



Atradius Payment Practices Barometer

International survey
of B2B payment behaviour

Survey results for Eastern Europe

Survey design for Eastern Europe

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the “Atradius Payment Practices Barometer”. This report presents the results of the survey’s June 2014 edition conducted in 4 countries across Eastern Europe. Using a questionnaire, Conclusr Research conducted a net of 838 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics. Due to a change in research methodology for this survey, for some of the present results, no year-on-year comparison is feasible.

Survey scope

- Basic population: companies from 4 countries were monitored (Czech Republic, Hungary, Poland, Slovakia). The appropriate contacts for accounts receivable management were interviewed.
- Selection process

Internet survey: companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact and for quota control was conducted at the beginning of the interview.

Telephone survey: companies were selected and contacted by telephone. A screening for the appropriate contact and for quota control was conducted at the beginning of the interview. Telephone survey took place in, Slovakia and Hungary.
- Sample: N=838 people were interviewed in total (approximately n=200 people per country). In each country, a quota was maintained according to four classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Telephone interviews (CATI) of approximately 20 minutes duration. Interview period: 1stQ 2014.

Sample overview - Total interviews = 838

Country	n	%
Czech Republic	202	24.1%
Hungary	211	25.2%
Poland	224	26.7%
Slovakia	201	24.0%

Industry	n	%
Manufacturing	263	28.1%
Wholesale / Retail / Distribution	257	30.7%
Services	345	41.2%

Business size	n	%
Micro-enterprises	394	47.1%
SMEs (Small/Medium enterprises)	359	42.8%
Large enterprises	85	10.1%

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

Survey results for Eastern Europe

The greatest challenge to business profitability this year

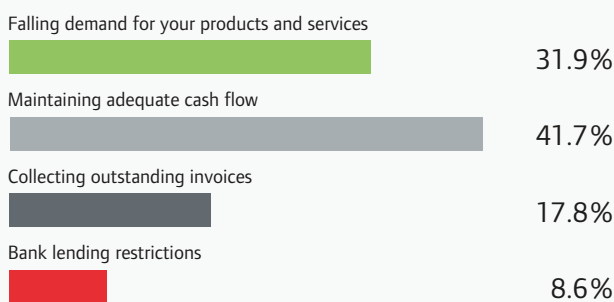
In 2014, Eastern Europe is forecast to see a slight deterioration in economic growth prospects, compared to last year. As a consequence, it may experience an increase in corporate defaults, although from relatively moderate insolvency levels. The whole region, however, remains exposed to the potential deepening of the crisis in Ukraine.

Which provides a reminder of geopolitical risks on the European continent and has raised credit risks in Eastern Europe as a whole. This may explain why most of the survey respondents in Eastern Europe (41.7%) consider maintaining sufficient cash flow as one of the biggest challenges to profitability in 2014 (respondents across Western Europe: 29.6%). This is most evident in Slovakia where 48.7% of respondents are most concerned by this.

A drop in demand for their products and services is considered to be a challenge for 31.9% of respondents in the region (Western Europe: 32.2%). Again this percentage is highest in Slovakia (35.8% of respondents). Collection of outstanding invoices worries 17.8% of respondents overall (Western Europe: 23.1%), and at 25.1% is highest in Slovakia.

As observed in Western Europe (15.1% of respondents), bank lending restrictions, another challenge to business profitability examined in our survey, is a concern for the fewest respondents in Eastern Europe (8.6%). Poland had the highest proportion of respondents (13.0%) who said this is their biggest concern.

The greatest challenge to business profitability this year – Eastern Europe



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

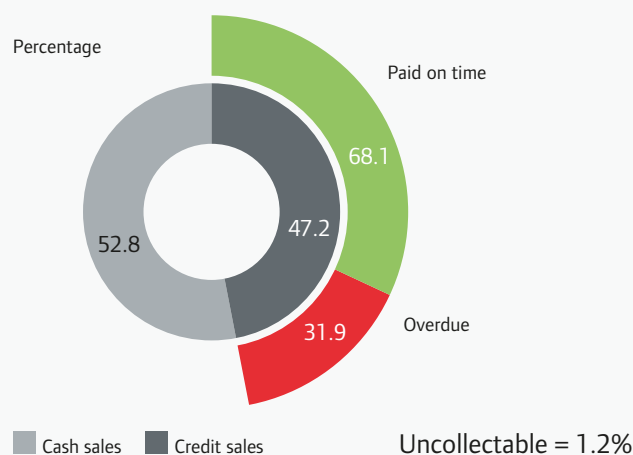
More information in the [Statistical appendix](#)

