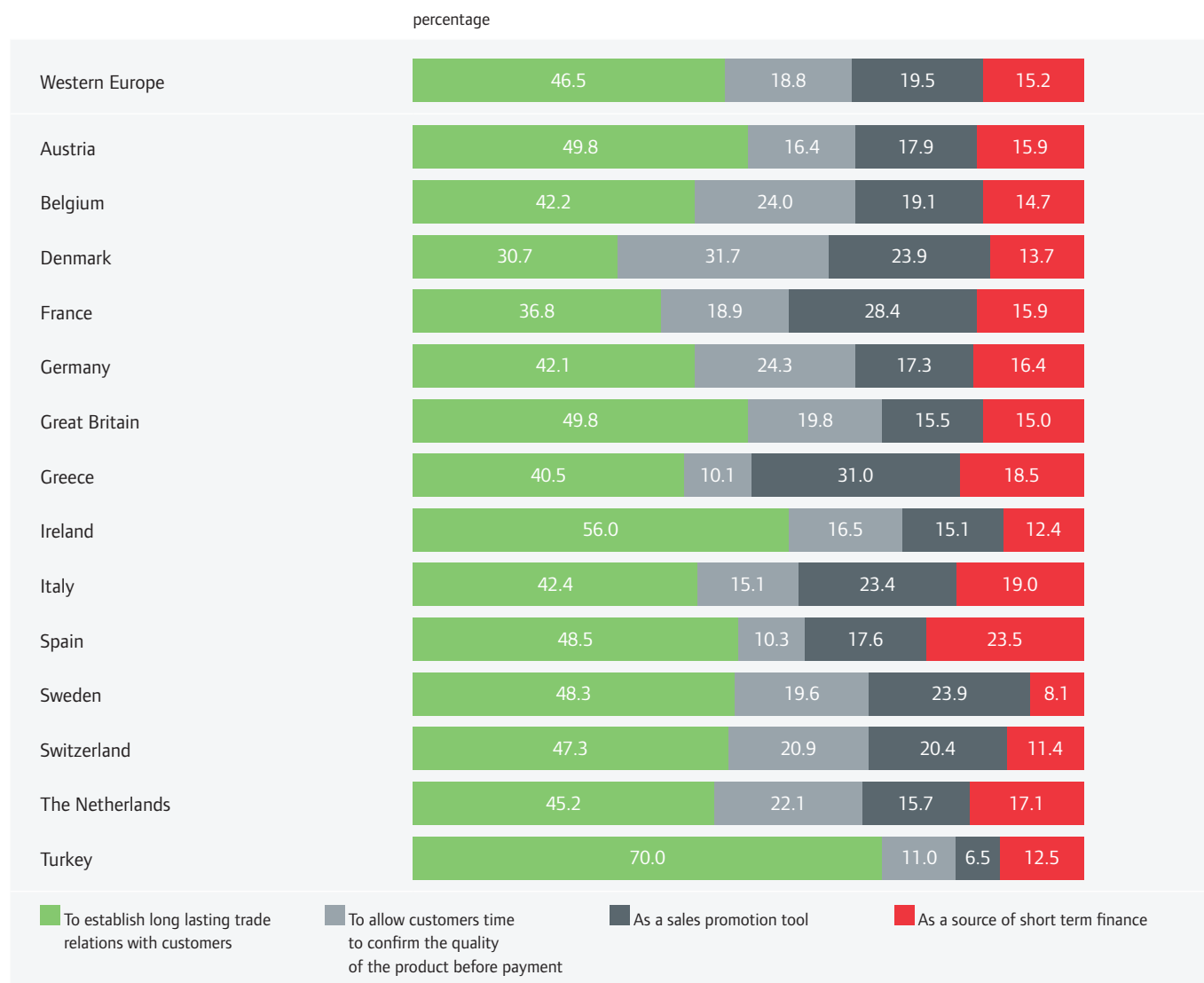
## By business size

**SMEs in Western Europe were on average the most inclined to sell on credit terms to B2B customers; micro enterprises the least likely**

Respondents from both small and medium-sized enterprises were on average the most likely to sell on credit terms to domestic customers (57.1% and 56.0% of the total value of the sales to domestic B2B customers were made on credit). Large enterprises follow (53.2%). The most reluctant to use trade credit in transactions with domestic B2B customers were respondents in micro enterprises (45.7%). This finding is likely to be linked to the cost implications of granting trade credit and comparatively fewer in house credit management resources available to micro enterprises. Foreign B2B sales on credit in the business size groups surveyed ranged from a high of 50.2% in large enterprises to a low of 36.9% in micro enterprises. ■

## 2.2 Trade credit supply determinants

What are the main reasons that your company grants trade credit to its domestic B2B customers?



Sample: companies interviewed (active in domestic markets)

Source: Atradius Payment Practices Barometer – Spring 2012

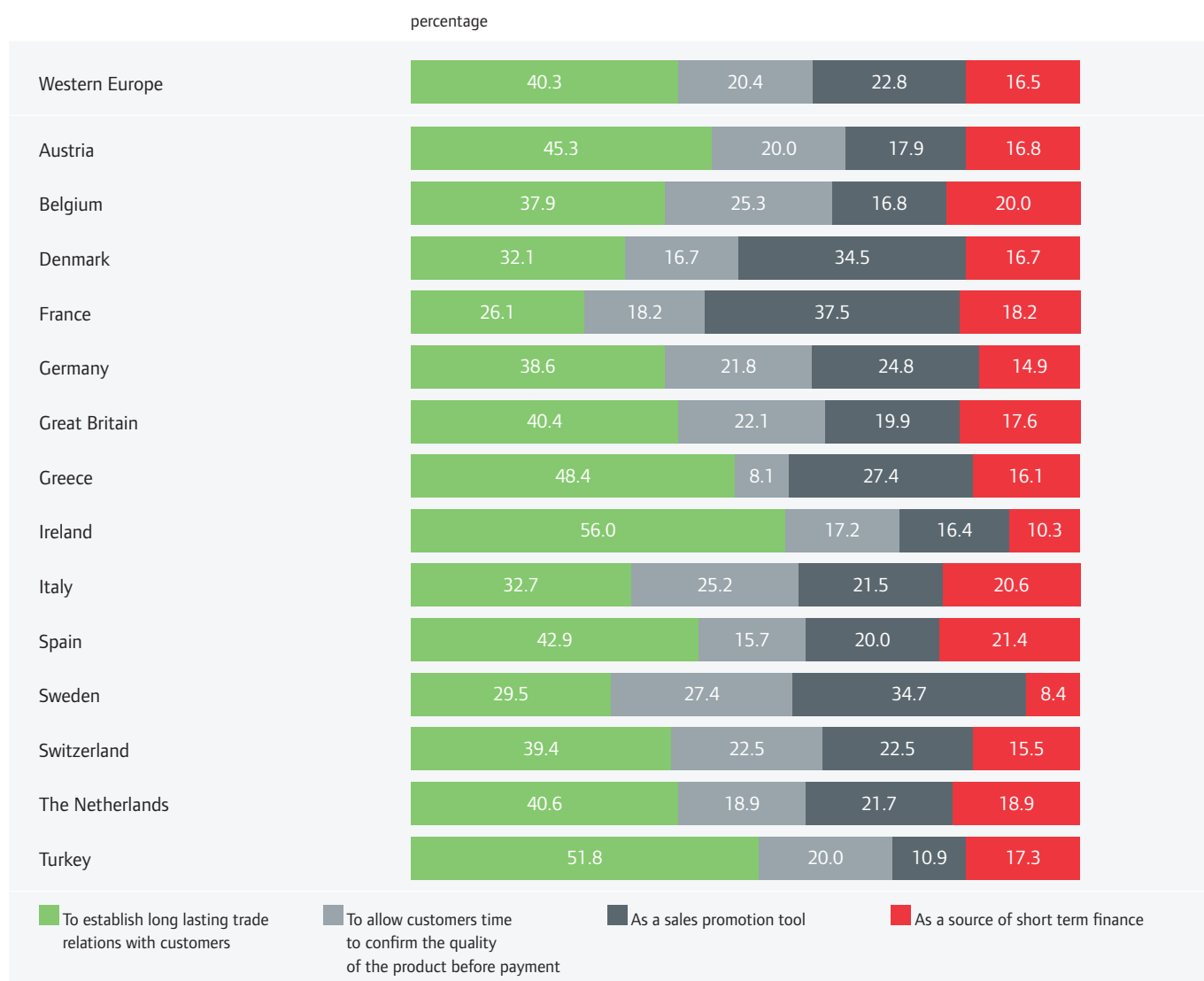
### Overall

#### Long term trade relationships was the most influential factor in B2B trade credit decisions of respondents in Western Europe

The majority of respondents in Western Europe granted trade credit to domestic (46.5% of respondents) and foreign B2B customers (40.3% of respondents) mainly as a tool to establish long term trade relationships. This was the most influential factor in trade credit decisions of respondents in Western Europe. In Ireland, approximately 56.0% of respondents granted trade credit to B2B customers domestically and internationally for this reason, and in Turkey the domestic percentage climbed to 70.0% of respondents and the foreign percentage to 51.8% of respondents). All the other trade credit supply determinants examined were given far lower weightings by respondents. Allowing customers time to confirm the quality of the product before payment was the main reason that 18.8% and 20.4% of respondents in Western Europe

sold on credit to domestic and foreign customers respectively. The domestic percentage climbed to 31.7% in Denmark and the foreign percentage to 27.4% in Sweden. To promote sales growth was the main reason for 19.5% and 22.8% of respondents to offer trade credit to domestic customers and foreign customers respectively. In France, the domestic percentage rose to 28.4% and the foreign percentage to 37.5%. In Greece the domestic percentage rose to 31.0%, and in Denmark and Sweden the foreign percentage rose to 34.5% and 34.7% respectively. Granting trade credit mainly as a source of short-term finance to domestic and foreign customers was reported by 15.2% and 16.5% of Western European respondents respectively. In Spain, the domestic percentage rose to 23.5% and the foreign percentage to 21.4%, suggesting that Spanish respondents were more likely than the overall survey average to offer trade credit to B2B customers as a means of financial support.

