



# Atradius Payment Practices Barometer

Special: European Industry Sector Comparison

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# Survey profile

## Survey background

### Initial Position:

- For internationally active companies, it is vital to have good knowledge of the payment practices of potential customers, as miscalculations can result in serious cashflow problems.
- This applies to big as well as small companies:
  - Big companies are particularly struck by poor payment behaviour due to the volume of their international transactions.
  - Smaller companies often learn the hard way early in their international endeavours that they have misjudged the payment practices of their international business partners.
- Atradius and Financial Times Deutschland conduct regular reviews of corporate payment practices in Europe through a survey called the Atradius Payment Practices Barometer.
- For the first time in 2006, 1,200 companies from six European countries were interviewed on their view of their business partners' payment practices.

## Industry-specific payment behaviour in Europe

This report is based on two previous surveys in the framework of the Atradius Payment Practices Barometer in summer 2006 and in winter 2006/2007. The assessments of businesses, both domestic and foreign, in Belgium, Germany, France, Great Britain, Italy and the Netherlands are aggregated in the

six main chapters of this report. The last chapter gives a Europe-wide overview of the general trends in time-frame and the reliability of payments across the industries surveyed.

## Survey objectives

The Atradius Payment Practices Barometer follows the following objectives:

1. Determination of an objectively comparable index for payment practices: How many days does a business partner generally take to pay?
2. Determination of a psychological index for payment practices: What are expectations like across Europe and do they match the reality?
3. How frequently do critical events occur (e.g. payment delays, non-payment) with business partners across different countries?
4. Comparison of payment practices over specific periods: Overall, how are payment practices developing across different countries?