Past due receivables

The current trade credit risk situation as evidenced by survey responses in Eastern Europe shows that 31.9% of the total value of survey respondents' B2B sales made on credit are overdue (average for Western Europe: 37.6%). The average response rate across all of the industries and business size groups surveyed were approximately equal. By country, the percentage of past due B2B receivables is lowest in Hungary. At overall survey level, overdue payments from B2B customers were received on average 23 days

late (same as Western Europe). By country, Slovakia has, on average, the slowest payers. Domestic payments take, on average, an additional 27 days to be paid.

Average total value of B2B receivables by payment timing in Eastern Europe



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

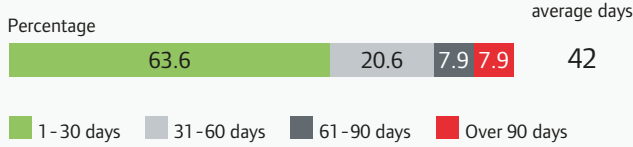
More information in the [Statistical appendix](#)

Days Sales Outstanding – DSO

The late payment of invoices by B2B customers of respondents in Eastern Europe is reflected in the 42 days average DSO recorded in the region (Western Europe: 52 days). This compares to an average 25 days payment term, from the invoice date, extended on B2B credit sales (average for Western Europe: 32 days). Not only does this finding suggest that some of the respondents' customers delayed invoice payments well beyond the agreed terms, but also that some receivables of large amounts were outstanding for a very long time. A breakdown of DSO by timing highlights that just over 63% of respondents in Eastern Europe (compared to around 55% in Western Europe) reported a DSO ranging from 1 to 30 days; around 29% (Western Europe: just over 32%) ranging from 31 to 90 days, and approximately 8% of respondents (Western Europe: approximately 13%) posted a DSO of over 90 days. By country, DSO is highest in Hungary (50 days). By business size, survey respondents from large enterprises surveyed in Eastern Europe recorded the longest DSO (averaging 48 days). Extended payment delays can increase payment default risks and negatively impact cash flow. This may explain the 60.1% of respondents in Eastern Europe (Western Europe: 51.0%) who become concerned about the sustainability of the business when DSO is 1 to 45 days longer than the average payment term.



Average DSO in Eastern Europe



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

More information in the [Statistical appendix](#)

Uncollectable receivables

Late payments can be expensive for suppliers. Whether done in house or through a collections agency they cost time and money in respect to pursuing collection of the debts and on legal fees. In addition, a business may incur additional financing costs on its own debts or miss business development opportunities because the late payments are limiting the availability of funds. What's more, the longer the receivables remain unpaid, the lower the likelihood of collecting them. On average, 1.2% of the total value of the B2B receivables of survey respondents in Eastern Europe were written off as uncollectable over the past year (average for Western Europe: 1.7%). By country, this percentage is highest in the Czech Republic (1.6%). Based on the responses in the region, however, an average of 3.5% of the value of receivables was unpaid 90 days after the due date (average for Western Europe: 4.9%). This suggests that, on average, survey respondents in Eastern Europe lose around 34% of the value of their receivables that are not paid within 90 days. This is almost equal to what was observed in Western Europe. On a country basis, this percentage is again highest in Czech Republic (51%).

Main reasons for late payment from B2B customers

The trade-credit risk environment revealed by our survey in Eastern Europe highlights the importance for B2B suppliers to have a good credit management system in place. This starts with knowledge of potential customers' payment practices, as an incorrect evaluation may result in serious cash flow problems. Most of the survey respondents in Eastern Europe (58.6% in respect to domestic and 37.5% in respect to foreign customers) reported that late payment of B2B invoices is most often due to the customers having insufficient availability of funds (Western Europe: 46.6% domestic and 35.2% foreign). This is an immediate confirmation that a late debt is a potential uncollectable debt and needs to be addressed immediately. On a country basis, respondents in Slovakia were the most impacted late payments from B2B customers due to insufficient availability of funds (72.7% of respondents in respect to domestic customers and 54.3% in respect to foreign customers). Consistent with this, domestic customers of respondents in Slovakia delay payment as a source of surrogate financing the most compared to the other countries surveyed in the region (41.2% of respondents).

