



# Atradius Payment Practices Barometer

International survey  
of B2B payment behaviour

Core results Eastern Europe



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## 1.1 Introduction

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

The objectives of this report are to provide companies doing or planning to do business in Eastern 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.

## 1.2 Conclusions

Overall, there is not much difference between the average payment morale and credit conditions in Eastern and Western Europe. There were some distinct variations by country just as there are in Western Europe, but in general, the risk levels of doing business in the Czech Republic, Hungary, Poland and Slovakia are comparable to many Western European markets. On average, domestic credit terms are shorter in Eastern Europe than in Western Europe, but not shorter than the terms in North-Western Europe. A better indicator for companies interested in importing from Eastern Europe is that, on average, credit terms offered to foreign businesses are comparable to those expected throughout the rest of Europe. In the region, the most relaxed terms were from companies in the Czech Republic and the tightest terms from companies in Poland. Though longer than in Poland, the average credit terms in Hungary and Slovakia also tended to be on the short side.

Despite offering more generous payment terms, or maybe as a result of it, Czech respondents tended to experience more late payments than their Eastern European peers. Except for Slovakia's performance with domestic receivables, on average, Czech respondents had the highest percentage of receivables paid late. However, they did tend to receive payments within a shorter period after the invoice due date.

As a region, uncollectable receivables were generally kept under control better than in Western European markets, on average. The one exception to this observation was Poland where uncollectable receivables exceeded the Western European average and far exceeded that of its Eastern European peers in respect to both domestic and foreign receivables.

The combined impact of these factors has produced varying results on DSO. Despite the high percentage of uncollectable receivables, Poland had the lowest average DSO reflecting its relatively short payment terms and low percentage of invoices paid late. Poland also saw the most volatility in respect to changes in DSO.

On the other hand, in Hungary, the average payment terms matched the average for the region. Hungarian respondents displayed a low rate of invoices that were paid late, a very low rate

The report therefore looks at a series of key areas of trade credit and credit management policy of Eastern 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 June 2012 Payment Practices Barometer is available on the Atradius website at [www.atradius.com](http://www.atradius.com). ■

of uncollectable receivables and had a very stable, but relatively high, average DSO. This is largely because customers that paid late, on average, took a little more time to do so. Hungary had the lowest percentage of overdue invoices that were paid within 15 days of the due date. This also highlights the primary reason that Hungarian respondents offer credit as a source of short term financing for their customers. For the other three Eastern European countries surveyed, establishing long-term relationships was the primary reason for offering trade credit.

Respondents from the Czech Republic offered relatively long payment terms and had, on average, a slightly higher percentage of late payments than all but Slovakian respondents, but overdue payments were generally received sooner in the Czech Republic than in the other countries. Uncollectable receivables were not high, but also not particularly low in comparison to Hungary and Slovakia. However, the Czech Republic was the only country in which average DSO was lower than average payment terms. DSO in the region does seem to be trending upward.

Slovakia had average payment terms for the region and a low rate of uncollectable receivables, but a relatively high percentage of receivables that were paid late and the highest percentage that were paid more than 60 days late. This resulted in an average DSO that, along with that of Hungary, sits at the average for the region. DSO also showed the same upward trend as in the Czech Republic.

Overall, as is the case in Western Europe, the Euro crisis is creating concerns about trade credit risk in the region. These concerns are most evident in the Czech Republic and Poland, but are still evident in all four countries. The result has been, and is expected to continue to be for the near future, an increase in credit management diligence - most notably in active credit management, but also in the focus on checking creditworthiness, payment track records and credit risk. With all the uncertainties in the short-term and mid-term economic outlooks across Europe, insuring sales against payment default is an important step in ensuring the future of your business. ■

## 1.3 Core results Eastern Europe

### Sales on credit terms (2.1)

- Survey respondents in Eastern Europe used trade credit frequently in B2B transactions and were on average almost equally inclined to sell on credit domestically as they were internationally (58.4% and 62.2% of the total value of the B2B sales to domestic and foreign customers respectively was made on credit). Averages for Western Europe: 52.5% domestic and 46.0% foreign.
- The manufacturing and financial services sectors in Eastern Europe made the most and the least use of trade credit in B2B transactions respectively.
- Large enterprises in Eastern 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 Eastern Europe (46.3% and 45.1% of respondents granted trade credit for this reason to domestic and foreign B2B customers respectively). Averages for Western Europe: 46.5% of respondents in relation to domestic transactions and 40.3% of respondents in relation to foreign transactions.
- All the other trade credit supply determinants examined by this survey were given a far lower weighting by respondents in Eastern Europe.
- Half of the respondents in the services sector in Eastern Europe prioritised trade credit supply as a tool to establish long-term trade relationships both domestically and internationally.
- More than 2 out of 5 respondents across all of the business size groups surveyed in Eastern Europe 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 Eastern Europe were extended an average of 31.6 days from the invoice date to pay for their purchases on credit. Average for Western Europe: 38 days.
- Credit terms extended to domestic B2B customers, on average, were shorter (averaging 30.8 days) than those extended internationally (38.2 days).
- The manufacturing sector granted the most relaxed credit terms to their B2B customers domestically, as did the financial services sector internationally.
- Medium-sized enterprises extended the longest credit terms to B2B customers domestically and internationally.

### Early payment discounts (3.2)

- Nearly 30% of respondents in Eastern Europe offered discounts for early payment of invoices. Poland was the most active in this respect.
- Discounts were most frequently taken advantage of by B2B customers of Polish respondents.
- The financial services sector was the most likely in the survey to offer discounts for early payment of invoices.
- B2B customers of small and large enterprises were the least likely to take advantage of discounts for early payment of invoices.

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

- Over half of the respondents in Eastern Europe anticipate an increase in active credit management activities over the next six months.
- Respondents in Eastern Europe anticipate checking buyers' creditworthiness and track record checks, and monitoring buyers' credit risk more often.
- The manufacturing sector is the most likely to increase active credit management over the next six months.
- More than half of the respondents from large enterprises anticipate an increase in active credit management and checking buyers' creditworthiness checks over the next six months.

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

- Overall, B2B invoices issued by respondents in Eastern Europe were almost equally likely to be paid late by domestic and foreign customers. An average of 31.6% and 26.3% of the total value of the invoices issued by Eastern European respondents to their domestic and foreign B2B customers respectively were paid after the due date.
- The proportion of past due domestic receivables (measured by value of receivables) that extended more than 90 days past due was slightly higher than the proportion of foreign receivables that extended more than 90 days past due.
- The manufacturing and the wholesale/retail/distribution sectors recorded the highest percentages of past due domestic B2B invoices.
- Small enterprises recorded the highest percentage of domestic and foreign B2B invoices paid after the due date.

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

- B2B invoices in Eastern Europe were more likely to be paid late due to liquidity constraints of domestic than of foreign customers (87.3% and 71.0% of respondents in Eastern 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 a far lower weighting by respondents in the Eastern European countries surveyed.
- The wholesale/retail/distribution sector was the most impacted by payment delays due to insufficient availability of funds of the customers
- Micro enterprises were the most impacted by payment delays due to insufficient availability of funds of B2B customers; large enterprises of foreign B2B customers.

## Uncollectable receivables - domestic/foreign (4.3)

- On average, in Eastern Europe the proportion of uncollectable B2B receivables arising from domestic trade was higher than that arising from export trade.
- An average of 2.6% of the total value of domestic B2B receivables was written off as uncollectable. An average of 1.8% of the total value of foreign B2B receivables was written off as uncollectable.
- The financial services sectors recorded the highest proportion of uncollectable B2B receivables arising from domestic and international trade.
- Small and medium-sized enterprises recorded the highest proportion of domestic and foreign uncollectable B2B receivables respectively.

## Trend of payment risk over the next six months (4.5)

- Over 3 out of 5 of the respondents in Eastern 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 expect improvement.
- The financial services and services sectors were the most pessimistic about trade credit risk over the next six months.
- Micro and large enterprises in Eastern Europe were the most pessimistic about trade credit risk over the next six months.

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

- Survey respondents in Eastern Europe posted an average DSO of 39.7 days, which was notably higher than the average payment term (31.6 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 Hungary, the lowest by respondents in Poland.
- Analysed by business sector, the financial services sector posted the highest average DSO.
- From a business size perspective, large enterprises recorded the highest average DSO.