## What are the main reasons that your company grants trade credit to its foreign B2B customers?



Sample: companies interviewed (active in foreign markets)

Source: Atradius Payment Practices Barometer – Spring 2012

### By business sector

**Half of the respondents in the manufacturing sector prioritised trade credit supply as a tool to establish long-term trade relationships domestically**

Respondents in the manufacturing sector in Western Europe granted trade credit to domestic (53.3% of respondents) and foreign B2B customers (43.0%) mainly as a tool to establish long term trade relationships. The financial services sector differentiated itself from this trading norm as respondents in this sector granted trade credit mainly as a source of short-term finance (26.4% of respondents in relation to domestic customers and 25.8% of respondents to foreign customers). To promote sales growth was the greatest influencer of domestic (24.4% of respondents) and foreign (26.6%) trade credit decisions in the wholesale/retail/distribution sector.

### By business size

**More than 2 out of 5 respondents across all of the business size groups surveyed in Western Europe granted trade credit to B2B customers to establish long-term trade relationships**

More than 2 out of 5 respondents across all of the business size groups surveyed in Western Europe assigned the highest priority to trade credit granting in B2B transactions as a tool to establish long term trade relationships. Large enterprises were the keenest in granting trade credit to B2B customers to promote growth in sales domestically (23.1% of respondents) and internationally (24.1%). Allowing customers time to confirm the quality of the product before payment was the main reason that 20.6% of respondents in Western European medium-sized enterprises granted trade credit to B2B customers. ■

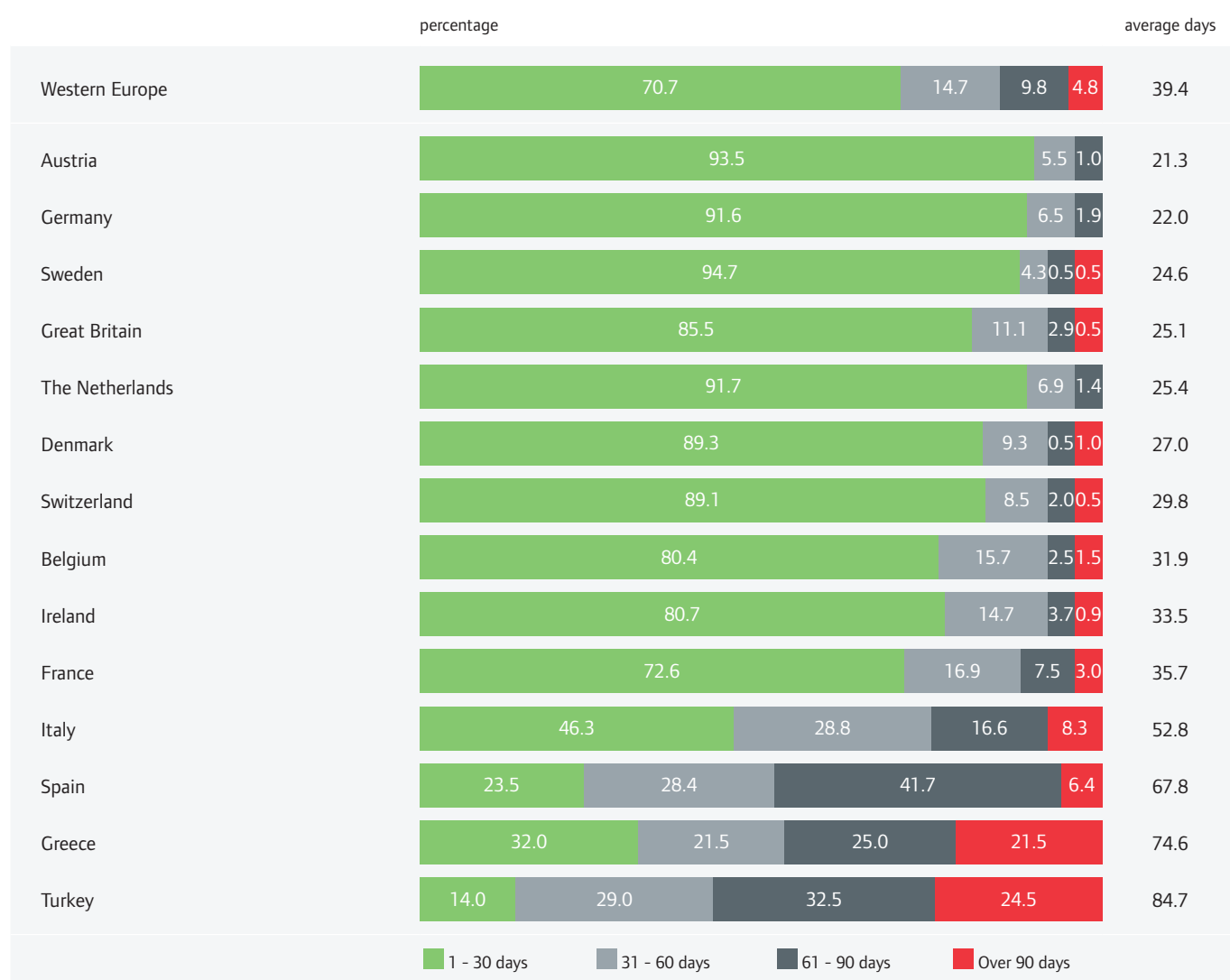


## 3 Credit management practices

- On average, credit terms extended to B2B customers were notably longer in Southern than in Northern Europe
- More than 30% of respondents in Western Europe offered discounts for early payment of invoices; Italy was the most active in this respect, but discounts were most frequently taken advantage of by B2B customers of French respondents
- Nearly half of the respondents in Western Europe anticipate checking the creditworthiness of buyer's more over the next six months

### 3.1 Average payment terms\* (domestic/foreign)

What payment terms does your company set for its domestic B2B customers?

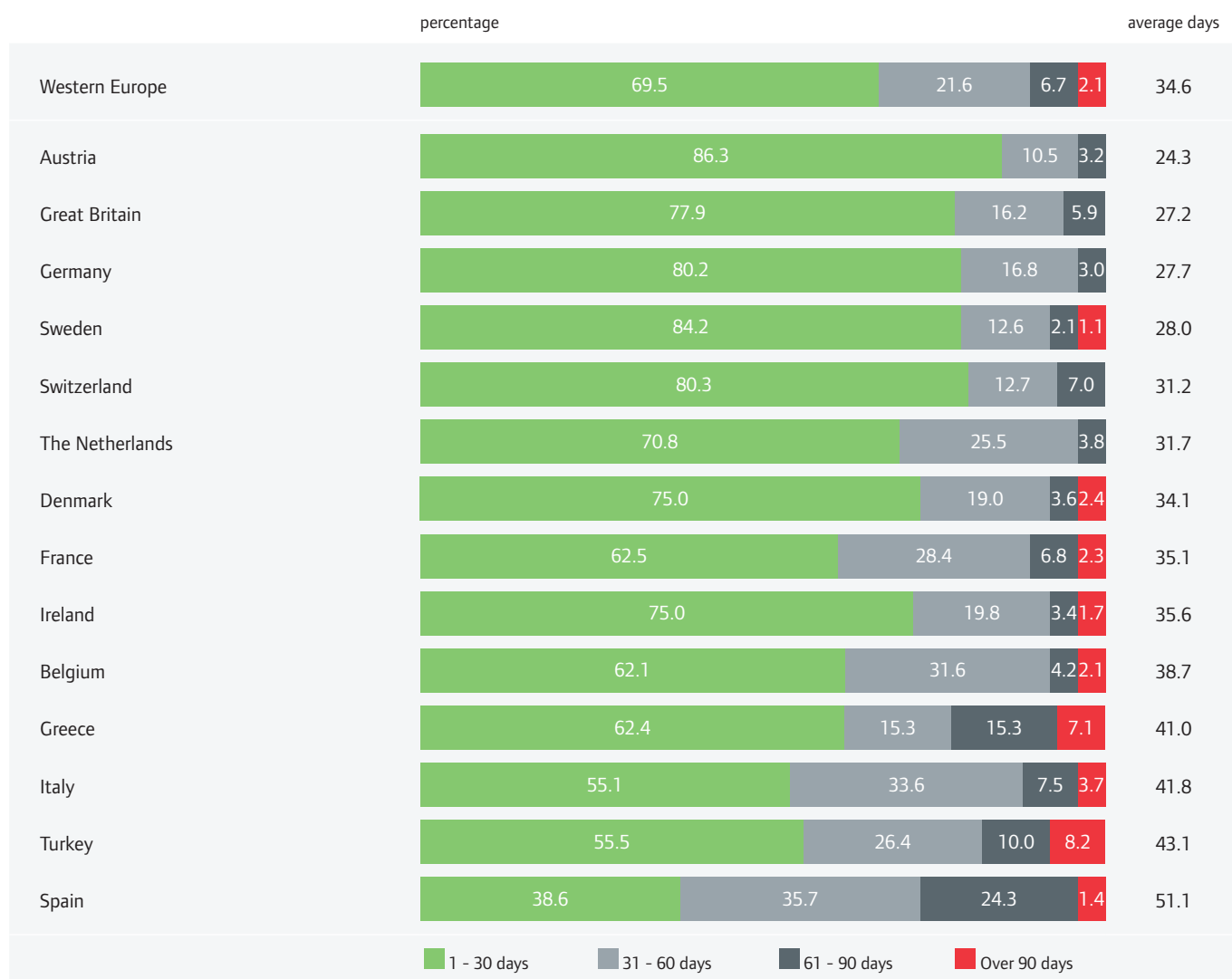


Sample: all interviewed companies (active in domestic markets)

Source: Atradius Payment Practices Barometer – Spring 2012

\* Average payment terms = average length of time from the invoice date that a company gives its customers to pay invoices

## What payment terms does your company set for its foreign B2B customers?



Sample: all interviewed companies (active in foreign markets)

Source: Atradius Payment Practices Barometer – Spring 2012

## Overall

**On average, credit terms extended to B2B customers were notably longer in Southern than in Northern Europe**

Overall, B2B customers of survey respondents in Western Europe were extended an average of 38 days from the invoice date to pay for their purchases on credit. In half of the countries surveyed, the credit terms extended by respondents to customers were notably below the survey average. The shortest credit terms were recorded in Austria and Germany (averaging 21.7 days and 22.7 days respectively). The longest average credit terms were extended by respondents in Turkey (73.3 days), Greece (66.5 days), Spain (64.9) and Italy (49.7 days). This finding highlights that average credit terms in Northern and Central Europe are notably shorter than in Southern Europe. At overall survey level, credit terms extended to domestic B2B customers were slightly longer (averaging 39.4 days) than those extended foreign custom-

ers (34.6 days). Consistent with the survey pattern were credit terms extended by respondents in Turkey (84.7 days domestic and 43.1 foreign), Greece (74.6 days domestic and 41.0 foreign), Spain (67.8 domestic and 51.1 foreign) and Italy (52.8 days domestic and 41.8 days foreign). Belgium stood out at the other end of the spectrum having offered foreign customers longer average credit terms than domestic customers (31.9 days domestic and 38.7 days foreign credit terms). France responses produced an average that suggests little discrimination between domestic and foreign customers (average credit terms 35.7 days domestic and 35.1 days foreign). The B2B customers of Austrian respondents were extended the shortest terms (averaging 21.3 days domestic and 24.3 foreign).