Credit management policies used by respondents

The right balance between minimising payment risks and maximising sales, however, can be achieved through proper credit management. In Eastern Europe, 55.3% of survey respondents employ policies that mitigate the risks inherent in offering trade credit to B2B customers (respondents in Western Europe: 59.2%). By country, this percentage is highest in Hungary (63.2%). Dunning (payment reminders) is the most often used credit management policy by respondents in Eastern Europe (72.6%) as it is, although less frequently, in Western Europe (46.2% of respondents). Again this percentage is highest in Hungary. 42.7% of respondents reported they check their customers' creditworthiness by means of bank references, the analysis of the customer's financial statements, and the purchase of credit reports (respondents in Western Europe: 43.3%). Monitoring customers' credit risk is performed as often as in Western Europe (over one third of respondents).

Most often used credit management policies in Eastern Europe



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

More information in the [Statistical appendix](#)

Survey results by country, industry and business size

The findings related to each of the countries surveyed across Western Europe are presented in dedicated country reports, which also feature country results by industry and business size. The latter, at an overall survey level, is displayed next to the related tables in the Statistical Appendix to this report. The regional and country reports of this edition of the Atradius Payment Practices Barometer, as well as its Statistical Appendix, are available for free and downloadable on the atradius.com website.

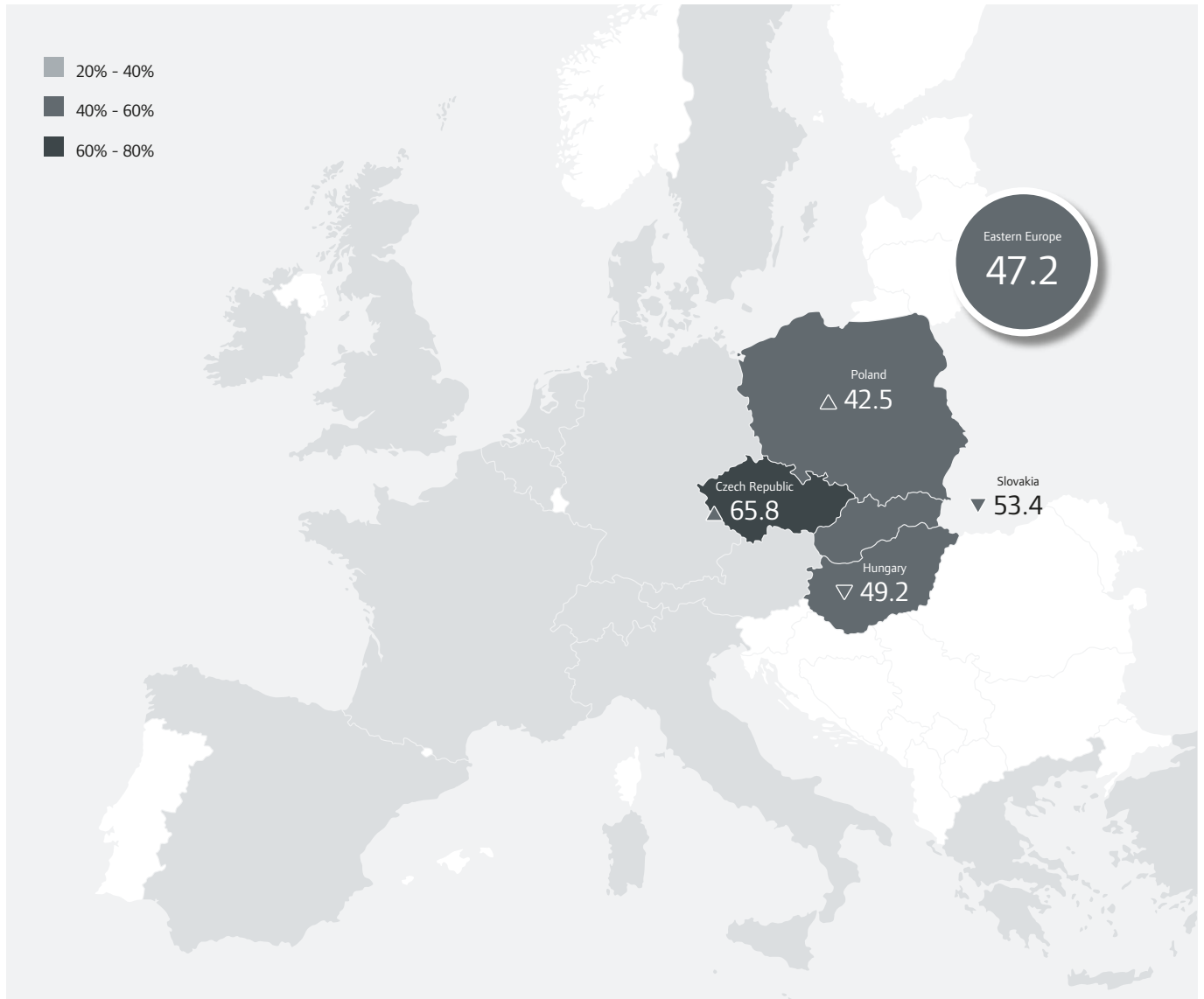
If you would like more information about protecting your receivables against payment default by your customers you can visit the [Atradius website](#) or if you have more specific questions, please [leave a message](#) and a product specialist will call you back.