## DSO trend over the past year (5.2)

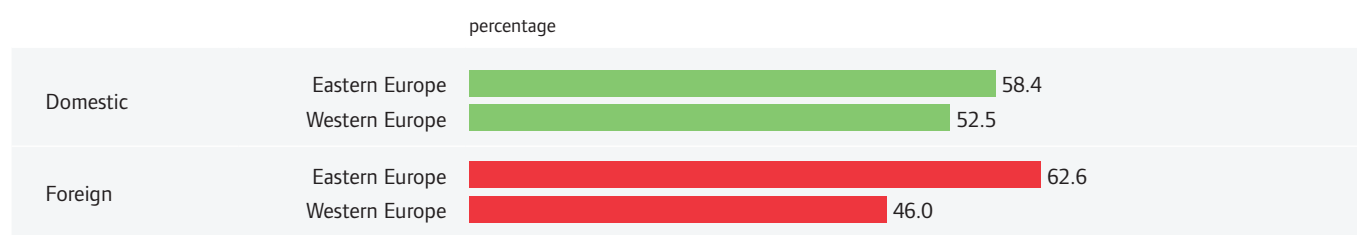
- Over the past year, 75.9% of the respondents in Eastern Europe reported non change in DSO over the past year.
- Twice as many survey respondents experienced an increase in DSO than did a decrease.
- The financial services sector was the most impacted by an increase in DSO over the past year.
- Medium-sized enterprises were the most impacted by an increase in DSO over the past year. ■

## 2 Use of trade credit

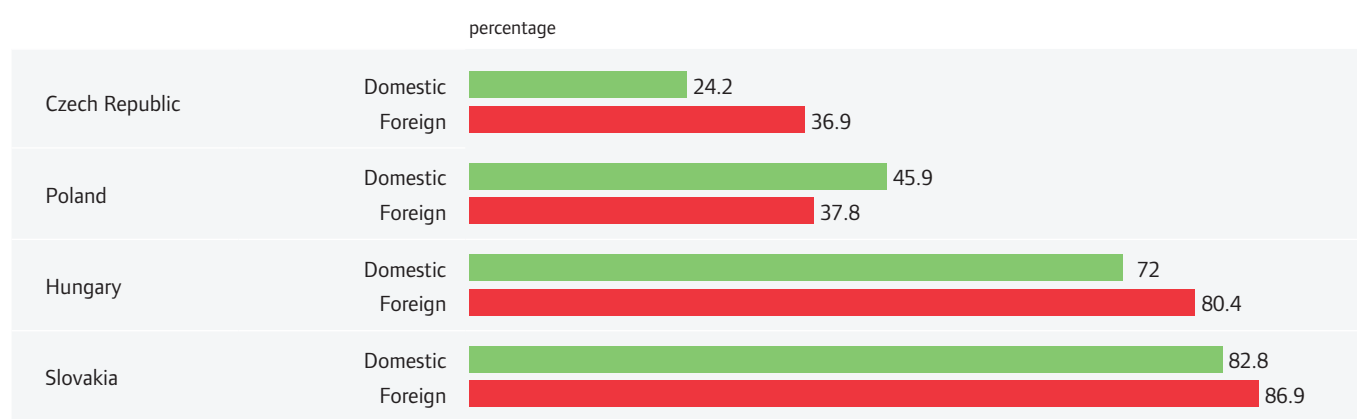
- On average, 3 out of 5 of the survey respondents in Eastern Europe used trade credit in B2B transactions domestically and internationally
- Long-term trade relationships was the most influential factor in the B2B trade credit decisions of respondents in Eastern Europe

### 2.1 Sales on credit terms

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



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



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

Source: Atradius Payment Practices Barometer – June 2012

#### Overall

**On average, 3 out of 5 of the survey respondents in Eastern Europe used trade credit in B2B transactions domestically and internationally**

As to the use of trade credit in B2B sales to domestic and foreign customers, survey respondents in Eastern Europe appeared to be, on average, almost equally inclined to use trade credit domestically and internationally. At the overall survey level, 58.4% and 62.6% of the total value of the B2B sales to domestic and foreign customers respectively was made on credit (averages for Western Europe: 52.5% and 46.0%). This finding suggests a relatively uniform perception of the trade credit risk of domestic and foreign B2B customers. 18.0% and 18.5% 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, 28.0% and 40.2% 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. Consistent with the survey pattern, respondents in Slovakia were relatively equally inclined to sell on credit to both domestic and foreign customers (sales on credit averaged 82.8% and 86.9% of the total value of domestic and foreign B2B sales respectively). In general, Slovakian and Hungarian respondents showed a high rate of trade credit usage. In Hungary and in the Czech Republic, respondents demonstrated a higher propensity for selling on credit terms to foreign customers than to Domestic customers. Sales on credit in Hungary averaged 72.0% and 80.4% of the total value of domestic and foreign B2B sales respectively and in the Czech Republic they averaged 24.2% of the total value of domestic B2B sales and 36.9% of foreign sales. In contrast, respondents in Poland were more inclined to sell on credit terms domestically than internationally (45.9% of the total value of domestic B2B sales was on credit, versus 37.8% of foreign sales). Respondents from the Czech Republic recorded the highest per-

centage of respondents making no credit sales at all to domestic and foreign B2B customers (61.3% and 55.6% of respondents respectively). In contrast, 55.4% and 71.6% of Slovakian respondents respectively transacted 100% of their domestic and foreign B2B sales on credit, thus showing the most open stance to the use of trade credit in B2B transaction across the countries surveyed in Eastern Europe.

**By business sector**

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

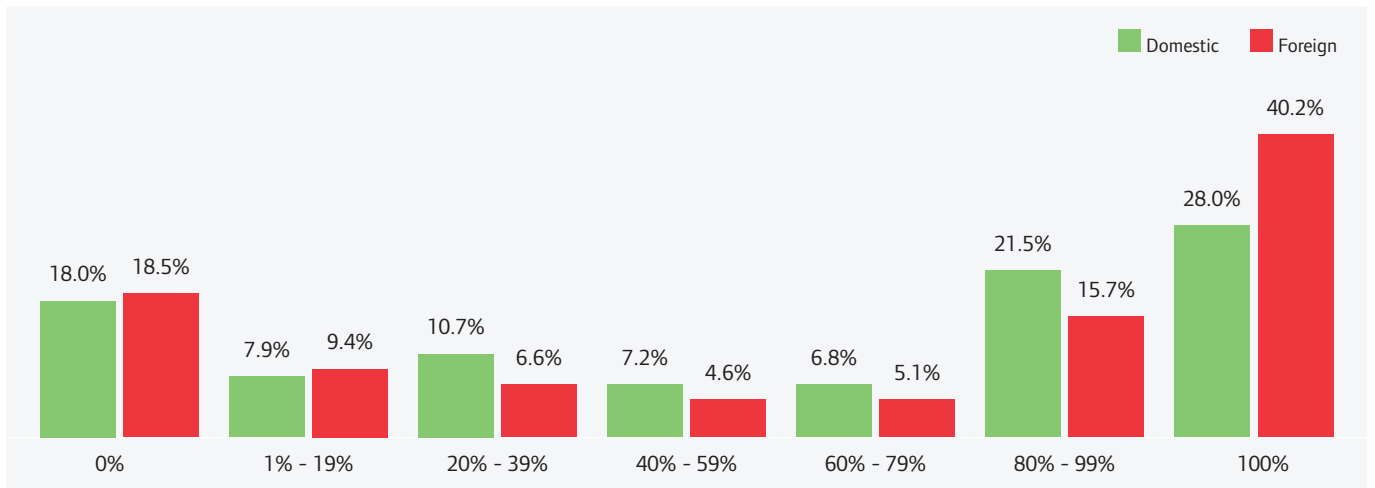
Except for the financial services sector (35.8% of the total value of domestic B2B sales was on credit, versus 28.4% of foreign sales), all business sectors surveyed in Eastern Europe, showed no clear preference for using trade credit domestically or internationally which is in line with the survey pattern. Respondents in the manufacturing sector made the most use of trade credit in domestic and foreign B2B sales (67.1% of the total value of the domestic sales to B2B customers was made on credit, versus 72.4% of foreign sales). Both the wholesale/retail/distribution and the services sectors transacted half of the total value of their domestic sales to B2B customers on credit.

**By business size**

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

Respondents across all the business size groups surveyed in Eastern Europe showed no clear preference for the use of trade credit either domestically or internationally. Respondents in large enterprises made the most use of trade credit in B2B transactions (70.5% of the total value of the domestic sales to B2B customers was made on credit, versus 73.2% of foreign sales). An average of 60% of the total value of domestic and foreign B2B sales was transacted on credit by respondents in Eastern European SMEs. Respondents in micro enterprises, who appeared to be the least likely to sell on credit to B2B customers, on average used trade credit for 55.9% and 48.5% of the total value of their sales to foreign and domestic B2B customers respectively). ■

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



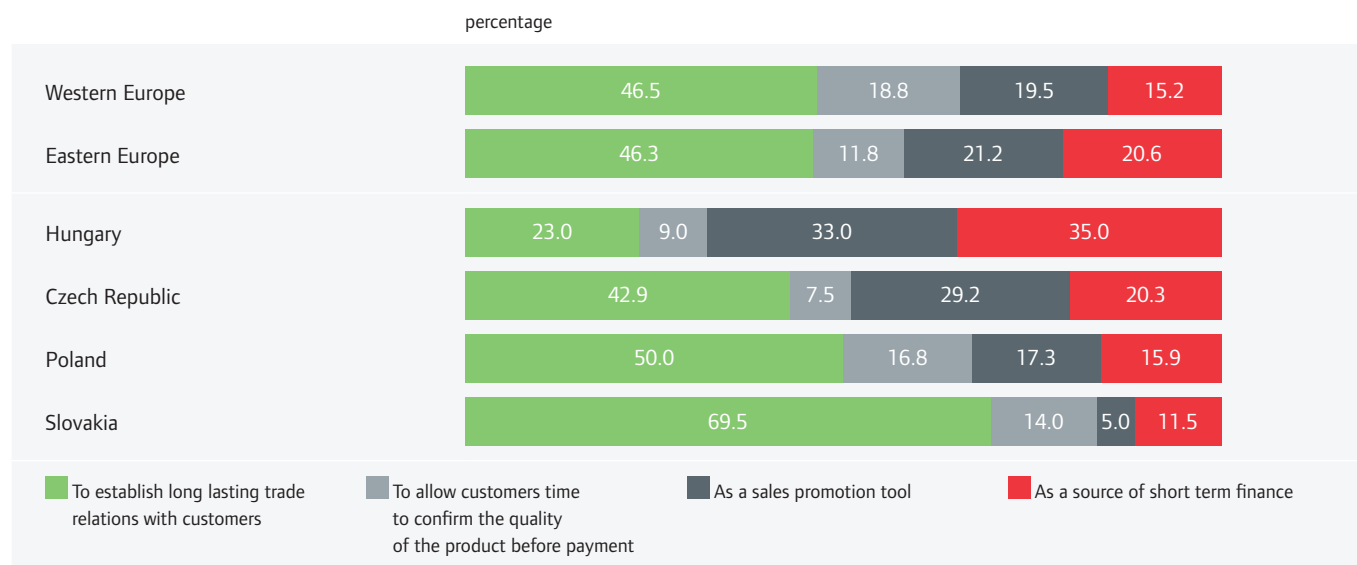
Sample: companies interviewed in Eastern Europe (active in domestic and foreign markets)