## By business sector

### Manufacturing sector granted the most relaxed credit terms to domestic and foreign B2B customers

Compared to the other business sectors surveyed in Western Europe, respondents in the manufacturing sector granted their B2B customers the most relaxed credit terms (averaging 52.8 days domestic and 38.9 days foreign). The shortest domestic B2B credit terms were extended by respondents in the services sector (averaging 33.2 days) and the shortest credit terms offered to foreign B2B customers were given by respondents in the wholesale/retail/distribution sector (an average of 30.8 days).

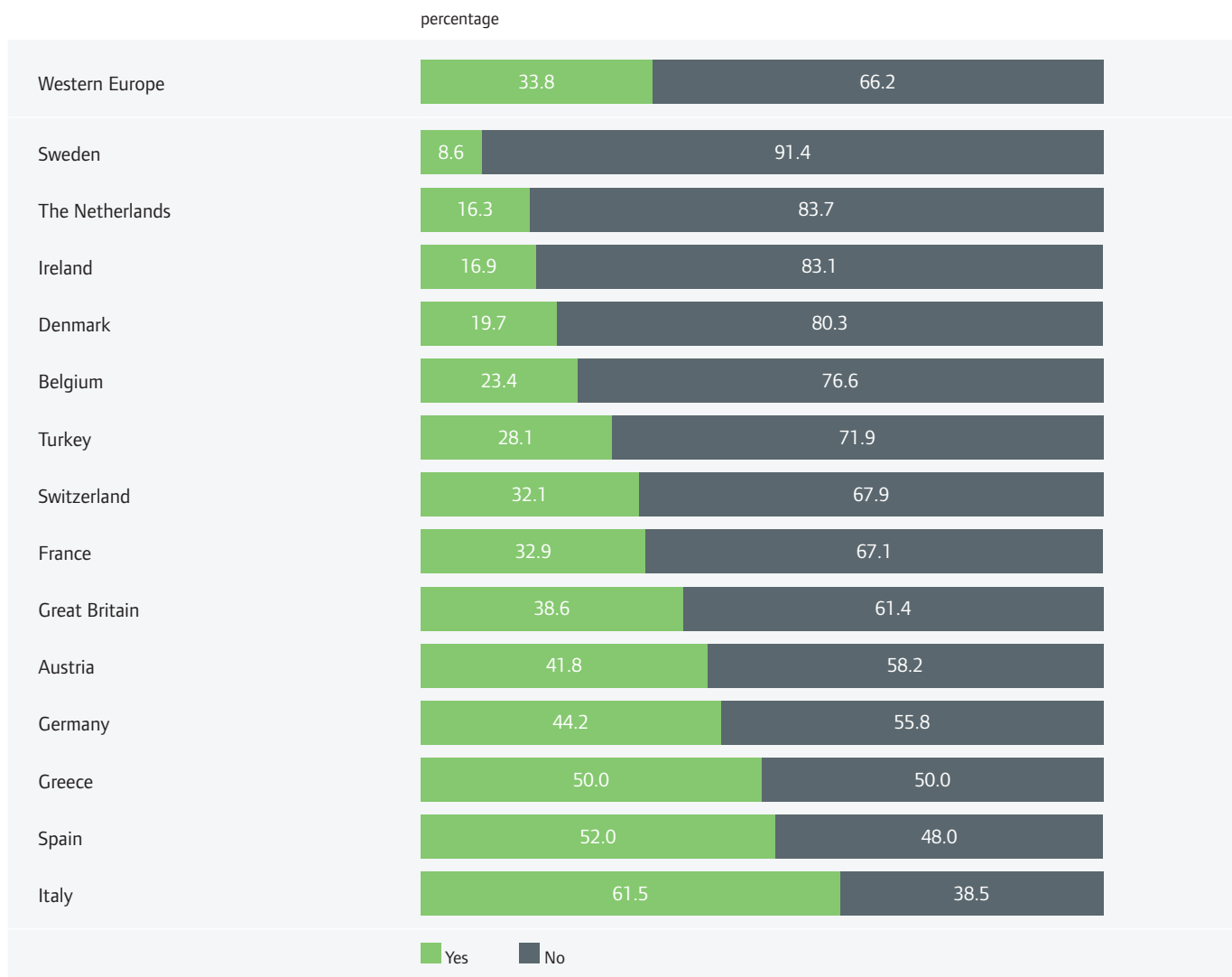
## By business size

### SMEs extended the longest credit terms to B2B customers domestically, large enterprises extended the longest credit terms to foreign customers

The longest average credit terms for domestic B2B customers were extended by small and medium-sized enterprises (42.4 days and 41.8 days). The shortest terms for payment of invoices was given to B2B customers by micro enterprises (averaging 34.9 days domestically and 27.4 days internationally). As to foreign B2B sales, the longest average credit terms were extended by respondents in large enterprises (39.1 days). ■

## 3.2 Early payment discounts

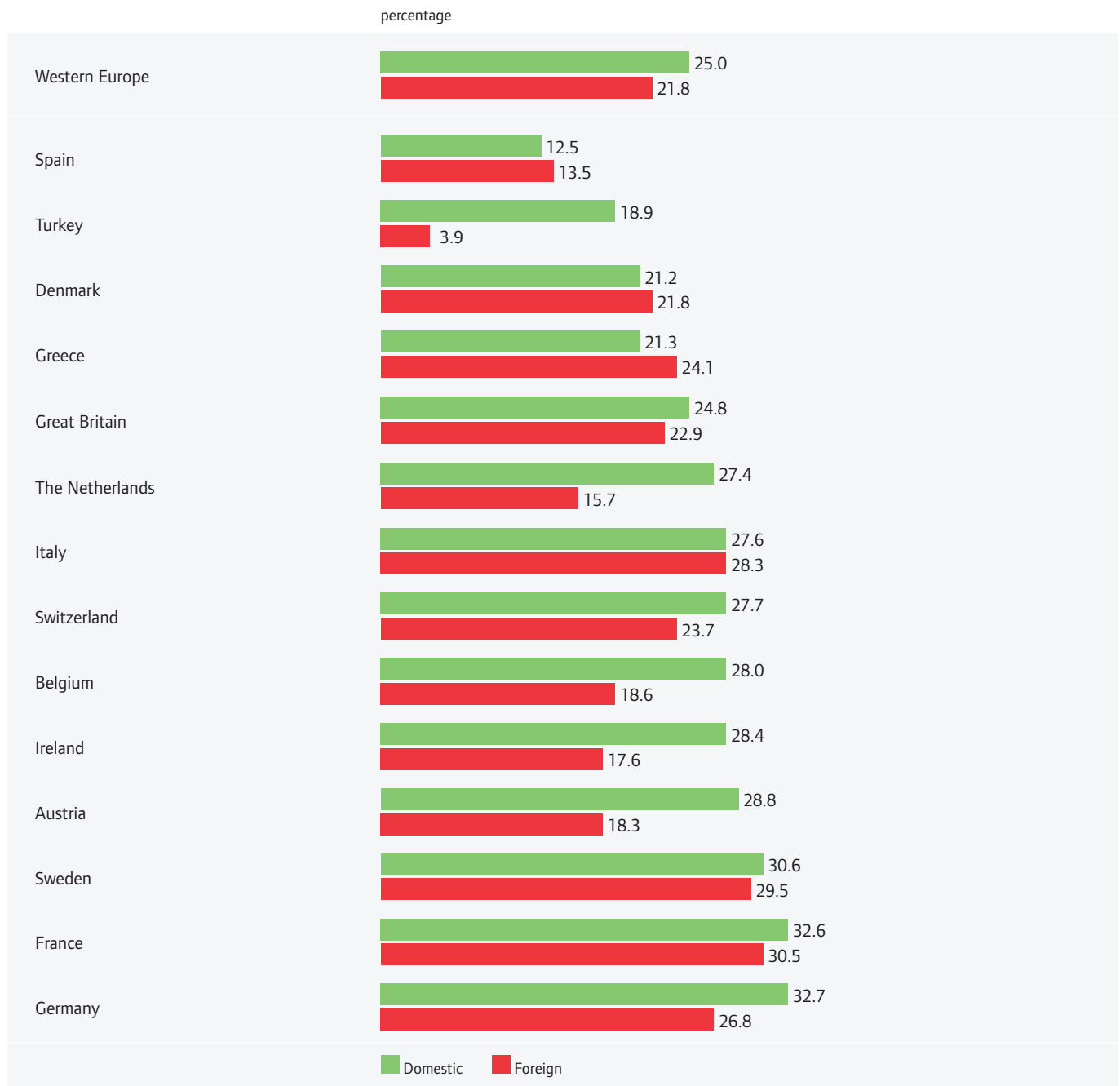
### Does your company discount early payment of B2B invoices



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – Spring 2012

## What percentage of your domestic/foreign B2B customers take advantage of early payment discounts?



Sample: all interviewed companies that discount early payment of invoices (active in domestic and foreign markets)

Source: Atradius Payment Practices Barometer - Spring 2012

## Overall

**Over 30% of respondents in Western Europe offered discounts for early payment of invoices; Italy was the most active in this respect, but discounts were most frequently taken advantage of by B2B customers of French respondents**

33.8% of respondents in Western Europe offered discounts to entice their B2B customers to pay invoices earlier. At country level, respondents from countries with longer credit terms were normally more likely to offer discounts for early payment of invoices than respondents from countries with relatively short payment terms. Sweden, which recorded the third shortest overall credit term across all the surveyed countries, offered discounts to B2B customers the least often (only 8.6% of respondents). In Southern Europe, respondents from which extend the longest average payment terms, discounts for early payment of invoices were offered relatively more often than in Northern Europe. Italy was the most active in offering early payment discounts (61.5%), followed by Spain (52.0%) and Greece (50.0%). Exceptions to this included Turkey, Austria and Germany. Turkey which recorded the longest credit terms, had a below average percentage of respondents who offered early payment discounts (28.1%). Austria and Germany, respondents who averaged the shortest credit terms, displayed an above average tendency of offering discounts for early payment of invoices (41.9% and 44.2% respectively). As to the success of the discount policy, German and French respondents saw the highest percentage of domestic B2B customers taking advantage of the early payment discounts offered (32.7% and 32.6% respectively). France also recorded the highest percentage of foreign customers taking advantage of this financial incentive (30.5%). Sweden was not far behind with 30.6% of domestic and 29.5% of foreign B2B customers taking advantage of early payment discounts. The least successful early payment discount policies in respect to domestic sales were observed in Spain, where only 12.5% of domestic customers took advantage of the discounts offered. Turkish respondents had the least success with early payment discounts offered to foreign customers. Only 3.9% of the foreign customers of Turkish respondents took advantage of the discounts.