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The [Statistical appendix](#) to this report is part of the June 2014 Payment Practices Barometer of Atradius (survey results for Eastern Europe) available at www.atradius.com/Publications/Payment Practices Barometer. This appendix is available for download in PDF format (English only).

Eastern Europe: proportion of total B2B sales made on credit



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – June 2014

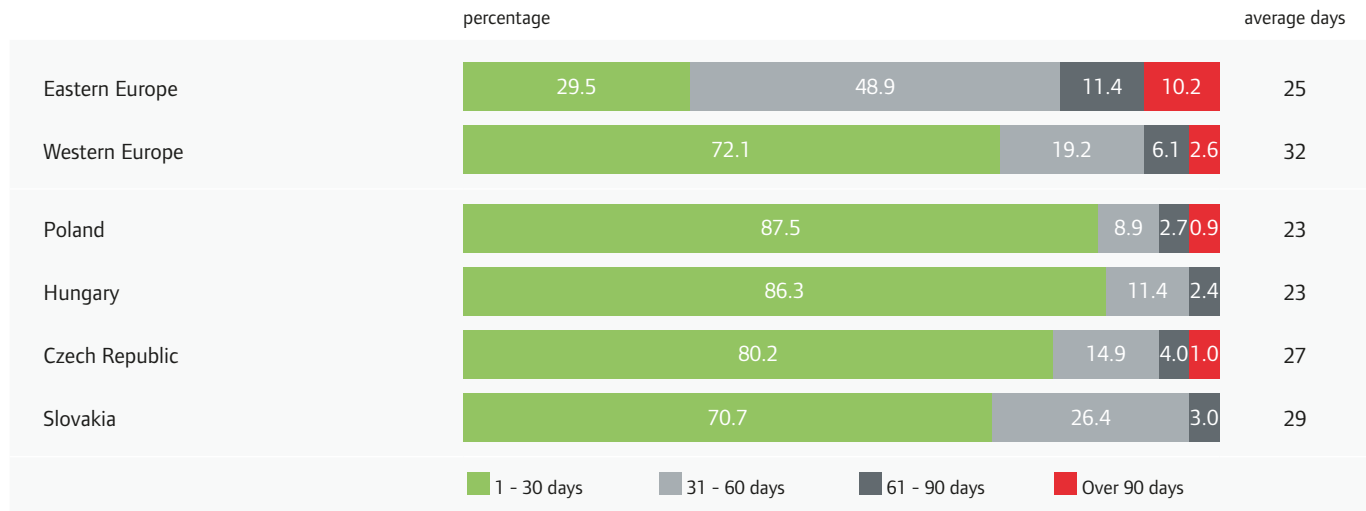
By industry / by business size

Total	Industry			Business size		
	Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
Eastern Europe						
47.2%	62.4%	52.0%	46.9%	47.9%	58.4%	50.2%

Sample: all companies interviewed

Source: Atradius Payment Practices Barometer – June 2014

Average payment terms recorded in Eastern Europe (average days)