Source: Atradius Payment Practices Barometer – June 2012



## 2.2 Trade credit supply determinants

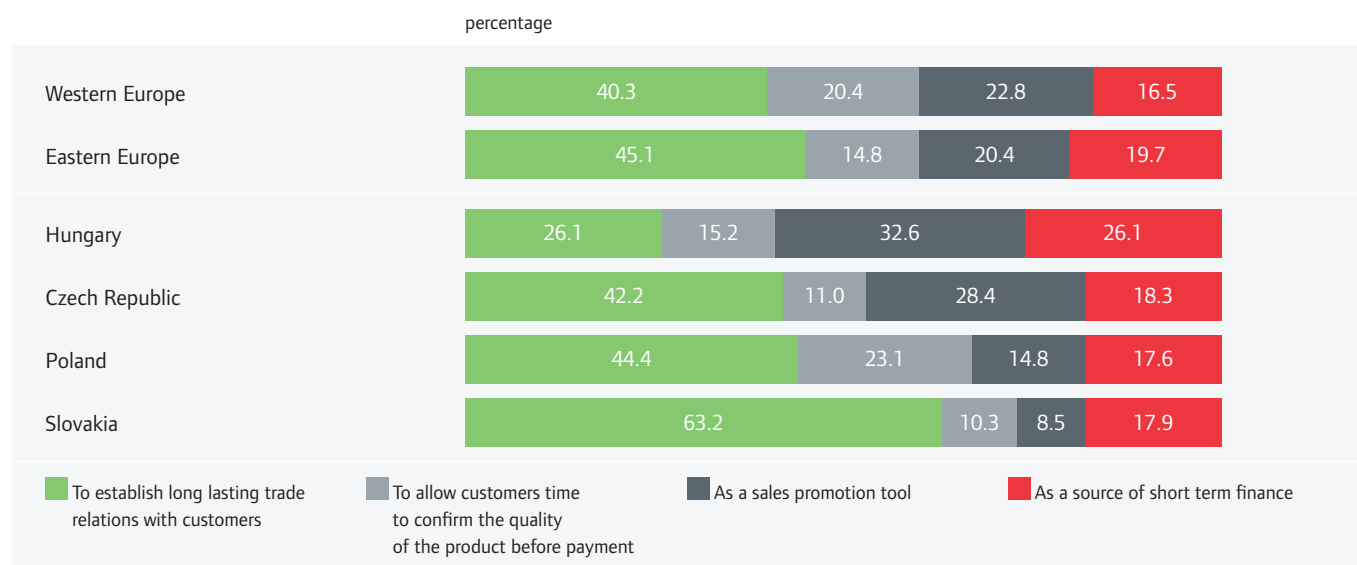
### What are the main reasons that your company grants trade credit to its domestic B2B customers?



Sample: companies interviewed (active in domestic markets)

Source: Atradius Payment Practices Barometer – June 2012

### 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 – June 2012



## Overall

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

The majority of respondents in Eastern Europe granted trade credit to domestic (46.3% of respondents) and foreign B2B customers (45.1% of respondents) mainly as a tool to establish long-term trade relationships. This finding indicates that this was the most influential factor in trade credit decisions of respondents in Eastern Europe (respondents in Western Europe: 46.5% in relation to domestic sales, versus 40.3% in relation to foreign sales). In Slovakia, 69.5% of respondents granted trade credit for this reason to B2B customers domestically, and 63.2% of respondents internationally. In Hungary, the domestic percentage went down to 23.0% of respondents and the foreign percentage to 26.1% of respondents. All the other trade credit supply determinants examined by this survey were given, on average, a far lower weighting by respondents in Eastern Europe. Allowing customers time to confirm the quality of the product before payment was the main reason that 11.8% and 14.8% of respondents in Eastern Europe sold on credit to domestic and foreign customers respectively (respondents in Western Europe: 18.8% domestic and 20.4% foreign). In Poland, the foreign percentage climbed to 23.1% of respondents. To promote sales growth was the main reason for 21.2% and 20.4% of respondents to offer trade credit to domestic customers and foreign customers respectively (respondents in Western Europe: 19.5% domestic and 22.8% foreign). In Hungary, the domestic percentage rose to 33.0% and the foreign percentage to 32.6%. The Czech Republic followed with 29.2% of respondents in relation to domestic sales and 28.4% of respondents in relation to foreign sales. Granting trade credit mainly as a source of short-term finance to domestic and foreign customers was reported by 20.6% and 19.7% of Eastern European respondents respectively (respondents in Western Europe: 15.2% domestic and 16.5% foreign). In Hungary, the domestic percentage rose to 35.0% and the foreign percentage to 26.1%, suggesting that Hungarian respondents were more likely than the overall survey average to offer trade credit to domestic B2B customers as a means of financial support.

## By business sector

### Half of the respondents in the services sector prioritised trade credit supply as a tool to establish long-term trade relationships both domestically and internationally

Over half of the respondents in the services sector in Eastern Europe granted trade credit to domestic (50.2% of respondents) and foreign B2B customers (52.0%) mainly as a tool to establish long-term trade relationships. To promote sales growth was the greatest influencer of the domestic (22.9% of respondents) and foreign (24.4%) trade credit decisions in the wholesale/retail/distribution sector. Domestically, 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 (29.4% of respondents), whereas 21.9% of respondents in the wholesale/retail/distribution sector granted trade credit mainly as a source of short term finance to foreign B2B customers.

## By business size

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

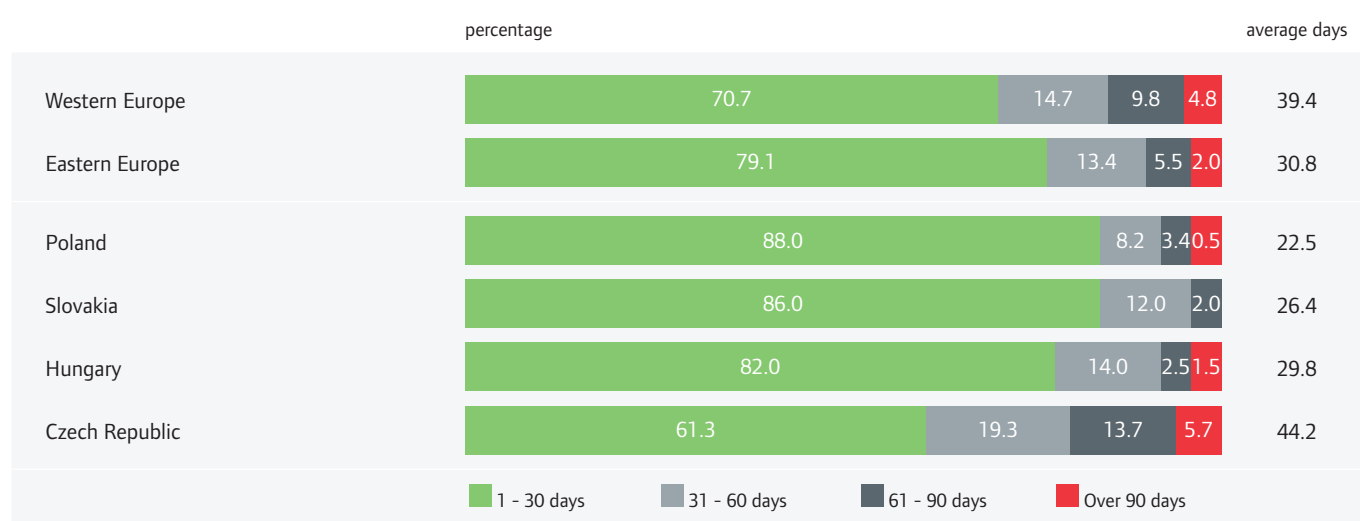
More than 2 out of 5 respondents across all of the business size groups surveyed in Eastern Europe assigned the highest priority to trade credit granting in B2B transactions as a tool to establish long-term trade relationships. Small enterprises were the keenest in granting trade credit to domestic B2B customers to promote growth in sales domestically (23.0% of respondents) as were micro enterprises internationally (23.2%). More than 1 out of 4 of the survey respondents in both medium-sized (25.0% of respondents in relation to domestic sales) and large enterprises (27.0% of respondents in relation to foreign sales) granted trade credit to B2B customers mainly as a source of short term finance. ■