## By business sector

**Manufacturing sector was the most likely in the survey to offer discounts for early payment of invoices**

Respondents in the manufacturing sector were the most likely in the survey to offer discounts for early payment of invoices (47.1% of respondents). The least likely to offer this financial incentive to their B2B customers were respondents in the services sector (25.6%). As to the success of the discount policy, domestic B2B customers paying early and taking advantage of the discounts ranged from 30.8% in the financial services sector to 23.3% in the manufacturing sector. Foreign B2B customers taking advantage of discounts went to a high of 23.8% in the financial services sector to a low of 20.8% in the services sector.

## By business size

**B2B customers of medium-sized and large enterprises were the least keen on taking advantage of the discounts for early payment of invoices**

2 out of 5 respondents in small and medium-sized enterprises offered discounts for early payment of invoices to their B2B customers. The least active in this respect were respondents from micro enterprises (24.1%). As to the success of the discount policy, on the high side, 26.9% of the early payment discounts offered to domestic B2B customers of micro enterprises took advantage of the discounts and on the low side 23.0% of the customers of medium-sized and large enterprises. Foreign B2B customers taking advantage of discounts went from a high of 26.0% of early payment discounts offered by small enterprises to a low of approximately 17% of the offers by medium-sized and large enterprises. ■



## 3.3 Trend in the use of credit management tools

### Overall

**Nearly half of the respondents in Western Europe anticipate checking the creditworthiness of buyer's more over the next six months**

When asked about the credit management tools they anticipate using to protect their business from payment delays and defaults over the next six months, the highest percentage of survey respondents in Western Europe (48.6%) reported they will check their buyer's creditworthiness more over the next six months. At country level, Spain and Italy will be the most active in this respect (67.6% and 65.7% of respondents respectively). The least active in this respect will be Turkey (13.6% of respondents). At overall survey level, 46.5% of respondents will request secured forms of payment from B2B customers more and the same percentage of respondents will increase their active credit management activities. Italian respondents will be the most active in increasing requests for secured forms of payment from B2B customers (64.2% of respondents), followed by Spain (59.8%). 21.2% of respondents in Greece will begin using this credit management tool over the next six months. The least active will be respondents in Turkey (35.0% will stop using and 15% will decrease their use of secured forms of payment). Italian and Spanish respondents will be the most active in increasing their active credit management activities over the next six months (63.2% and 61.1% respectively). Sweden and the Netherlands follow (approximately 57% of respondents). Turkish respondents will be the least active in this respect (13.6% of respondents). In Western Europe, 44.4% of respondents will check the buyer's track record more, and 2 out of 5 respondents will increase use of cash transactions. Irish respondents (61.5%) will be the most active in increasing checks on their buyer's track record. Spain (53.8% of respondents), Sweden (52.0%) and France (50.0%) follow. Turkey will be the least active in this respect (14.2% of respondents). The highest percentage of respondents reporting an increase in the use of cash in B2B sales was recorded in Spain (64.5%). Greece and Great Britain followed (57.6% and 54.2% of respondents respectively). The lowest percentage of respondents was recorded in Germany and Turkey (each 19.1%).

### By business sector

**Services sector the most likely to increase checks of buyer's creditworthiness over the next six months**

Respondents in the services sector (51.1%) and in the manufacturing sector (50.0%) reported they will check buyer's creditworthiness more over the next six months. It is worth noting that 11.1% of the wholesale/retail/distribution sector respondents will begin checking buyer creditworthiness over the next six months. The highest percentage of respondents anticipating an increase their requests for secured forms of payment from B2B customers was recorded again in the services sector (49.4%), which recorded also the highest percentage of respondents (50.9%) anticipating an increase in active credit management activities over the next six months.

### By business size

**More than half of the respondents from SMEs anticipate an increase in their checking of buyer's creditworthiness over the next six months**

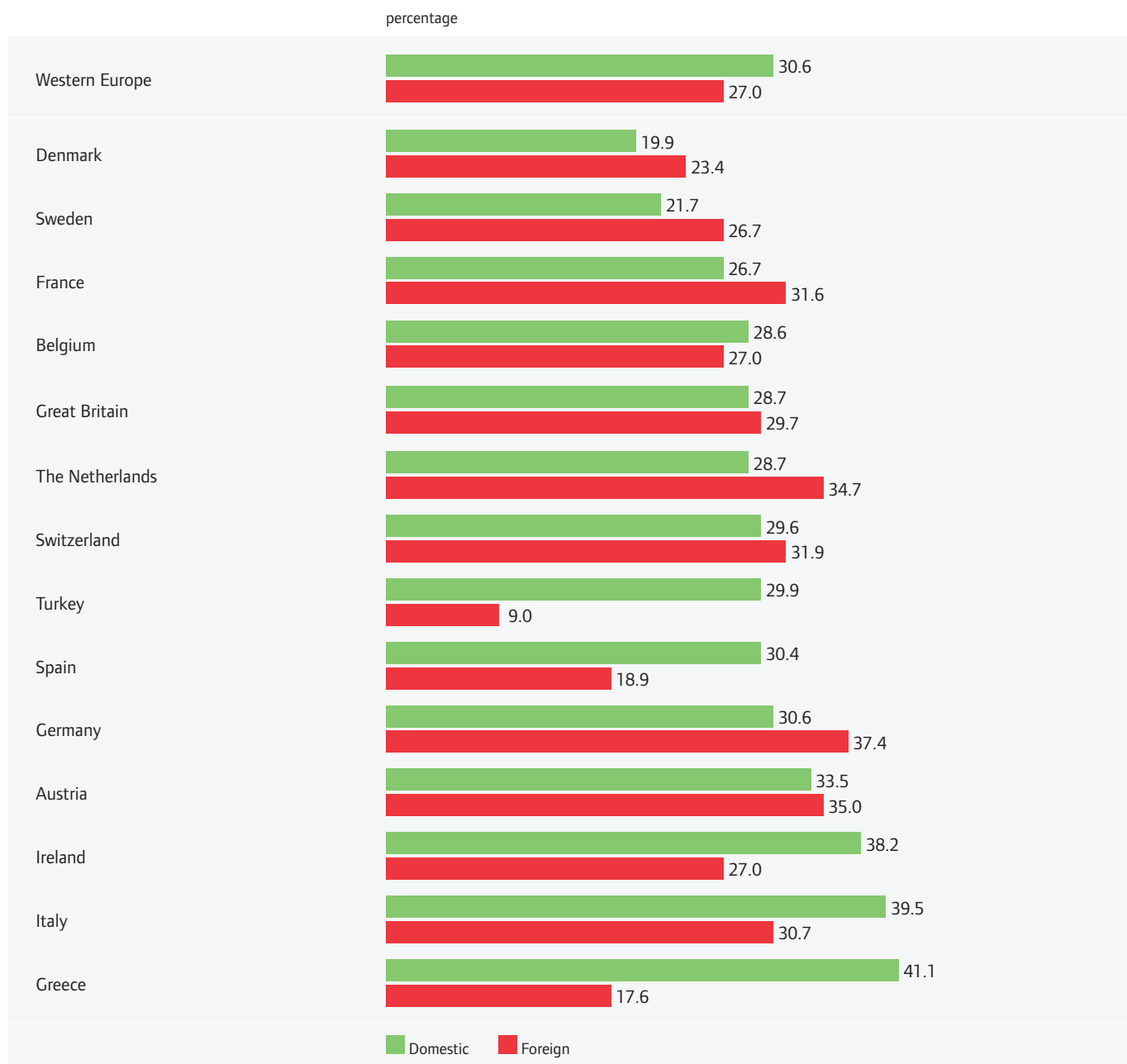
More than 50% of the Western European respondents from both small and medium-sized enterprises anticipate increasing checks of buyer's creditworthiness over the next six months. It is worth noting that 11.1% of respondents from large enterprises will begin checking buyer's creditworthiness over the next six months. The percentage of respondents anticipating an increase in their requests for secured forms of payment from B2B customers ranged from 48.4% of medium-sized enterprises to 44.4% of micro enterprises. Respondents anticipating an increase in active credit management activities over the next six months ranged from 47.8% in small enterprises to 45.6% in micro and 45.6% in medium-sized enterprises. ■

## 4 Customers' payment behaviour

- Overall, B2B invoices issued by respondents in Western Europe were just as likely to be paid late by foreign customers as they were by domestic customers
- Liquidity constraints was the most frequently cited reason for payment delays from B2B customers, particularly by domestic customers
- On average, in Western Europe the proportion of uncollectable domestic B2B receivables was higher than that of foreign B2B receivables
- Three times as many respondents expect deterioration of trade credit risk over the next six months than expect improvement