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – June 2014

By industry / by business size

	Industry			Business size		
	Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
1-30 days	70.76%	79.77%	89.86%	89.34%	74.37%	74.12%
31-60 days	24.15%	16.34%	8.12%	9.64%	21.17%	15.29%
61-90 days	4.24%	3.89%	1.45%	0.76%	4.18%	8.24%
Over 90 days	0.85%	0.00%	0.58%	0.25%	0.28%	2.35%
Average days	31	26	21	20	29	33

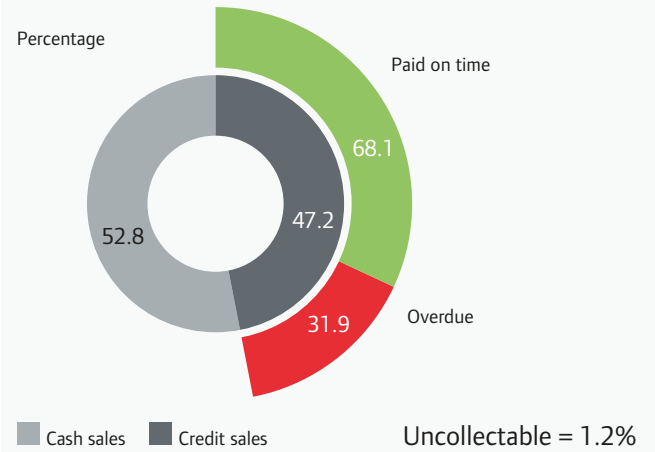
Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – June 2014

Eastern Europe: proportion of total B2B receivables by payment timing

	Overdue (% of total value of credit sales)	Uncollectable (% of total value of receivables)
Eastern Europe	31.9%	1.2%
Western Europe	37.6%	1.7%
Czech Republic	32.6%	1.6%
Hungary	25.4%	<1%
Poland	29.8%	1.3%
Slovakia	35.1%	<1%

Average total value of B2B receivables by payment timing in Eastern Europe



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

By industry / by business size

	Industry			Business size		
	Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
Overdue	30.3%	34.3%	30.8%	33.8%	30.0%	29.8%
Uncollectable	1.0%	1.0%	1.4%	1.1%	1.1%	1.4%

Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – June 2014

Eastern Europe: main reasons for payment delays by domestic B2B customers

	Insufficient availability of funds	Dispute over quality of goods delivered or service provided	Goods delivered or service provided do not correspond to what was agreed in the contract	Complexity of the payment procedure	Inefficiencies of the banking system	Incorrect information on invoice	Buyer using outstanding debts / invoices as a form of financing	Formal insolvency of the buyer (example: liquidation, receivership, bankruptcy)	Invoice was sent to wrong person	Other
Eastern Europe	58.6%	11.1%	9.5%	11.3%	10.4%	11.5%	30.0%	25.0%	8.2%	10.5%
Western Europe	46.6%	16.7%	13.2%	18.0%	17.8%	16.2%	29.3%	20.5%	12.7%	6.7%
Poland	51.2%	8.0%	12.9%	19.9%	23.4%	18.4%	35.3%	29.4%	11.0%	2.5%
Czech Republic	49.4%	17.4%	9.9%	15.7%	10.5%	12.2%	36.1%	24.4%	9.3%	12.2%
Hungary	60.8%	2.2%	2.2%	5.0%	2.8%	3.9%	3.9%	17.7%	3.3%	16.6%
Slovakia	72.7%	17.1%	12.3%	4.3%	3.7%	10.7%	43.9%	27.8%	9.1%	11.8%
Industry										
Manufacturing	56.3%	17.5%	12.6%	12.6%	10.2%	14.1%	33.0%	20.4%	10.2%	7.8%
Wholesale / Retail / Distribution	56.9%	9.5%	9.5%	7.1%	11.6%	11.2%	29.9%	29.5%	7.1%	12.0%
Services	61.6%	7.8%	7.1%	14.0%	9.5%	9.9%	27.9%	24.5%	7.8%	11.2%
Business size										
Micro-enterprises	57.9%	5.9%	6.2%	8.9%	11.0%	8.0%	24.0%	21.1%	4.5%	14.0%
SMEs	61.1%	14.5%	10.8%	12.4%	9.3%	12.7%	37.4%	28.3%	9.6%	7.5%
Large enterprises	50.0%	19.4%	18.1%	18.1%	12.5%	22.2%	23.6%	27.8%	19.4%	8.3%