### 3 Credit management practices

- On average, in Eastern Europe, credit terms extended to domestic B2B customers were shorter than those extended to foreign B2B customers
- Nearly 30% of respondents in Eastern Europe offered discounts for early payment of invoices; Polish respondents, were the most active in offering early payment discounts and had the highest proportion of customers who took advantage of the discounts
- Over half of the respondents in Eastern Europe anticipate an increase in active credit management activities over the next six months

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

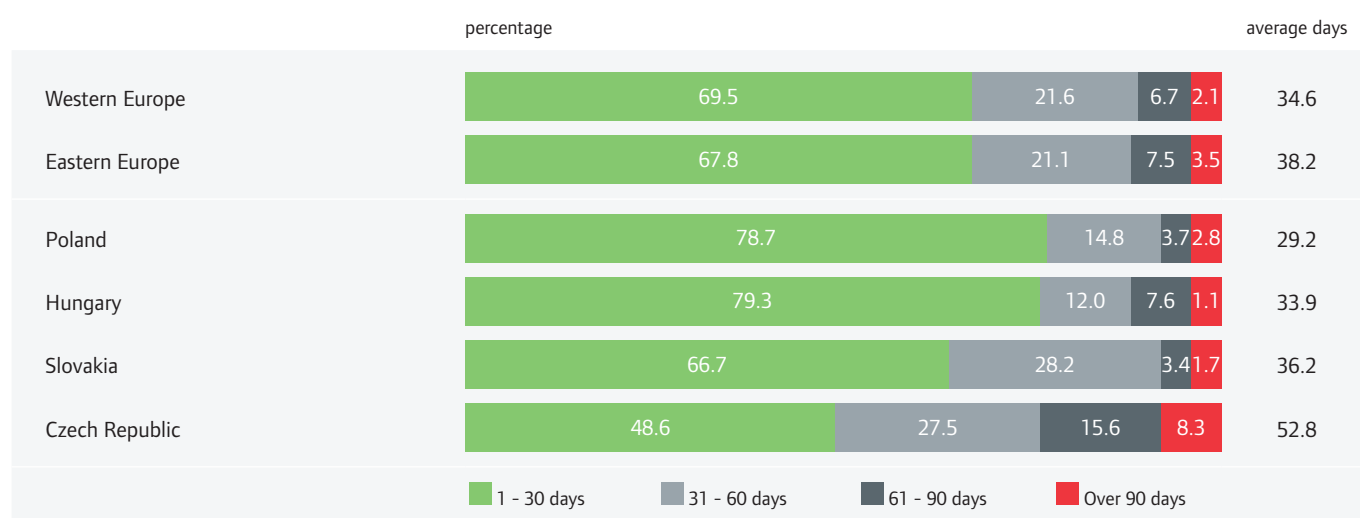
##### What payment terms does your company set for its domestic B2B customers?



Sample: all interviewed companies (active in domestic markets)

Source: Atradius Payment Practices Barometer – June 2012

##### 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 – June 2012

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

## Overall

**On average, in Eastern Europe, credit terms extended to domestic B2B customers were shorter than those extended to foreign B2B customers**

Overall, B2B customers of survey respondents in Eastern Europe were extended an average of 31.6 days from the invoice date to pay for their purchases on credit (survey average for Western Europe: 38 days). The shortest credit terms were recorded in Poland and Slovakia (averaging 22.8 days and 28.4 days respectively). The longest average credit terms were extended by respondents in the Czech Republic (44.4 days). At overall survey level, credit terms extended to domestic B2B customers were shorter (averaging 30.8 days) than those extended to foreign customers (38.2 days). Consistent with the survey pattern, in all of the countries surveyed in Eastern Europe, domestic credit terms were shorter than the terms extended to foreign customers (the biggest difference between average domestic and foreign terms was observed in the Czech Republic). B2B customers of Polish respondents were extended the shortest terms (averaging 22.5 days domestically and 29.2 days internationally). B2B customers of Czech respondents were extended the longest terms (averaging 44.2 days domestically and 52.8 internationally).

## By business sector

**The manufacturing sector granted the most relaxed credit terms to their B2B customers domestically, as did the financial services sector internationally**

Compared to the other business sectors surveyed in Eastern Europe, respondents in the manufacturing sector granted the most relaxed credit terms to their domestic B2B customers (averaging 34.7 days), and respondents in the financial services sector granted the most relaxed credit terms internationally (51.2 days). The shortest domestic credit terms (averaging 25.7 days) and foreign credit terms (averaging 30.2 days) were extended by respondents in the services sector.

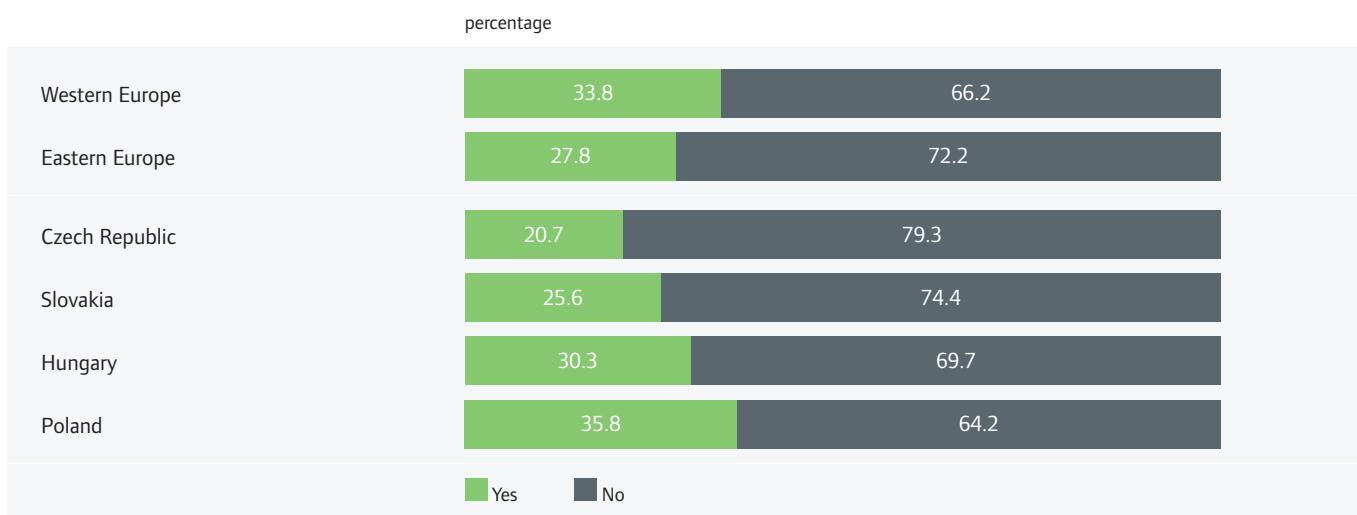
## By business size

**Medium-sized enterprises extended the longest credit terms to B2B customers both domestically and internationally**

The longest average credit terms for domestic and foreign B2B customers were extended by medium-sized enterprises (36.0 days and 46.7 days). The shortest terms for payment of invoices were given to B2B customers by micro enterprises (averaging 25.3 days domestically and 27.9 days internationally). ■

## 3.2 Early payment discounts

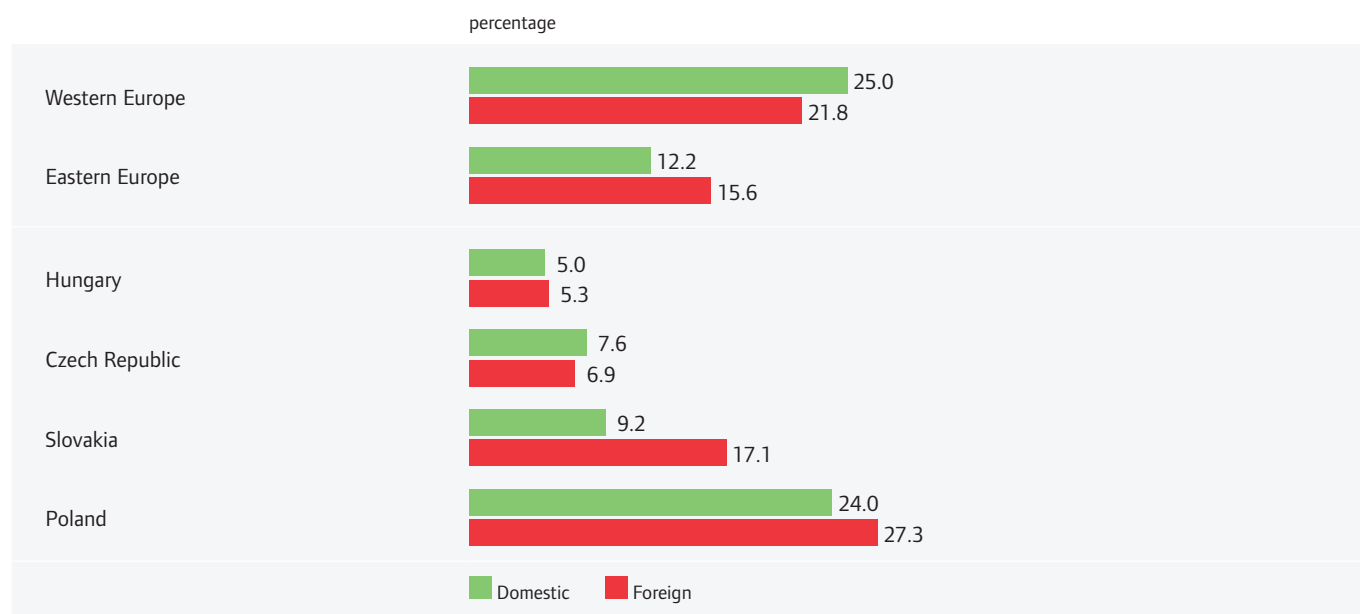
### Does your company discount early payment of B2B invoices