### 4.1 Overdue B2B invoices (domestic/foreign) – Payment timing

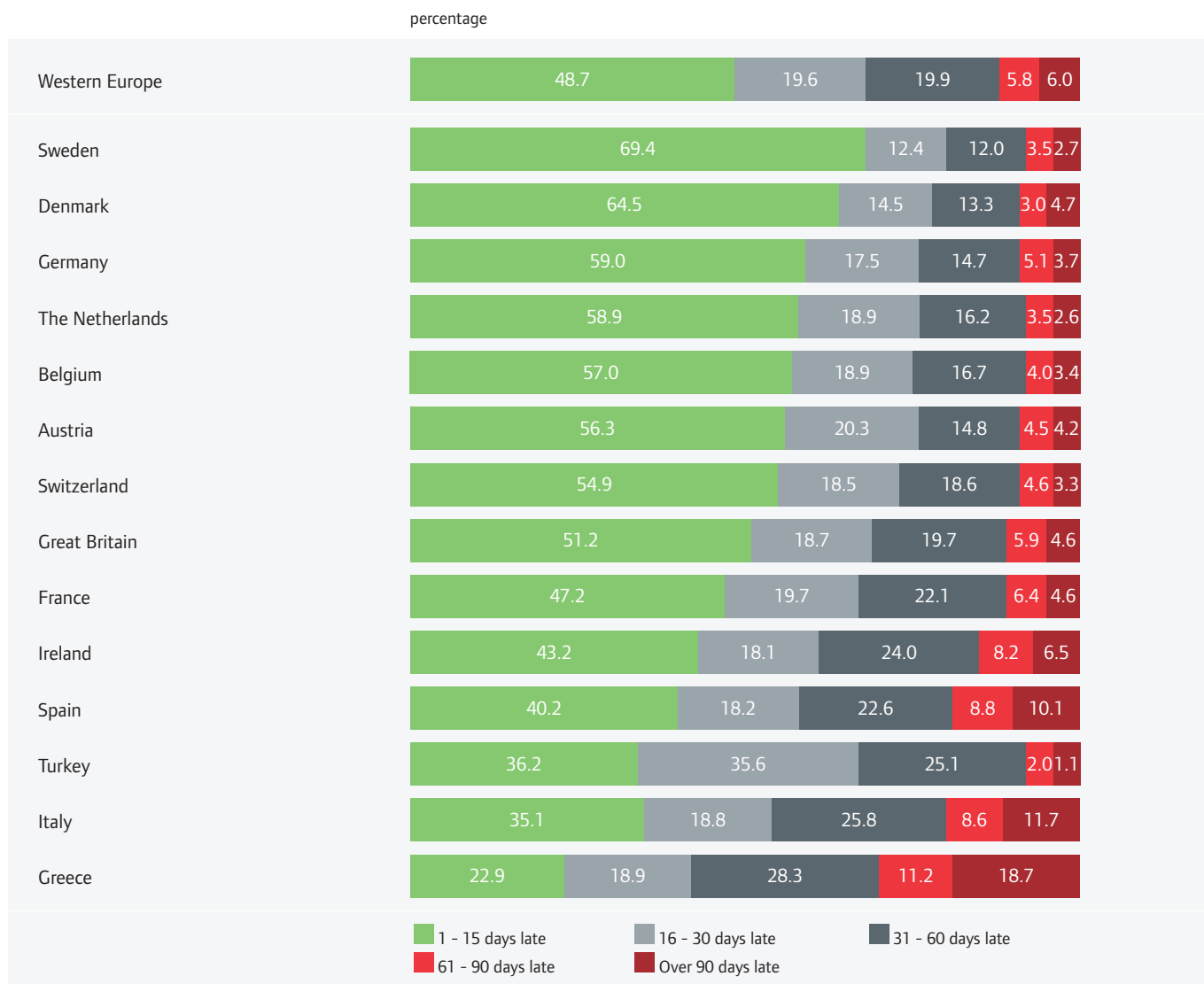
What percentage of the total value of your domestic/foreign B2B invoices are overdue?



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

Source: Atradius Payment Practices Barometer – Spring 2012

## Domestic B2B overdue invoices - Payment is made between ....



Sample: all interviewed companies with overdue invoices (active in domestic markets)

Source: Atradius Payment Practices Barometer – Spring 2012

## Overall

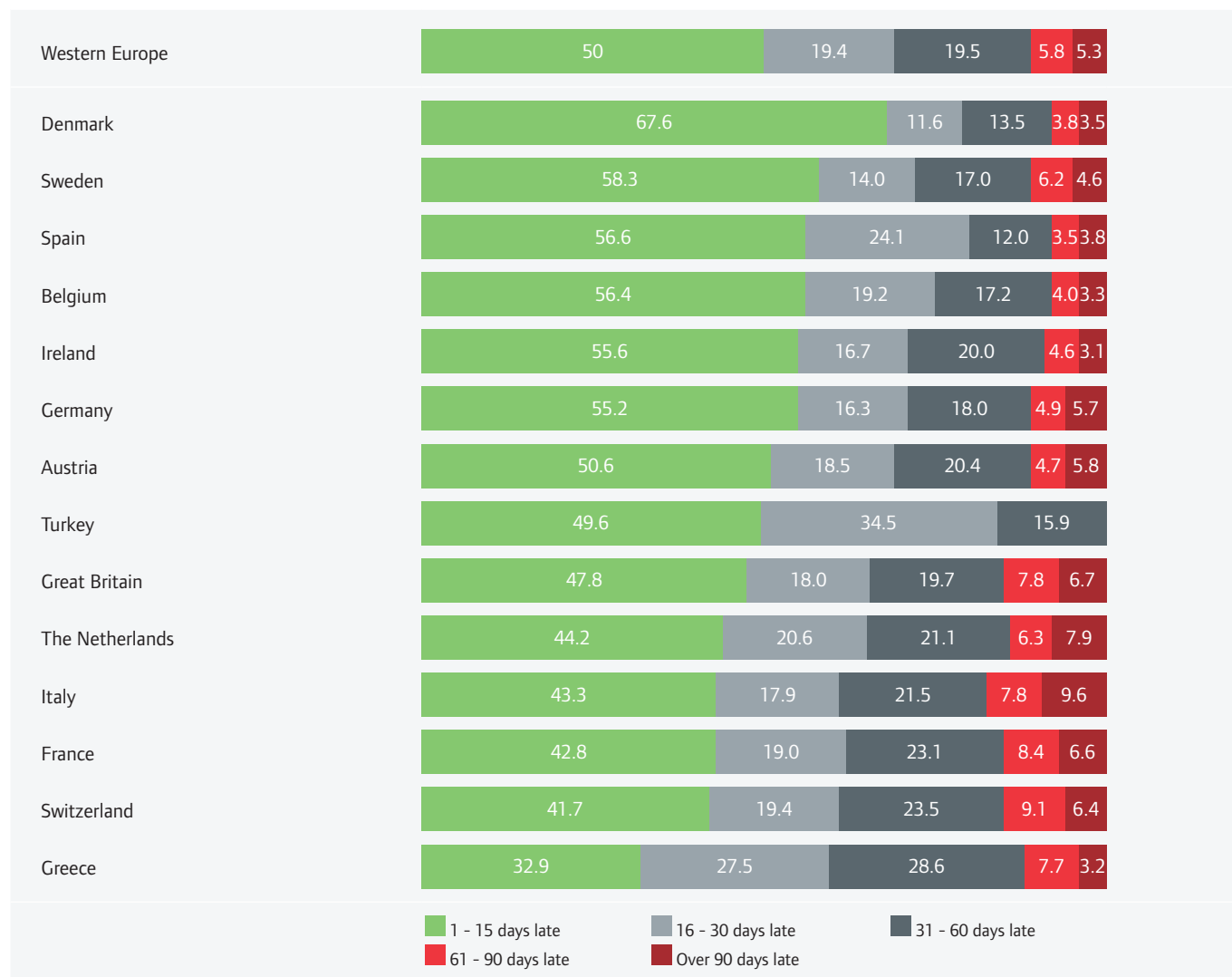
**Overall, B2B invoices issued by respondents in Western Europe were almost as likely to be paid late by foreign customers as they were by domestic customers**

Overall, foreign customers were almost as likely as domestic customers to pay B2B invoices issued by respondents in Western Europe late. An average of 30.6% and 27.0% of the total value of the invoices issued by Western European respondents to their domestic and foreign B2B customers respectively were paid after the due date. At country level, Greece recorded the highest average total value of domestic B2B invoices unpaid by the due date (41.1%) followed by Italy (39.5%) and Ireland (38.2%). The lowest proportion of domestic overdue B2B invoices was recorded in Denmark (19.9%) and Sweden (21.7%). As to foreign sales, respondents in Germany recorded the highest percentage of overdue B2B invoices from foreign B2B customers (37.4%), followed

by Austria (35.0%) and the Netherlands (34.7%). The lowest proportion of overdue B2B invoices from foreign B2B customers was recorded in Turkey (only 9.0%). In respect to getting paid, 68.3% of the domestic and 69.4% of the foreign B2B customers of respondents from Western Europe paid within one month of the invoice due date. At country level, the domestic percentage ranged from a high of 81.8% in Sweden to low of 41.8% in Greece. The proportion of foreign past due invoices paid within one month of the invoice due date ranged from a high of 79.2% in Denmark to a low of 60.4% in Greece. An average of 6.0% of the total value of domestic and 5.3% of foreign past due receivables of Western European respondents were still delinquent after 90 days past due. At country level, the domestic percentage ranged from a high of 18.7% in Greece to a low of 1.1% in Turkey, and the foreign percentage from a high of 9.6% in Italy to a low of 0.0% in Turkey.