Sample: all interviewed companies (active in domestic markets)

Source: Atradius Payment Practices Barometer – June 2014



Eastern Europe: main reasons for payment delays by foreign B2B customers

	Insufficient availability of funds	Dispute over quality of goods delivered or service provided	Goods delivered or service provided do not correspond to what was agreed in the contract	Complexity of the payment procedure	Inefficiencies of the banking system	Incorrect information on invoice	Buyer using outstanding debts / invoices as a form of financing	Formal insolvency of the buyer (example: liquidation, receivership, bankruptcy)	Invoice was sent to wrong person	Other
Eastern Europe	37.5%	15.2%	11.8%	24.8%	18.6%	15.8%	22.5%	17.2%	14.1%	10.1%
Western Europe	35.2%	19.9%	17.1%	23.7%	25.0%	18.0%	23.9%	18.6%	14.4%	8.1%
Poland	31.5%	13.7%	8.9%	41.9%	37.1%	18.6%	25.8%	19.4%	16.1%	1.6%
Czech Republic	30.3%	20.2%	18.0%	28.1%	15.7%	20.2%	19.1%	11.2%	13.5%	7.9%
Hungary	33.3%	4.2%	4.2%	2.1%	2.1%	6.3%	8.3%	14.6%	8.3%	25.0%
Slovakia	54.3%	18.1%	13.8%	10.6%	5.3%	12.8%	28.7%	21.3%	14.9%	16.0%
Industry										
Manufacturing	35.7%	22.4%	16.1%	23.1%	13.3%	18.9%	17.5%	12.6%	13.3%	10.5%
Wholesale / Retail / Distribution	34.8%	9.6%	11.3%	18.3%	15.7%	13.0%	27.0%	18.3%	12.2%	10.4%
Services	43.3%	11.3%	6.2%	35.1%	29.9%	14.4%	24.7%	22.7%	17.5%	9.3%
Business size										
Micro-enterprises	35.9%	11.7%	4.9%	23.3%	15.5%	10.7%	23.3%	13.6%	9.7%	15.5%
SMEs	38.2%	15.2%	13.2%	22.1%	20.1%	15.2%	21.6%	17.2%	14.2%	8.8%
Large enterprises	37.5%	22.9%	20.8%	39.6%	18.8%	29.2%	25.0%	25.0%	22.9%	4.2%

Sample: all interviewed companies (active in domestic markets)

Source: Atradius Payment Practices Barometer – June 2014

Credit management policies used by respondents in Eastern Europe

	Reserve against bad debts	Self insure	Send payment reminders (dunning)	Retain a collections agency	Sell on cash terms	Check buyer's credit-worthiness	Monitor buyer's credit risk	Request secured forms of payment	Diversify customer base
Eastern Europe	29.1%	15.7%	72.6%	19.6%	34.6%	42.7%	36.0%	28.4%	19.9%
Western Europe	30.5%	22.1%	46.2%	31.0%	31.0%	43.3%	35.9%	36.7%	23.7%
Poland	34.0%	29.3%	53.8%	35.9%	41.5%	45.3%	37.7%	36.8%	24.5%
Czech Republic	32.8%	26.9%	64.2%	25.4%	38.8%	58.2%	44.8%	40.3%	23.9%
Hungary	4.1%	2.4%	75.6%	9.8%	5.7%	10.6%	6.5%	3.3%	3.3%
Slovakia	50.0%	10.7%	92.0%	11.6%	57.1%	66.1%	61.6%	41.1%	31.3%

Industry

Manufacturing	35.1%	17.5%	76.3%	12.3%	30.7%	52.6%	39.5%	25.4%	21.9%
Wholesale / Retail / Distribution	27.8%	13.2%	71.5%	18.8%	38.2%	38.9%	36.1%	31.3%	18.8%
Services	26.0%	16.7%	70.7%	26.0%	34.0%	38.7%	33.3%	28.0%	19.3%