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – June 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 - June 2012

### Overall

**Nearly 30% of respondents in Eastern Europe offered discounts for early payment of invoices; Polish respondents, were the most active in offering early payment discounts and had the highest proportion of customers who took advantage of the discounts**

27.8% of respondents in Eastern Europe, compared to 33.8% of respondents in Western Europe, offered discounts to entice their B2B customers to pay invoices earlier. At country level, the frequency of discounts offered was inversely proportional to the length of credit terms extended to B2B customers. The Czech Republic, which recorded the longest average overall credit terms across all the surveyed countries, offered discounts to B2B customers the least often (only 20.7% of respondents). In contrast, Polish respondents, which set the shortest average credit terms for B2B customers, offered discounts the most often (35.8% of respondents). Poland also recorded the highest percentage of domestic (24.0%) and foreign (27.3%) B2B customers that took advantage of the early payment discounts. The least successful in this respect was Hungary, where only 5.0% of domestic customers and 5.3% of the foreign customers took advantage of early payment discounts.

### By business sector

**The financial services sector was the most likely to offer discounts for early payment of invoices**

Respondents in the financial services sector were the most likely in the survey to offer discounts for early payment of invoices (37.9% of respondents). The least likely to offer this financial incentive to their B2B customers were respondents in the services sector (18.8%). The proportion of domestic B2B customers taking advantage of early payment discounts ranged from 25.68% in the financial services sector to 9.6% in the manufacturing sector. Foreign B2B customers taking advantage of discounts ranged from a high of 23.6% in the financial services sector to a low of 10.7% in the wholesale/retail/distribution sector.

### By business size

**B2B customers of small and large enterprises were the least likely to take advantage of discounts for early payment of invoices**

2 out of 5 respondents in large enterprises offered discounts for early payment of invoices to their B2B customers. The least active in this respect were respondents in micro enterprises (21.4%). The proportion of domestic B2B customers that took advantage of early payment discounts ranged from 16.6% in micro enterprises to 9.4% in small enterprises. Foreign B2B customers taking advantage of discounts ranged from a high of 19% in both micro enterprises and small enterprises to a low of 10.1% in large enterprises. ■

## 3.3 Trend in the use of credit management tools

### Overall

**Over half of the respondents in Eastern Europe anticipate an increase in active credit management activities over the next six months**

When asked about the credit management tools they anticipate using to protect their businesses from payment delays and defaults over the next six months, the highest percentage of survey respondents in Eastern Europe (53.4%) reported they will increase their active credit management activities over the next six months. At country level, the Czech Republic will be the most active in this respect (66.7% of respondents) followed by Slovakia (57.9% of respondents). The least active in this respect will be Hungary (13.0% of respondents). At overall survey level, 49.7% of respondents will check buyers' creditworthiness more and 48.4% of respondents will check buyers' track records more over the same period of time. Both Poland and Slovakia (56% of respondents) will be the most active in increasing checks of buyers' creditworthiness followed by the Czech Republic and Hungary (approximately 42% of respondents each). Slovakia will be the most active in increasing checks of buyers' track records (59.5% of respondents) followed by Poland (51.7%). At the overall survey level, over the next six months monitoring of buyers' credit risk will increase for 47.3% of respondents, and the use of cash in B2B transactions will increase for 37.4% of respondents. Slovakia (63.9% of respondents) will be the most active in increasing monitoring of buyers' credit risk. Half of the respondents in Poland anticipate an increase in the use of cash in B2B transactions over the next six months.

### By business sector

**The manufacturing sector is the most likely to increase active credit management over the next six months**

The manufacturing sector in Eastern Europe (64.3% of respondents) will be the most active in increasing active credit management activities over the next six months. The services and the financial services sectors followed (50.0% of respondents each). 73.3% of respondents in the financial services sector will check buyers' creditworthiness more over the same period of time. It is worth noting that 12.7% of respondents in the services sector will begin using this credit management tool. In all the business sectors surveyed in Eastern Europe, monitoring of buyers' credit risk and checking buyers' track records will increase for 40% to 50% of respondents. The wholesale/retail/distribution and financial services sectors (43.0% each) had the highest percentage of respondents that will increase their use of cash in B2B sales over the next six months.

### By business size

**More than half of the respondents from large enterprises anticipate an increase in active credit management and checking buyers' creditworthiness over the next six months**

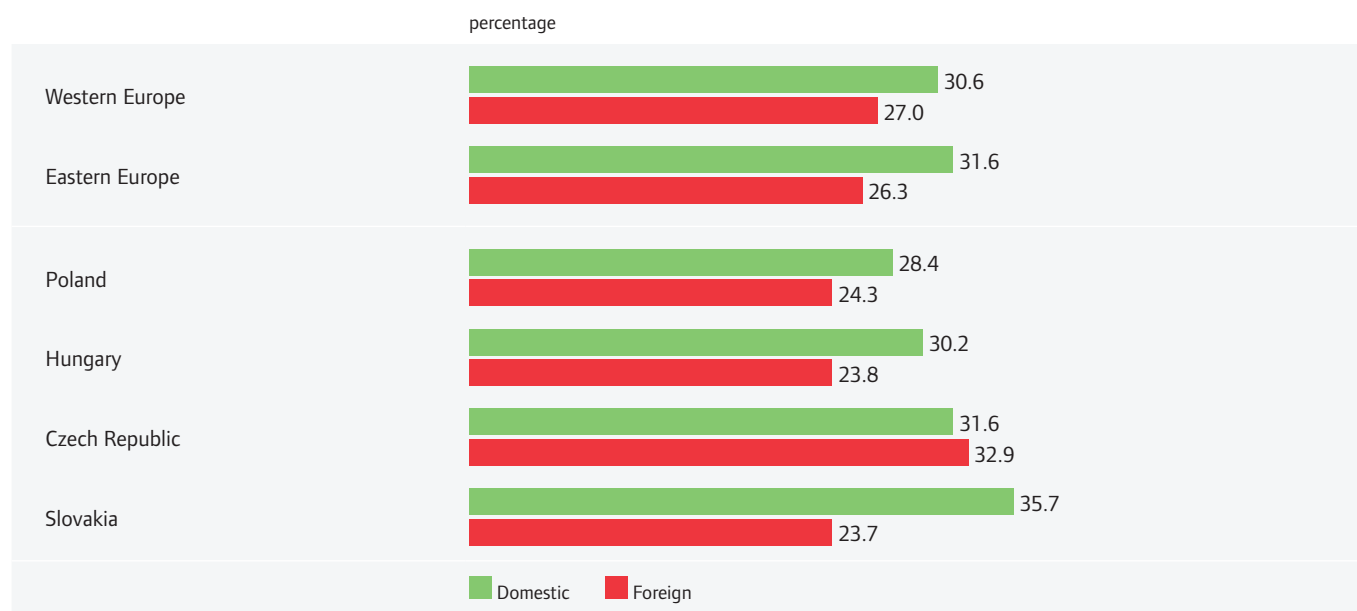
Large enterprises in the Eastern European countries surveyed (61.5% of respondents) will be the most active in increasing active credit management activities and increasing the frequency of checks (64.3%) over the next six months. 62.5% of respondents in medium-sized enterprises will check buyer creditworthiness more and 60.5% (the most of any business size) will increase monitoring of buyers' credit risks over the same period of time. 56.4% of respondents in medium-sized enterprises will check buyers' track records more, followed by 52.0% of respondents in small enterprises. Micro enterprises will be the most active in increasing the use of cash in B2B sales over the next six months (40.8% of respondents). ■

## 4 Customers' payment behaviour

- Overall, B2B invoices issued by respondents in Eastern Europe were almost 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 domestically
- On average, in Eastern Europe the proportion of uncollectable B2B receivables arising from domestic trade was higher than that arising from foreign trade
- 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 - June 2012