## Foreign B2B overdue invoices - Payment is made between ....

percentage



Sample: all interviewed companies with overdue invoices (active in foreign markets)

Source: Atradius Payment Practices Barometer – Spring 2012

## By business sector

**The manufacturing and the wholesale/retail/distribution sectors recorded the highest percentage of past due domestic B2B invoices**

Approximately 31% of the total value of the domestic B2B invoices issued by respondents in both the manufacturing and the wholesale/retail/distribution sectors were paid after the due date. This percentage was 26.5% in the financial services sector. On average, 29.3% of the total value of the foreign B2B invoices of respondents from the services sector was paid after the due date. This percentage decreases to just under 26% in the manufacturing and the wholesale/retail/distribution sectors. When it comes to being paid within one month of the invoice due date, the percentage of domestic past due invoices paid within this timeframe ranges from 69.8% in the financial services sector to 66.0% in the wholesale/retail/distribution sector. Foreign past

due invoices ranged from 25.4% in the manufacturing sector to 29.3% in the services sector. The manufacturing sector recorded the lowest percentage of domestic past due receivables that were still delinquent after 90 days past due (averaging 4.9% of the total value of domestic B2B invoices), and the financial services sector the highest percentage of foreign invoices more than 90 days overdue (7.7%). ■

## By business size

**Small enterprises recorded the highest percentage of domestic B2B invoices paid after the due date, as did medium-sized enterprises in relation to foreign B2B invoices**

Small enterprises recorded the highest percentage of domestic B2B invoices paid after the due date (averaging 32.9% of the total value of domestic B2B invoices). The lowest proportion of domestic past due invoices was recorded by large enterprises (25.9%). An average of 29.9% of the total value of foreign B2B invoices in medium-sized enterprises was paid after the due date. This percentage dropped to 21.8% in micro enterprises. When it comes to payment within one month of the invoice due date, the

percentage of domestic past due invoices paid within this time-frame ranged from 71.1% in micro enterprises to 64.5% in small enterprises. As to foreign past due invoices, the percentage was in the range from 78.3% in micro enterprises to approximately 67% in both small and medium sized enterprises. Large enterprises recorded the lowest percentage of domestic receivables that were still delinquent after 90 days past due (averaging 4.8% of the total value of domestic B2B invoices), and small enterprises the highest percentage of foreign invoices still unpaid after more than 90 days overdue (6.4%). ■

## 4.2 Main reasons for payment delays from customers

### Overall

**Liquidity constraints was the most frequently cited reason for payment delays from B2B customers, particularly domestically**

B2B invoices in Western Europe were more likely to be paid late due to liquidity constraints of domestic than of foreign customers. 66.8% and 46.2% of respondents in Western Europe cited insufficient availability of funds as the main reason for payment delays by domestic and foreign customers respectively. The domestic percentage rose to 82.6% of respondents in Spain, 85.9% in Turkey and 89.0% in Greece. The lowest percentage of respondents citing this reason was observed in Denmark (37.9%) and Sweden (44.1%). In the other countries surveyed, the percentage of respondents ranged from a high to 72.7% in Italy to a low of 48.0% in Great Britain. All other reasons for domestic and foreign payment delays investigated in the survey were assigned a far lower weighting. 30.8% of respondents cited complexity of the payment procedure as the main reason for payment delays from foreign B2B customers. Payments from foreign customers were delayed due to inefficiencies of the banking system for 29.1% of respondents. At country level, the percentage of respondents citing complexity of the payment procedure as the main reason for foreign payment delays ranged from a high of 40.0% in Denmark to a low of 20.5% in Italy. Payments from foreign customers were delayed due to inefficiencies of the banking system for as many as 37.8% of respondents in Ireland to a low of 9.4% in Greece. At the overall survey level, 1 out of 5 respondents in Western Europe reported that payments from foreign customers were delayed due to disputes over the quality of goods and services provided. The percentage of respondents citing this reason ranged from a high of 30.0% in France to a low of 11.3% in Spain.

### By business sector

**Manufacturing sector was the most impacted by payment delays due to insufficient availability of funds of the customers**

Of all the business sectors surveyed in Western Europe, the manufacturing sector was the most impacted by payment delays due to insufficient availability of funds of the customers (71.4% of respondents regarding domestic sales and 47.2% of respondents regarding foreign sales). The hardest hit by foreign payment delays due to the complexity of the payment procedure and the inefficiencies of the banking system was the financial services sector (45.8% of respondents and 37.4% of respondents respectively). Disputes over the quality of goods and services provided had the greatest impact on payment delays from foreign customers in the manufacturing sector (21.6% of respondents).

### By business size

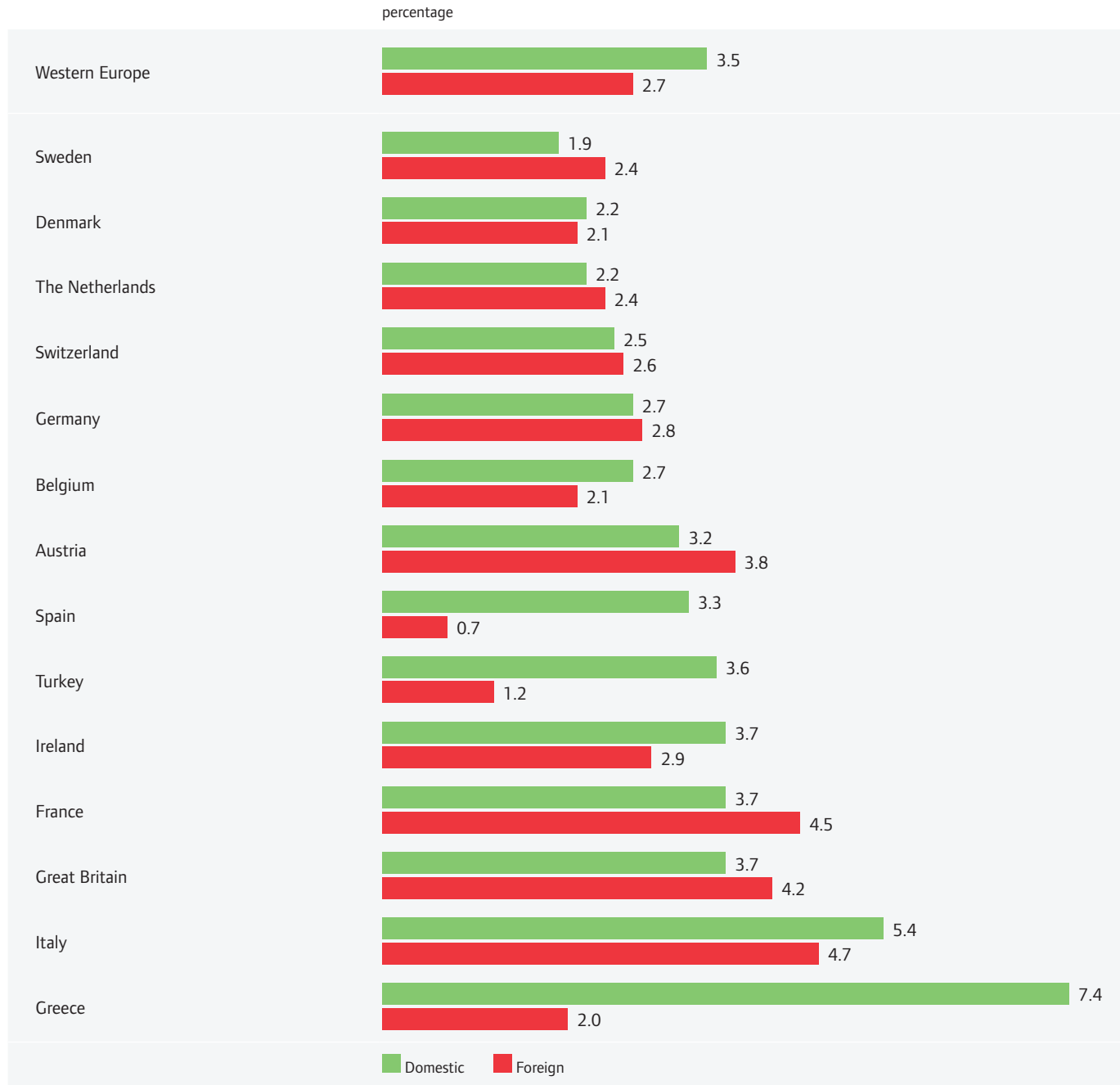
**Micro and small enterprises were the most impacted by payment delays due to insufficient availability of funds of B2B customers.**

Micro enterprises (72.9% of respondents in relation to domestic customers and 49.7% of respondents regarding foreign customers) and small enterprises (67.2% and 45.4% of respondents in relation to domestic and foreign customers respectively) were the most impacted by payment delays due to insufficient availability of funds of B2B customers. Approximately 32% of small and medium-sized enterprises and 33.0% of large enterprises were impacted by payment delays from foreign B2B customers due to the complexity of the payment procedure. When it comes to the inefficiencies of the banking system as most frequent reason for payment delays arising from international trade, both medium-sized and large enterprises were the most impacted (approximately 31% of respondents). Disputes over the quality of goods and services provided had the greatest impact on payment delays from foreign customers of medium-sized enterprises (31.2% of respondents). ■



## 4.3 Uncollectable receivables (domestic/foreign)

Over the last six months, what percentage of the total value of your B2B receivables (domestic and foreign) were uncollectible?



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

Source: Atradius Payment Practices Barometer - Spring 2012

## Overall

**On average, in Western Europe the proportion of uncollectable B2B receivables arising from domestic trade was higher than that arising from export trade**

Respondents in Western Europe reported that an average of 3.5% of the total value of domestic B2B receivables was written off as uncollectable. At country level, this percentage ranged from a high of 7.4% in Greece to a low of 1.9% in Sweden. Measured against the average percentage of domestic B2B invoices which more than 90 days past due (6.0%), the percentage of domestic uncollectable receivables suggests a relatively good probability of collecting long overdue domestic receivables. As to foreign B2B sales, an average of 2.7% of the total value of foreign B2B receivables was reported by respondents to have been written off as uncollectable. This percentage climbed to 4.2% in Great Britain, 4.5% in France and 4.7% in Italy. In Turkey and Spain, it reached a low of 1.2% and 0.7% respectively. Compared to the percentage of the total value of foreign receivables (5.3%) that were more than 90 days past due, this finding highlights an almost equal probability of collecting long overdue receivables arising from both domestic and international trade.

## By business sector

**Financial services sectors recorded the highest proportion of uncollectable B2B receivables arising from domestic and international trade**

An average of 3.9% of the total value of domestic B2B receivables of both the wholesale/retail/distribution and financial services sectors were written off as uncollectable. In both the manufacturing and the services sector, this percentage dropped to 3.3%. As to foreign B2B sales, an average of 4.2% of the total value of foreign B2B receivables in the financial services sector was reported by respondents as having been written off as uncollectable. In the other business sectors surveyed, this percentage ranges from 3.1% in the services sector to 2.2% in the manufacturing sector.