Business size

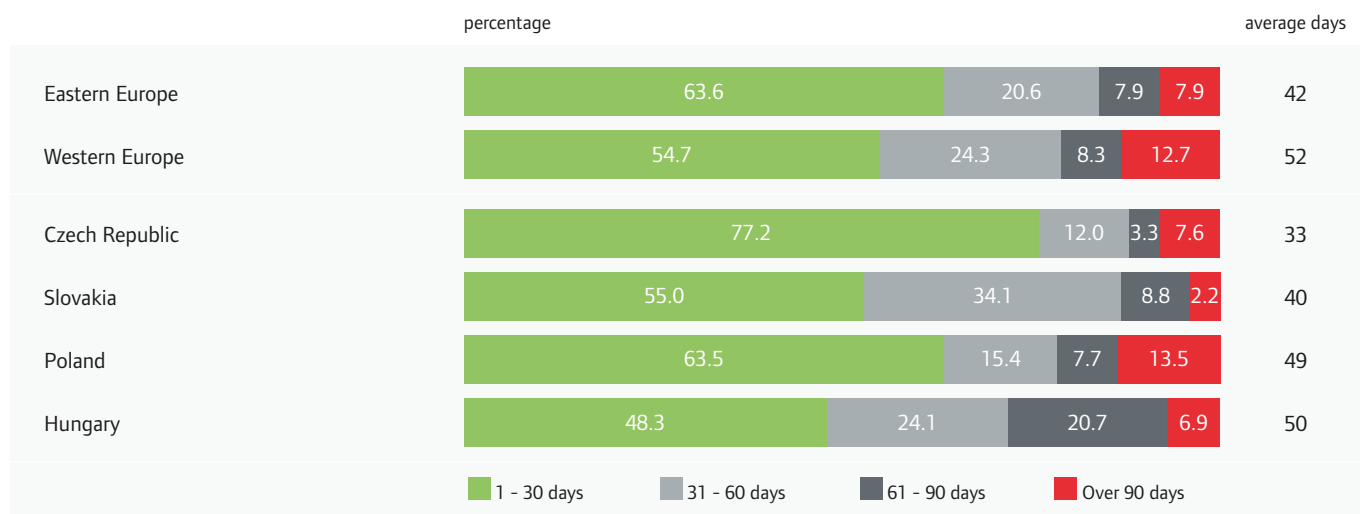
Micro-enterprises	14.7%	12.2%	71.8%	16.0%	31.4%	26.3%	18.0%	17.3%	10.9%
SMEs	35.6%	16.6%	76.1%	20.0%	35.6%	51.7%	45.9%	34.2%	23.4%
Large enterprises	48.9%	23.4%	59.6%	29.8%	40.4%	57.5%	53.2%	40.4%	34.0%

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

Source: Atradius Payment Practices Barometer – June 2014



Average DSO recorded in Eastern Europe



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – June 2014

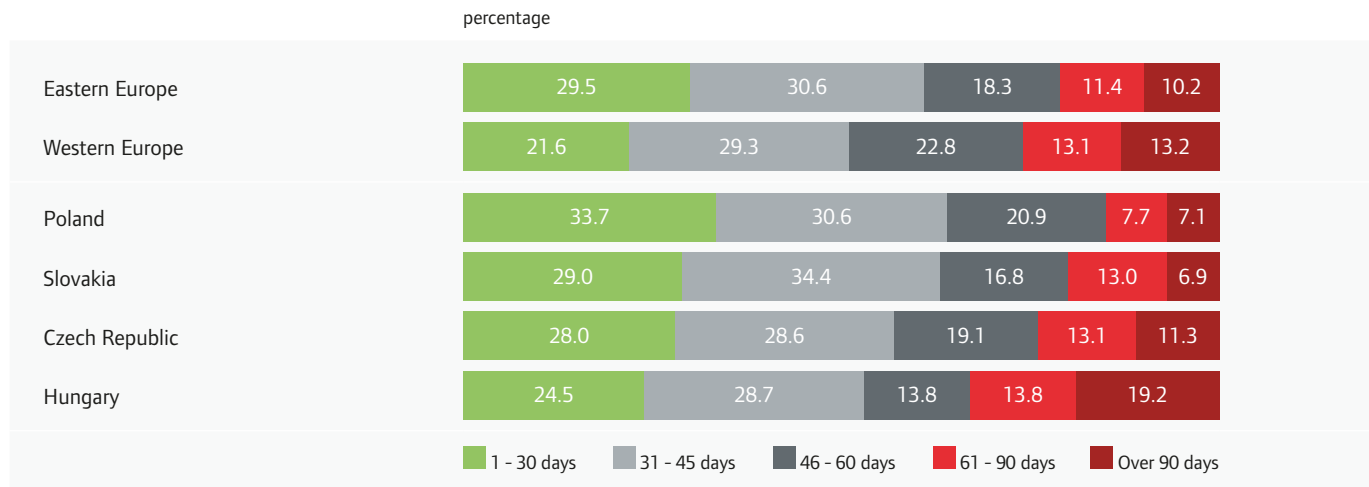
By industry / by business size (average days)