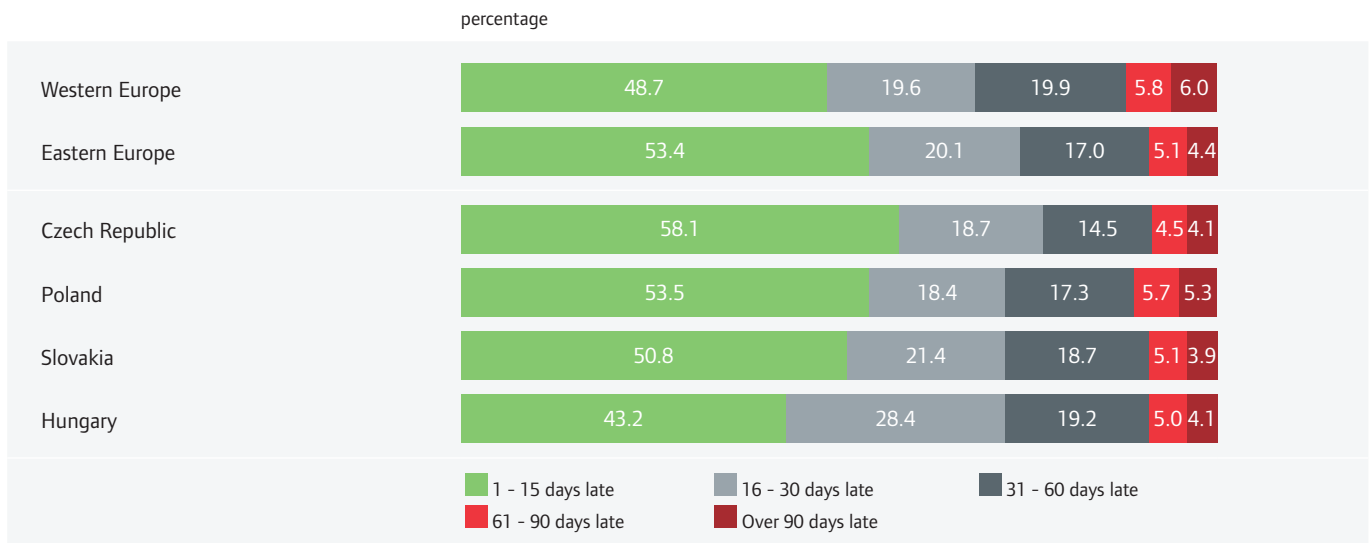
#### Overall

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

Overall, the likelihood of foreign B2B invoices being paid late was almost as high as the likelihood of domestic B2B invoices being paid late. An average of 31.6% and 26.3% of the total value of the invoices issued by Eastern European respondents to their domestic and foreign B2B customers respectively were paid after the due date (averages for Western Europe: 30.6% domestic and 27.0% foreign). At country level, Slovakia recorded the highest percentage of the total value of domestic B2B invoices still delinquent after the due date (35.7%). The lowest proportion of overdue domestic B2B invoices was recorded in Poland (28.4%). Respondents in the Czech Republic recorded the highest percentage of overdue B2B invoices from foreign B2B customers (32.9%). The lowest proportion of overdue B2B invoices from foreign B2B customers was recorded in Slovakia and Hungary (approximately

23% each). In respect to receiving payment within one month of the invoice due date, 73.5% of the domestic and 77.8% of the value of foreign B2B invoices of the Eastern European respondents were paid within this time frame. At country level, the domestic percentage ranged from a high of 76.8% in the Czech Republic to a low of 71.6% in Hungary. The proportion of foreign past due invoices paid within one month of the invoice due date ranged from a high of 87.0% in Hungary to a low of 70.1% in Poland. An average of 4.4% of the total value of domestic and 3.6% of foreign overdue receivables of respondents in Eastern Europe were more than 90 days past due. At country level, the domestic percentage ranged from a high of 5.3% in Poland to a low of 3.9% in Slovakia, and the foreign percentage from a high of 6.9% in Poland to a low of 1.2% in Slovakia.

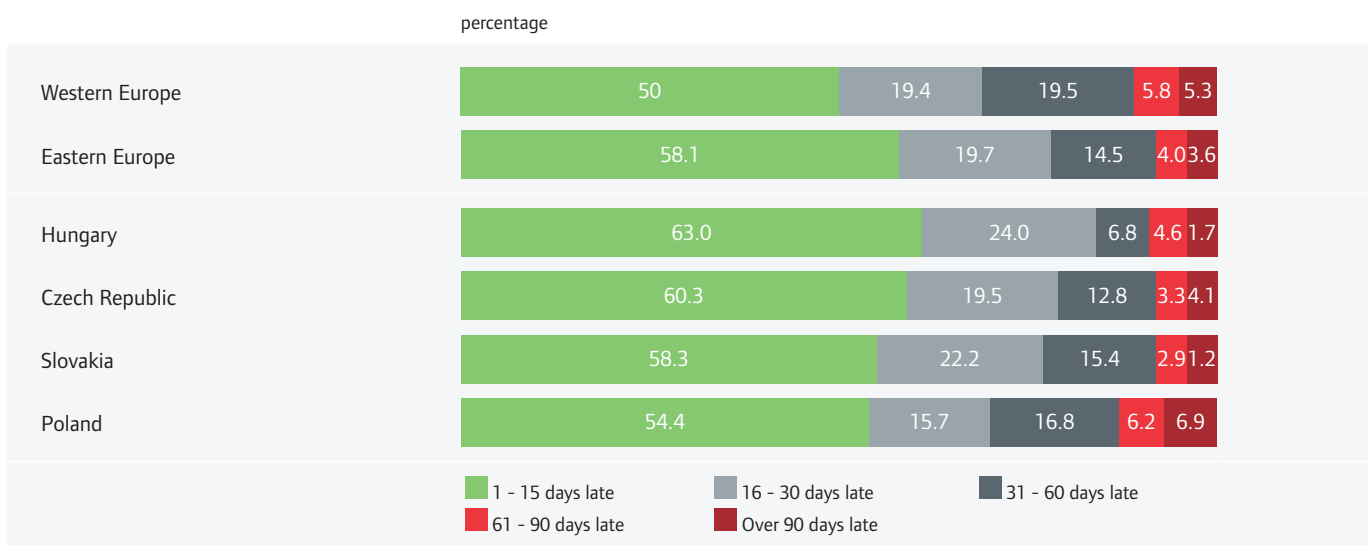
## Domestic B2B overdue invoices - Payment is made between ....



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

Source: Atradius Payment Practices Barometer – June 2012

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



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

Source: Atradius Payment Practices Barometer – June 2012

## By business sector

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

An average of 33.0% of the total value of the domestic B2B invoices issued by respondents in both the manufacturing and the wholesale/retail/distribution sector were paid after the due date. This percentage was 24.9% in the financial services sector. An average of 25.0% of the total value of foreign B2B invoices in both the wholesale/retail/distribution and services sectors was paid after the due date. This percentage decreases to 22.1% in the financial services sector. In respect to receiving payment within one

month of the invoice due date, the percentage of domestic past due invoices paid within this timeframe ranges from 75.4% in the services sector to 71.2% in the wholesale/retail/distribution sector. As to foreign past due invoices, the percentages ranged from 79.3% in the wholesale/retail/distribution sector to 70.6% in the financial services sector. The financial services sector recorded the highest percentage of overdue domestic receivables that were still more than 90 days past due (averaging 5.5% of the total value of domestic B2B invoices) as well as the highest percentage of past due foreign invoices still unpaid after 90 days overdue (13.4%).



## By business size

### Small enterprises recorded the highest percentage of domestic and foreign B2B invoices paid after the due date

Small enterprises recorded the highest percentage of domestic B2B invoices paid after the due date (averaging 34.3% of the total value of domestic B2B invoices). The lowest proportion of domestic past due invoices was recorded in large enterprises (26.2%). An average of 28.7% of the total value of foreign B2B invoices of small enterprises was paid after the due date. This percentage decreases to 22.1% in large enterprises. In respect to receiving payment within one month of the invoice due date, the percentage of domestic past due invoices paid within this

time frame ranged from approximately 74% in micro enterprises and medium-sized enterprises to approximately 72% in small and large enterprises. As to foreign past due invoices, the percentages ranged from 83.2% in micro enterprises to 72.4% in medium-sized enterprises. In all the business size groups surveyed, domestic past due receivables that were delinquent more than 90 days averaged around 4% of the total value of domestic B2B invoices. Large enterprises recorded the lowest percentage of foreign past due invoices that were more than 90 days overdue (averaging 2.8%) and medium-sized enterprises the highest (4.7%). ■

## 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

Domestic B2B customers in Eastern Europe were more likely to pay late due to liquidity constraints than were foreign customers. 87.3% and 71.0% of respondents in Eastern Europe cited insufficient availability of funds as the main reason for payment delays by domestic and foreign customers respectively. The domestic percentage rose to 95.6% of respondents in Hungary, and 92.3% in Slovakia. The lowest percentage of respondents citing this reason was observed in Poland (73.7%). All other reasons for domestic and foreign payment delays investigated in the survey were assigned a far lower weighting by respondents in Western Europe. 21.5% of respondents cited complexity of the payment procedure as the main reason for payment delays from foreign B2B customers. 15% of respondents stated that payments from foreign customers were delayed due to incorrect information on the invoice or disputes over the quality of goods and services provided. 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 to 36.6% in Poland to a low of 7.9% in Slovakia. The percentage of respondents for which payments from foreign customers were delayed due to incorrect information on the invoice ranged from a high of 30.7% in Poland to a low of 7.0% in Hungary. The percentage of respondents citing disputes over the quality of goods and services provided as main reason for payment delays from foreign customers ranged from a high of 25.3% in Poland to a low of 1.4% in Hungary.

### By business sector

#### Wholesale/retail/distribution sector was the most impacted by payment delays due to insufficient availability of funds of domestic B2B customers

Of all the business sectors surveyed in Eastern Europe, the wholesale/retail/distribution sector was the most impacted by payment delays due to insufficient availability of funds of domestic B2B customers (88.6% of respondents). The manufacturing sector (76.3% of respondents) was hardest hit by payment delays due to insufficient availability of funds of foreign customers. The financial services sector was the most impacted by payment delays due to the complexity of the payment procedure and to incorrect information on the invoice (35.3% of respondents each).