## By business size

**Small and large enterprises recorded the highest proportion of domestic and foreign uncollectable B2B receivables respectively**

The highest proportion of domestic uncollectable receivables was recorded by small enterprises (averaging 3.9% of the total value of domestic B2B receivables). In the other business size groups surveyed in Western Europe, the proportion of domestic uncollectable receivables ranged from 3.7% for medium-sized enterprises to 3.1% for micro enterprises. As to foreign B2B sales, an average of 3.9% of the total value of foreign B2B receivables of large enterprises was reported by respondents as having been written off as uncollectable. The lowest proportion of uncollectable foreign receivables was recorded by micro enterprises (1.7%).

## 4.4 Trend of payment risk over the next six months

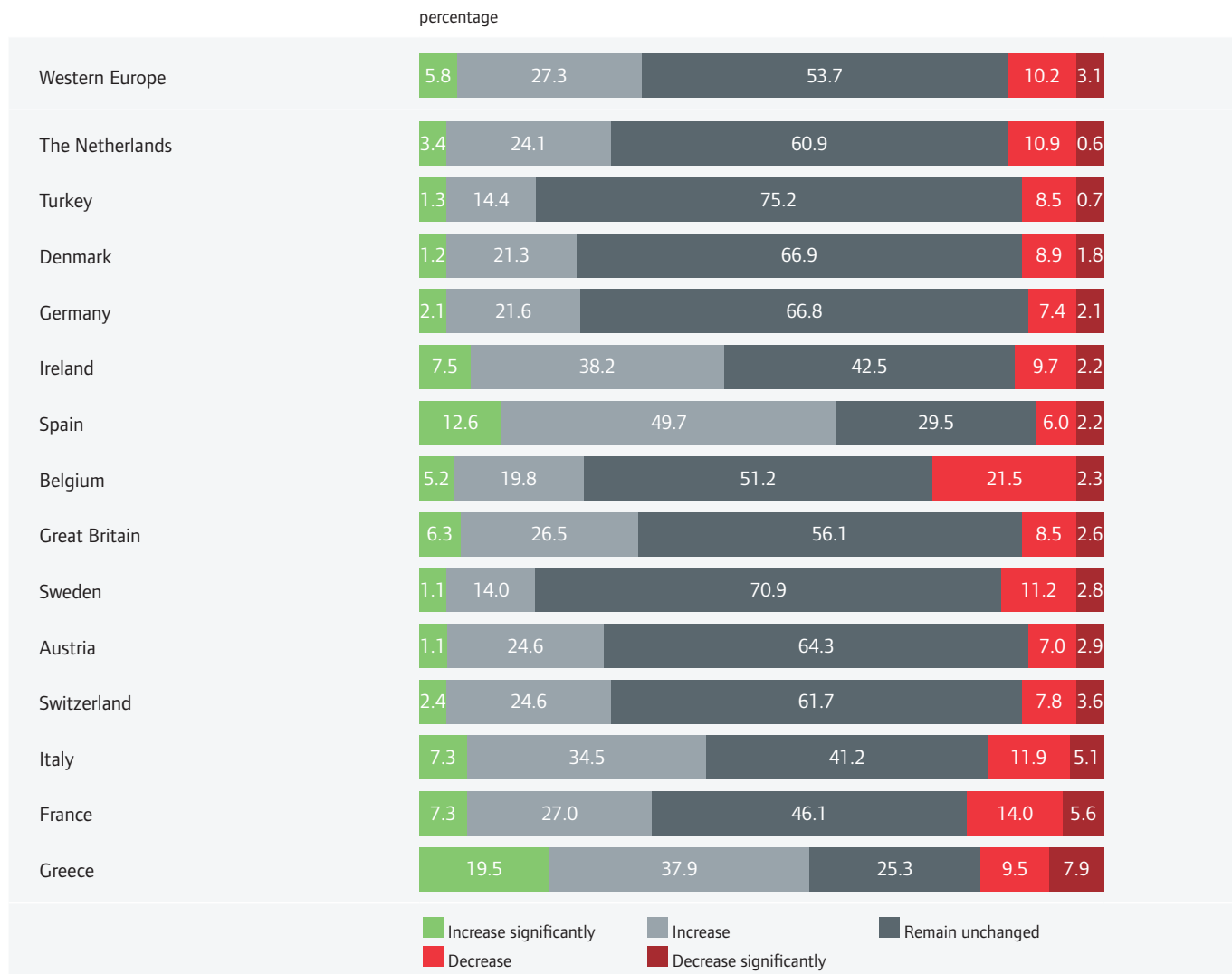
### Overall

**Three times as respondents expect deterioration of trade credit risk over the next six months as expect improvement**

53.7% of respondents in Western Europe expressed the opinion that trade credit risk will not change over the next six months. Across all of the countries surveyed, the percentage of respondents having this opinion ranged from a high of 75.2% in Turkey and 70.9% in Sweden, to a low of 25.3% in Greece. At the overall survey level, almost three times as many respondents are expecting deterioration of trade credit risk over the next six months than are anticipating improvement. 33.1% of respondents in Western Europe expect trade credit risk to increase over the next six months (significantly for 5.8% of respondents), and 13.2% believe that it will decrease (significantly for 3.1% of respondents). At country level, the percentage of respondents expecting deterioration of trade credit risk over the next six months

climbed to 41.8% in Italy, 45.7% in Ireland, 57.4% in Greece (where nearly 20% of respondents expect a significant deterioration) and 62.3% in Spain. This finding is consistent with the trend in the use of credit management tools in Western Europe, where respondents predominantly anticipated increasing buyer creditworthiness checks requests for secured forms of payment and active credit management over the next six months (see 3.3). One finding worth comment is that Belgian respondents stand out for not having a clear cut opinion about the anticipated evolution of trade credit risk over the next six months. Inconsistent with observations at the overall survey level, the responses of Belgian respondents did not show a clear leaning in respect to the direction of trade risk. 25.0% expect deterioration in trade risk and 23.8% expect improvement.

## How will the risk of payment delays and payment defaults from your customers develop over the next six months?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – Spring 2012

### By business sector

**Wholesale/retail/distribution and financial services sectors were the most pessimistic as to deterioration of trade credit risk over the next six months**

The highest percentage of respondents expressing the opinion that trade credit risk will not change over the next six months was recorded in both the Western European services and manufacturing sectors (approximately 57% of respondents). The most pessimistic business sectors in Western Europe were the wholesale/retail/distribution and the financial services sectors (41.8% and 37.9% of whose respondents respectively expect deterioration of trade credit risk over the next six months).

### By business size

**SMEs in Western Europe were the most pessimistic as to deterioration of trade credit risk over the next six months**

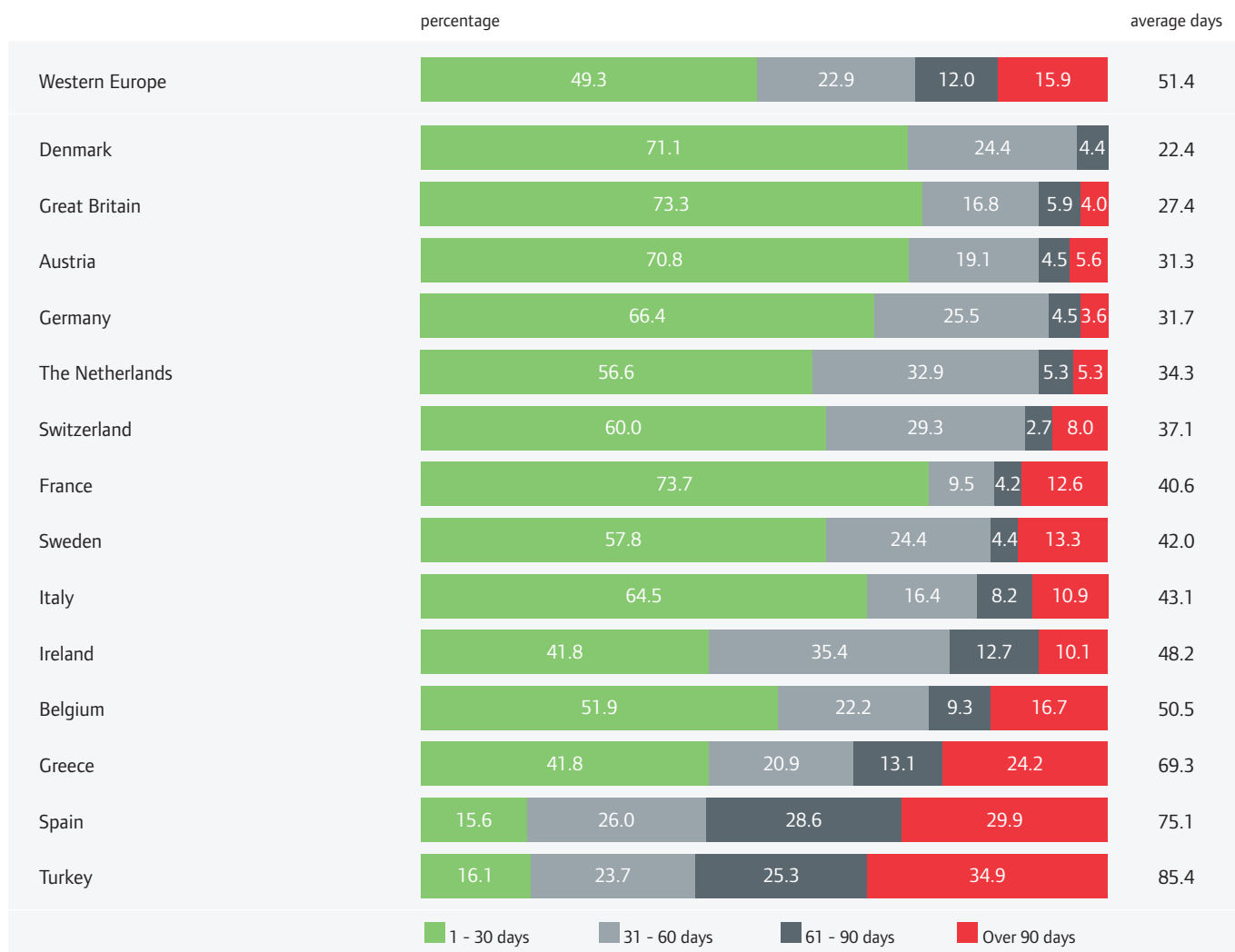
57.7% of respondents from micro enterprises in Western Europe were of the opinion that trade credit risk will not change over the next six months followed by medium-sized enterprises (54.5% of respondents). Respondents from both small and medium-sized enterprises (approximately 34%) were the most pessimistic, expecting deterioration of trade credit risk over the next six months. Approximately 6% of respondents from these business size groups expect the deterioration to be significant. 33.0% of large enterprises expect deterioration.