Industry			Business size		
Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
42	40	43	40	42	47

Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – June 2014

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



Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – June 2014

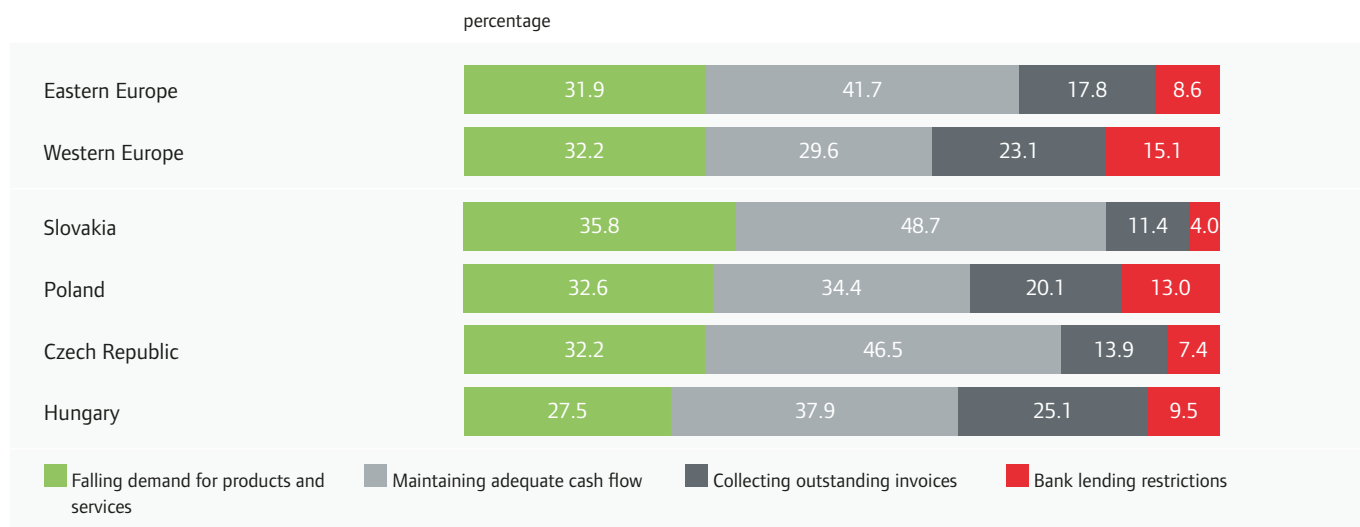
By industry / by business size

	Industry			Business size		
	Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
1-30 days	26.74%	28.65%	32.11%	34.73%	22.79%	38.18%
31-45 days	29.07%	30.41%	31.71%	32.44%	29.04%	29.09%
46-60 days	23.84%	20.47%	13.01%	14.89%	21.69%	18.18%
61-90 days	12.21%	9.94%	11.79%	8.78%	13.97%	10.91%
Over 90 days	8.14%	10.53%	11.38%	9.16%	12.50%	3.64%

Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – June 2014

The greatest challenge to business profitability in 2014 for respondents in Eastern Europe



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

Source: Atradius Payment Practices Barometer – June 2014

By industry / by business size

	Industry			Business size		
	Manufacturing	Wholesale / Retail / Distribution	Services	Micro-enterprises	SMEs	Large enterprises
Falling demand	35.59%	30.35%	30.72%	29.95%	31.75%	42.35%
Adequate cash flow	38.14%	43.58%	42.61%	43.65%	40.67%	36.47%
Outstanding invoices collection	16.10%	19.84%	17.39%	17.51%	19.22%	12.94%
Bank lending restrictions	10.17%	6.23%	9.28%	8.88%	8.36%	8.24%

Sample: all interviewed companies

Source: Atradius Payment Practices Barometer – June 2014

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