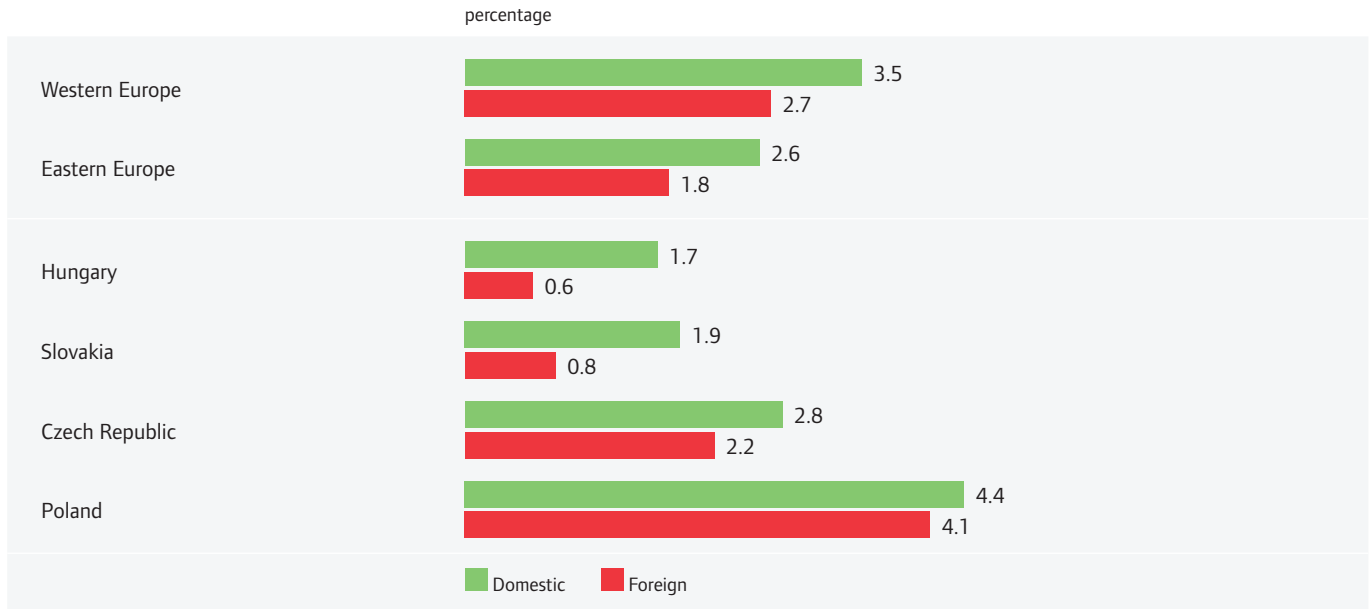
### By business size

#### Micro enterprises were the most impacted by payment delays due to insufficient availability of funds of domestic B2B customers; large enterprises of foreign B2B customers

Micro enterprises (87.4% of respondents) and medium-sized enterprises (86.7% of respondents) were the most impacted by payment delays due to insufficient availability of funds of domestic B2B customers. The hardest hit by payment delays due to insufficient availability of funds of foreign customers were large enterprises (75.5%) and micro enterprises (73.9%). Large enterprises (28.6% of respondents) were the most impacted by foreign payment delays due to the complexity of the payment procedure. Disputes over the quality of goods and services provided was most often cited as a reason for payment delays from foreign customers of medium-sized enterprises (23.4% 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 uncollectable?



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

Source: Atradius Payment Practices Barometer - June 2012

### Overall

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

Respondents in Eastern Europe reported that an average of 2.6% of the total value of domestic B2B receivables was written off as uncollectable. At country level, this percentage ranged from a high of 4.4% in Poland to a low of 1.7% in Hungary. Measured against the average percentage of domestic B2B invoices which were more than 90 days past due (4.4%), the percentage of domestic uncollectable receivables suggests a reasonably good chance of collecting very long outstanding receivables arising from domestic trade. As to foreign B2B sales, an average of 1.8% of the total value of foreign B2B receivables was reported by respondents to have been written off as uncollectable. This percentage climbed to 4.1% in Poland, and in Hungary and Slovakia it reached a low of 0.6% and 0.8% respectively. Compared to the percentage of the total value of foreign receivables (3.6%) that were more than 90 days past due, this finding suggests a 50-50 chance of collecting long overdue receivables arising from foreign trade.

### By business sector

**The financial services sector recorded the highest proportion of uncollectable B2B receivables arising from domestic and international trade**

An average of 5.6% of the total value of domestic B2B receivables in the financial services sector was written off as uncollectable. In the other business sectors surveyed in Eastern Europe, this percentage dropped to approximately 2%. As to foreign B2B sales, an average of 6.8% of the total value of foreign B2B receivables in the financial services sector was reported by respondents as written off as uncollectable. In the other business sectors surveyed, this percentage ranged from 1.7% in the wholesale/retail/distribution and services sectors to 1.5% in the manufacturing sector.

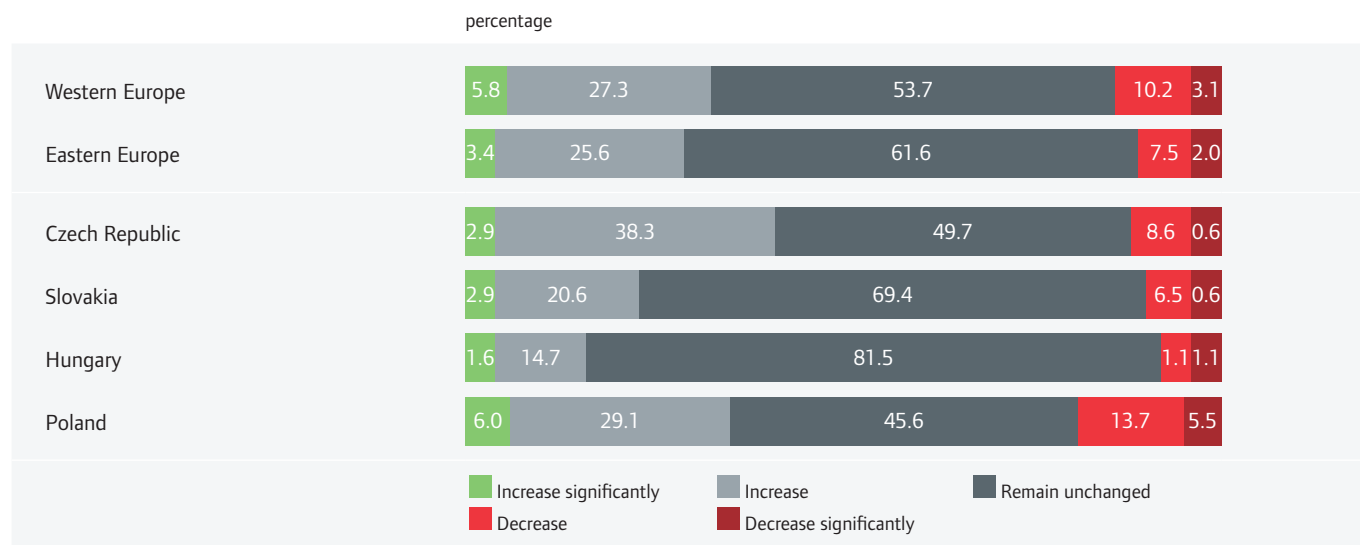
### By business size

**Small and medium-sized enterprises recorded the highest proportion of domestic and foreign uncollectable B2B receivables respectively**

The highest proportion of domestic uncollectable receivables was recorded in small enterprises (averaging 2.9% of the total value of domestic B2B receivables). In the other business size groups surveyed in Eastern Europe, the proportion of domestic uncollectable receivables ranged from 2.5% in both micro and large enterprises to 2.4% in medium-sized enterprises. As to foreign B2B sales, an average of 2.5% of the total value of foreign B2B receivables of medium-sized enterprises was reported by respondents as written off as uncollectable. The lowest proportion of uncollectable receivables arising from international trade was recorded by micro enterprises (1.2%). ■

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

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 – June 2012

### Overall

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

61.6% of respondents in Eastern 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 81.5% in Hungary to a low of 45.6% in Poland. At overall survey level, three times as many respondents expect deterioration of trade credit risk over the next six months than expect improvement. 29.0% of respondents in Eastern Europe expect trade credit risk to increase over the next six months (significantly for 3.4% of respondents), and 9.5% believe that it will decrease (significantly for 2.0% of respondents). At country level, the percentage of respondents expecting deterioration of trade credit risk over the next six months climbed to 41.2% in the Czech Republic, followed by 35.1% in Poland. This finding is consistent with the trend in the use of credit management tools in Eastern Europe, where over half of the respondents anticipated an increase in active credit management activities over the next six months, along with an increase in checking buyers' creditworthiness and buyers' track records, in monitoring buyers' credit risk and in the use of cash in B2B transactions over the same period of time.

### By business sector

**Financial services and services sectors are the most pessimistic about the trend in 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 Eastern European manufacturing (68.5% of respondents) and wholesale/retail/distribution sectors (62.6%). The most pessimistic business sectors in Eastern Europe were the financial services (43.3% of respondents expecting deterioration of trade credit risk over the next six months) and the services sectors (29.2% of respondents).