## 5 Cash inflow monitoring

- In Western Europe, the highest DSO was posted by respondents in Turkey, the lowest by Danish respondents
- Over the past year, in the countries surveyed in Western Europe more than twice as many respondents experienced an increase in DSO than did a decrease

### 5.1 Average Days Sales Outstanding (DSO\*) – second half 2011

What was your company's average DSO for the second half of 2011?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – Spring 2012

#### Overall

**In Western Europe, the highest DSO was posted by respondents in Turkey, the lowest by Danish respondents**

Survey respondents in Western Europe posted an average DSO of 51.4 days, which is notably higher than the average payment term recorded in Western Europe (38 days) reflecting the volume of invoices that are paid late (see 4.1). Nearly half of respondents reported a DSO in the range from 1 to 30 days, 34.8% of respondents reported a DSO in the range from 31 to 90 days and 15.9% of respondents posted a DSO of over 90 days. On a

country basis, the overall average DSO varied substantially. DSO figures being significantly above the average for Western Europe were recorded in Greece (69.3 days), Spain (75.1 days) and Turkey, whose 85.4 days DSO was the highest across all of the countries surveyed. The lowest average DSO was recorded in Denmark (22.4 days). In the other countries surveyed, average DSO spanned from 50.5 days in Belgium to 27.4 days in Great Britain.

\* DSO is calculated by using the basic formula (average receivables for the period/total sales for the period) \* 180 (number of days in the 6 month period).

## By business sector

### Manufacturing sector posted the longest average DSO

In Western Europe, the longest average DSO was reported by respondents in the manufacturing sector (65.2 days). The wholesale/retail/ distribution sector posted an average DSO of 51.7 days and both the services and financial services sector respondents recorded a somewhat lower DSO (averaging approximately 43 days).

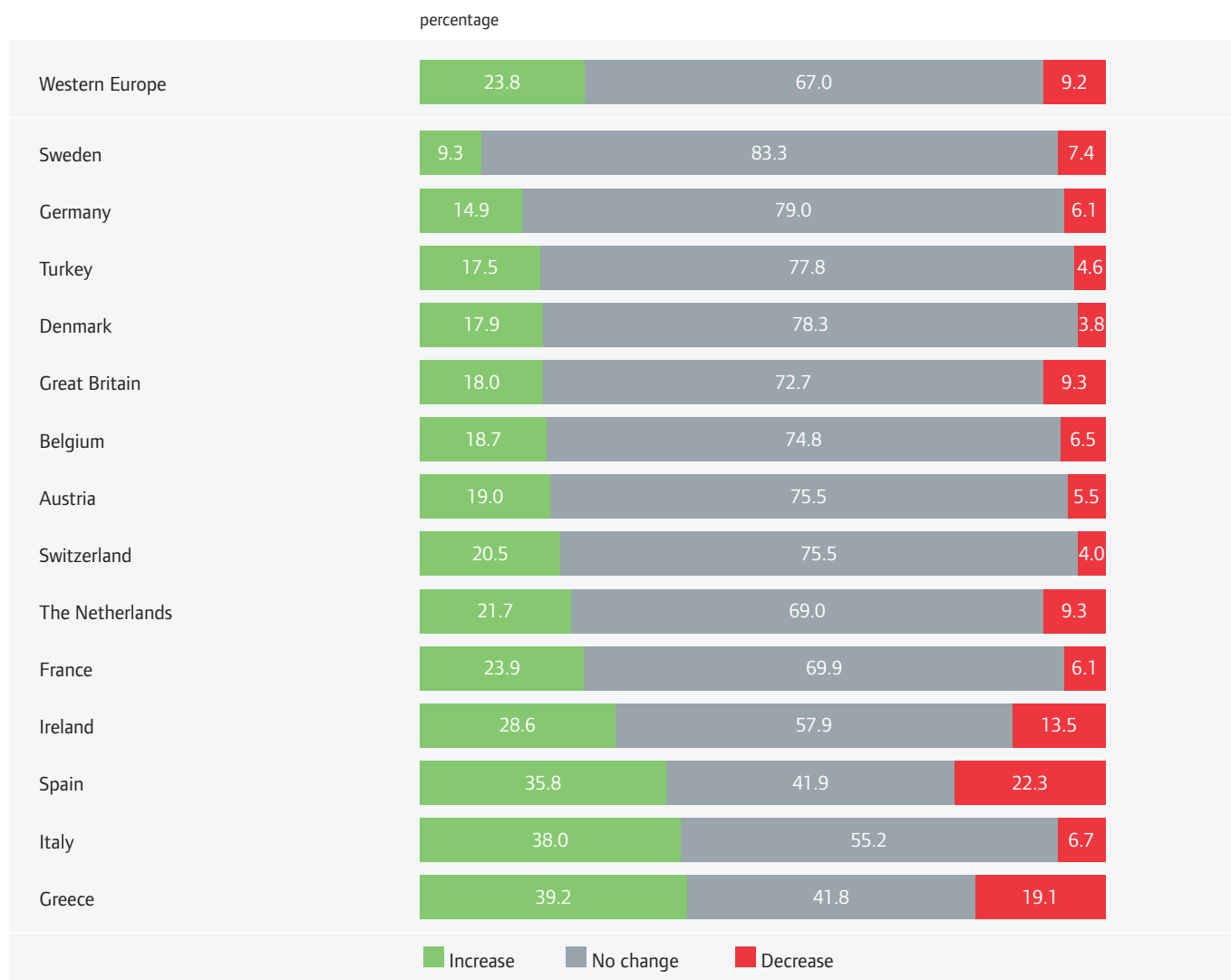
## By business size

### Small enterprises recorded the longest average DSO

Respondents from small enterprises recorded the longest DSO (averaging 57.4 days) of all the business size groups surveyed. Medium-sized enterprises followed (51.0 days). Both micro and large enterprises posted a lower DSO (averaging 46.3 days and 45.5 days respectively).

## 5.2 DSO trend over the past year

Has your company's average DSO changed compared to the same period a year ago?



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – Spring 2012



## Overall

**Over the past year, in the countries surveyed in Western Europe more than twice as many respondents experienced an increase in DSO than did a decrease**

Over the past year, more than twice as many survey respondents in Western Europe (23.8%) experienced an increase in DSO than did a decrease (9.2%). 67.0% of the respondents reported no change in DSO over the same period of time. On a country basis, 83.3% of Swedish respondents experienced no change in DSO resulting in a much lower than average percentage of respondents experiencing an increase (9.3%), almost the same percentage that experienced a decrease in DSO (7.4%). In Greece only 41.8% of respondents DSO stayed the same but nearly 2 of 5 respondents experienced an increase in DSO and nearly 1 in 5 a decrease. It is worth noting that in Italy more than five times as many respondents (38.0%) experienced an increase in DSO than did a decrease (6.8%). The increase in the average period of receivables collection is likely to have been determined by a number of factors including payment terms (e.g. days within which payment is due and early payment discounts offered to B2B customers), receivables management techniques, the customers' payment patterns and the timing of collection of receivables.

## By business sector

**Financial services sector was the most impacted by an increase in DSO over the past year**

Respondents in the financial services sector were the most likely to experience an increase in DSO over the past year (28.4% of respondents) followed by the wholesale/retail/distribution sector (25.6% of respondents). The DSO of respondents from the other business sectors surveyed in Western Europe was relatively more stable. This is particularly the case for 70.0% of respondents in the services sector and 68.0% in the manufacturing sector.

## By business size

**Small enterprises were the most impacted by an increase in DSO over the past year**

Small enterprises showed the highest percentage of respondents (28.6%) recording an increase in DSO over the past year. Respondents from the other business size groups surveyed in Western Europe experienced a relatively more stable DSO (75.3% of respondents from micro enterprises reported no change in DSO over the same period of time). ■

## 6.1 Survey background

Atradius conducts regular surveys of corporate payment behaviour across a range of countries; the findings are published in the Atradius Payment Practices Barometer. In the first survey of 2012 (the 11th in the series) approximately 3,000 companies (n = 2,886) from 14 countries in Western Europe (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland and Turkey) have been surveyed.

## 6.2 Survey objectives

The 11th edition of the Atradius Payment Practices Barometer addresses the following research areas:

- Use of trade credit
- Credit management practices
- Customers' payment behaviour
- Cash inflow monitoring and DSO

## 6.3 Structure of the survey

- Determining the appropriate company contact for accounts receivable management
- Ascertaining the interviewed company's industry and size
- Ascertaining the industries and countries the company does business with
- Assessing the extent to which survey respondents use trade credit in their B2B transactions
- Focusing on the main credit management practices in each country surveyed
- Focusing on the research areas mentioned in 6.2 Survey objectives

## 6.4 Survey scope

**Basic population:** see 6.1 Survey background.

- Selection process: companies were selected and contacted by use of an international internet panel. At the beginning of the interview, a screening for the appropriate contact and for quota control was conducted. Telephone surveys were conducted only in Greece and Turkey.
- Sample: n = 2,886 persons were interviewed in total (approx. n = 200 per country). In each country a quota was maintained according to four classes of company size.
- Interview: Web assisted personal interviews (WAPI) of approximately 10 minutes duration; telephone interviews (CATI) of approximately 19 minutes duration.

## 6.5 Sample overview

### Sample overview for Western Europe

Country (n=2,886)	n	%
Austria	201	7.0%
Belgium	204	7.1%
Denmark	205	7.1%
France	201	7.0%
Germany	214	7.4%
Great Britain	207	7.2%
Greece	200	6.9%
Ireland	218	7.6%
Italy	205	7.1%
Spain	204	7.1%
Sweden	209	7.2%
Switzerland	201	7.0%
The Netherlands	217	7.5%
Turkey	200	6.9%
Business sector (n=2,886)	n	%
Manufacturing	605	21.0%
Wholesale/Retail/Distribution	719	24.9%
Services	1,326	45.9%
Financial services	236	8.2%
Business size (n=2,886)	n	%
Micro enterprise	975	33.8%
Small enterprise	996	34.5%
Medium-sized enterprise	553	19.2%
Large enterprise	362	12.5%

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