### By business size

**Micro and large enterprises in Eastern Europe were the most pessimistic about trend in trade credit risk over the next six months**

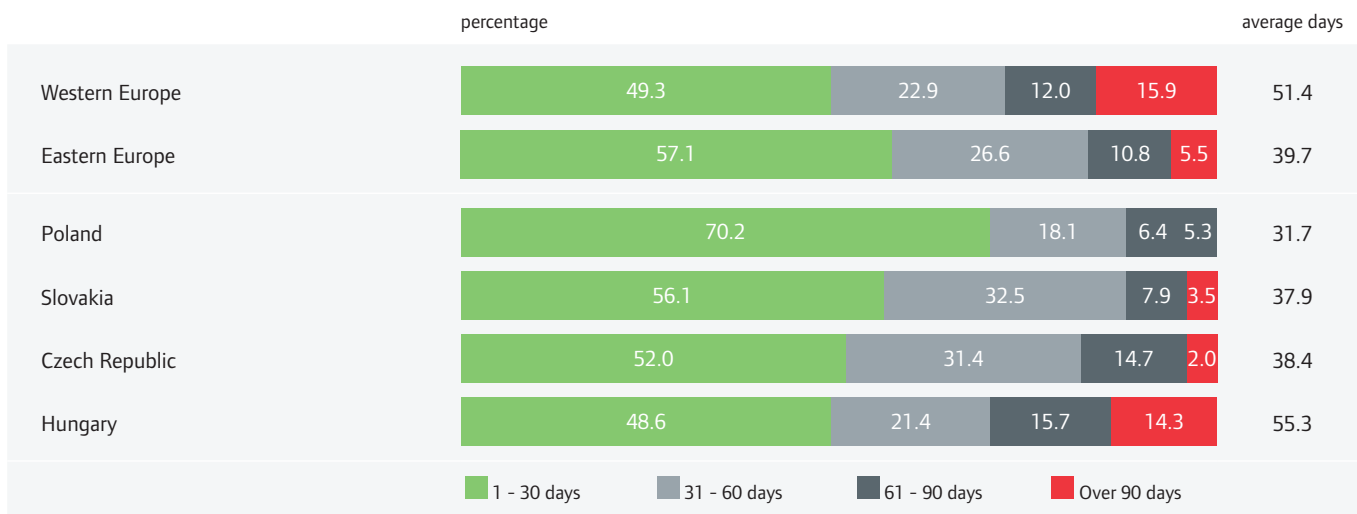
66.2% of respondents from small enterprises and 65.4% of respondents from medium-sized enterprises in Eastern Europe were of the opinion that trade credit risk will not change over the next six months. Respondents from micro enterprises (30.2% of respondents) and large enterprises (26.8%) were the most pessimistic in this respect, expecting deterioration of trade credit risk over the next six months, 3% of respondents from these business size groups expect significant deterioration. ■

## 5 Cash inflow monitoring

- In Eastern Europe, the highest DSO was posted by respondents in Hungary, the lowest by Polish respondents
- Over the past year, in the countries surveyed in Eastern Europe, 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 – June 2012

#### Overall

**In Eastern Europe, the highest DSO was posted by respondents in Hungary, the lowest by Polish respondents**

Survey respondents in Eastern Europe posted an average DSO of 39.7 days, which is longer than the average payment term recorded in Eastern Europe (31.6 days) reflecting the volume of invoices that are paid late (see 4.1). 57.1% of respondents reported a DSO in the range from 1 to 30 days, 37.4% of respondents reported a DSO in the range from 31 to 90 days and 5.5% of respondents posted DSO over 90 days. On a country basis, the overall average DSO varied substantially. The highest average DSO figure across all of the countries surveyed in Eastern Europe was recorded in Hungary (55.3 days). The lowest average DSO was recorded in Poland (31.7 days). In Czech Republic, the average DSO was 38.4 days, and in Slovakia it was 37.9 days.

#### By business sector

**Financial services sector posted the longest average DSO**

In Eastern Europe, the longest average DSO was reported by respondents in the financial services sector (60.2 days). The manufacturing sector posted an average DSO of 45.7 days and both the services and wholesale/retail/distribution sectors respondents recorded a somewhat lower DSO (averaging 33 days and 35.1 days respectively).

#### By business size

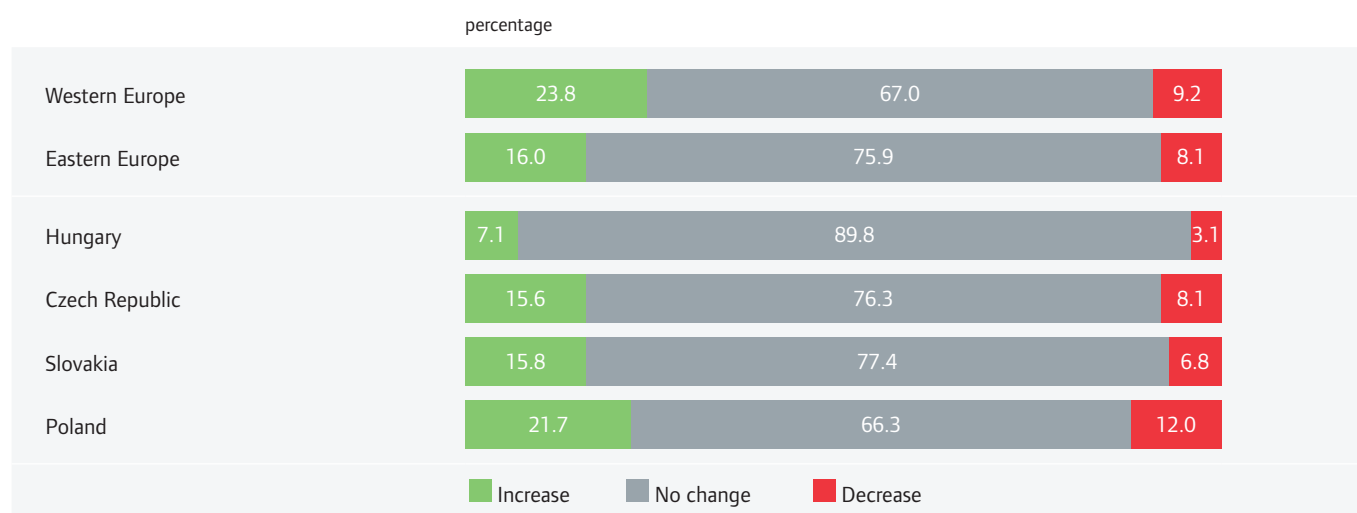
**Large enterprises recorded the longest average DSO**

Respondents from large enterprises recorded the longest DSO (averaging 62.2 days) across all of the business size groups surveyed. Small enterprises follow (41 days). Both micro and medium-sized enterprises posted a lower DSO (averaging 31.4 days and 37.7 days respectively).

\* 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).

## 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 – June 2012

### Overall

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

Over the past year, twice as many survey respondents in Eastern Europe (16.0%) experienced an increase in DSO than did a decrease. 75.9% of the respondents reported no change in DSO over the same period of time. On a country basis, 89.8% of respondents in Hungary experienced no change in DSO while 7.1% experienced an increase and 3.1% a decrease in DSO. At the other end of the scale, 66.3% of respondents in Poland experienced no change in their DSO, while more than 5 times as many respondents experienced an increase in DSO than did a decrease. In both the Czech Republic and Slovakia, around twice as many respondents (15% each) experienced an increase in DSO than did a decrease. 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

**The 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 (30.0% of respondents). The DSO of respondents from the other business sectors surveyed in Eastern Europe was relatively more stable DSO over the same period of time, which was particularly the case for 78.2% of respondents in the services sector.

### By business size

**Medium-sized enterprises were the most impacted by an increase in DSO over the past year**

Medium-sized enterprises showed the highest percentage of respondents (20.8%) recording an increase in DSO over the past year. Respondents from the other business size groups surveyed in Eastern Europe experienced a relatively more stable DSO (80.0% of respondents from large 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. This report focuses on Eastern Europe, examining the primary aspects of the country's trade credit supply and management, as well as the payment behaviour of its international and domestic Business-to-Business (B2B) buyers. The results highlighted in this report are based on feedback from 820 companies in four countries in Eastern Europe (Czech Republic, Hungary, Poland and Slovakia). For further insight the results for Eastern Europe have also been compared to those of the May 2012 Payment Practice Barometer covering 2,886 companies from 14 countries in Western Europe (Austria, Belgium, Denmark, France, Germany, Great Britain, Greece, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland and Turkey).

## 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, Hungary and Slovakia.
- Sample: n = 820 persons were interviewed in Eastern Europe and 2,886 in Western Europe (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 Eastern Europe**

Country (n = 820)	n	%
Czech Republic	212	25.9%
Hungary	200	24.4%
Poland	208	25.4%
Slovakia	200	24.4%
Business sector (n = 820)		
Manufacturing	294	35.9%
Wholesale/Retail/Distribution	249	30.4%
Services	243	29.6%
Financial services	34	4.1%
Business size (n = 820)		
Micro enterprise	292	35.6%
Small enterprise	236	28.8%
Medium-sized enterprise	184	22.4%
Large enterprise	108	13.2%

Where a single answer is possible, it may occur that the results are a percent more or less than 100% when adding up the results. This is the consequence of rounding off the results. We have chosen not to adjust the results so the outcome would fit to 100%, with the purpose of representing the individual results as precisely as possible.

## Notes

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