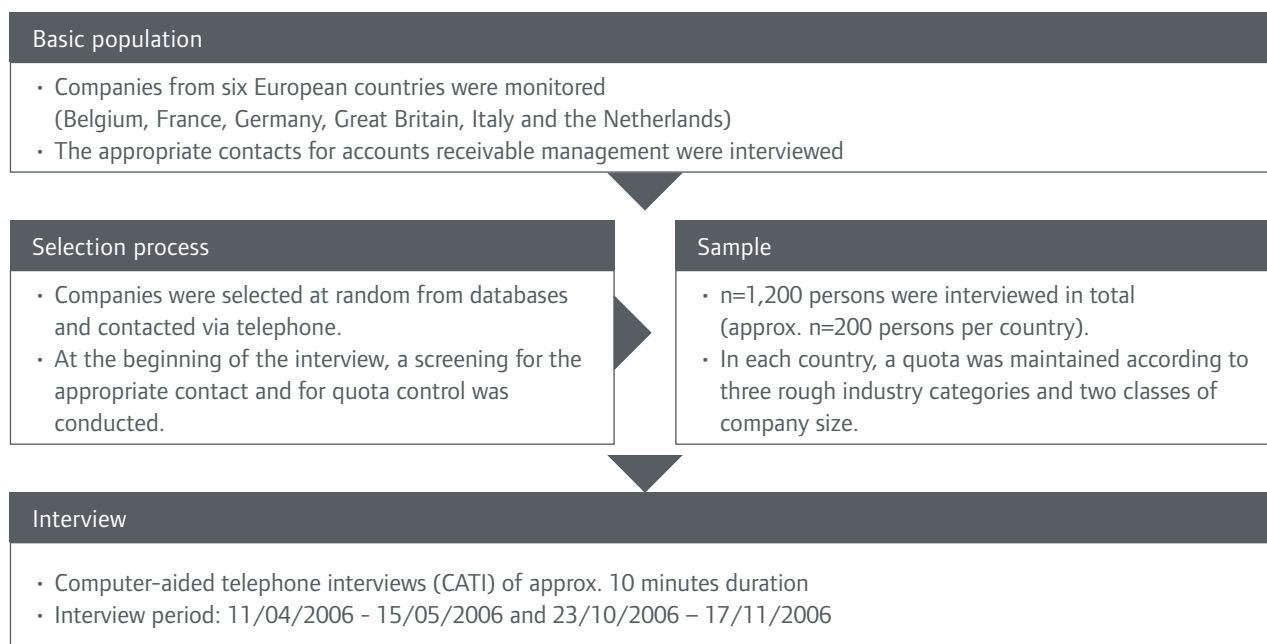
## Structure of the survey

1. Screening for the appropriate company contact for accounts receivable management
  - differentiation of payment terms by business partner
2. Ascertaining the interviewed company's industry
  - global assessment of the domestic payment practices
3. Ascertaining the industries and countries the company does business with
4. Assessing the general data on payment practices:
  - percentage of receivables in total assets
  - established payment terms (days)
5. Evaluation of domestic payment practices by industry\*:
  - time span (days) within which invoices are being paid
  - frequency of critical events in respective industry (payment delays, non-payment)
6. Global evaluation of foreign business partners' payment practices (for every country with business connections)
  - snap-shot
7. Evaluation of payment practices of foreign industries (for every country with business connections)\*\*:
  - time span (days) within which invoices are being paid
  - frequency of critical events in respective industry (payment delays, non-payment)
8. Closing socio-demographic questions

\* Across all industries the company co-operates with

\*\* Across both the countries and industries the company does business with

## Survey scope



# Payment Behaviour of Various Industries in Belgium

## Payment Duration\*

- Companies from the retail sector (average 40 days) and the chemical/pharmaceutical sector (44 days) perform well.
- Companies from the textiles/clothing sector (59 days) and from the car/automotive industry (56 days) take up the most time to make their payments.

## Payment Delays

- Companies from the media/PR/advertising, trade/wholesale and energy sectors are rated positively (< 20% “very frequently” or “rather frequently”).
- The payment behaviour of telecommunications/IT and transport companies is seen rather negatively (> 40% “very frequently” or “rather frequently”).

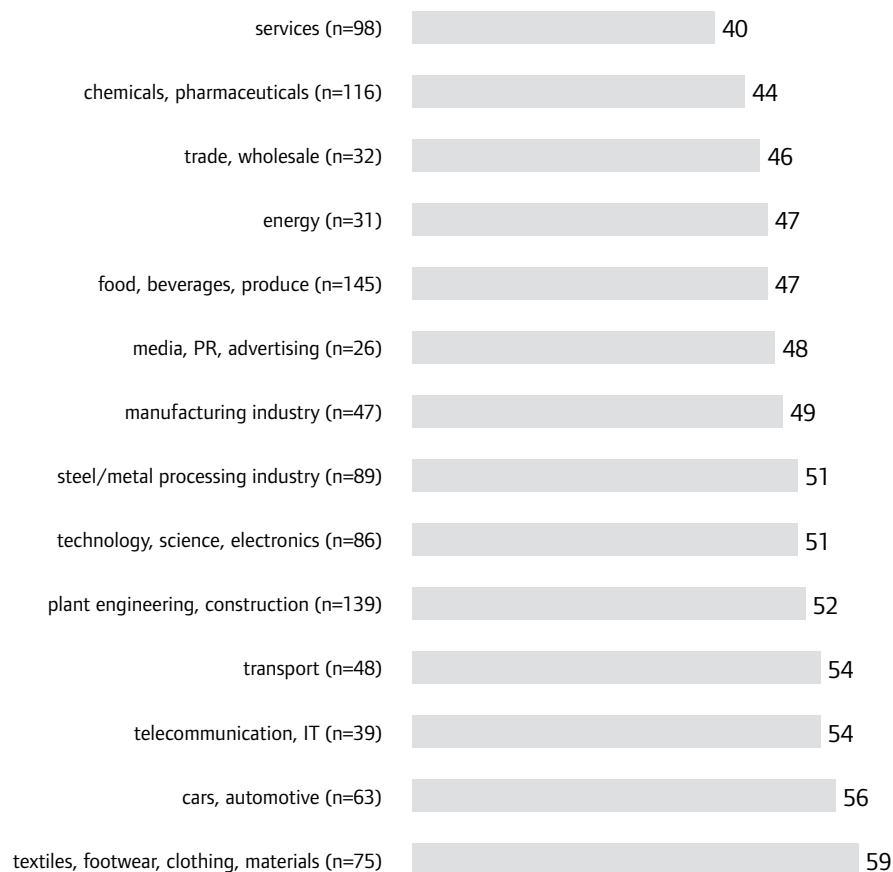
## Payment Default

- Total non-payments occur particularly infrequently in the media/PR/advertising industry (categories “very frequently” and “rather frequently” were not named). Overall, non-payments happen very seldom in Belgian companies.
- Highest non-payment levels (7% “rather frequently”) occur in the telecommunications/IT sector.

\* When interpreting these average values it should be considered that they are particularly susceptible to outliers. Therefore, the results of sectors with only few evaluations should be viewed with caution.

## Payment Duration of Belgian Companies from Various Industries

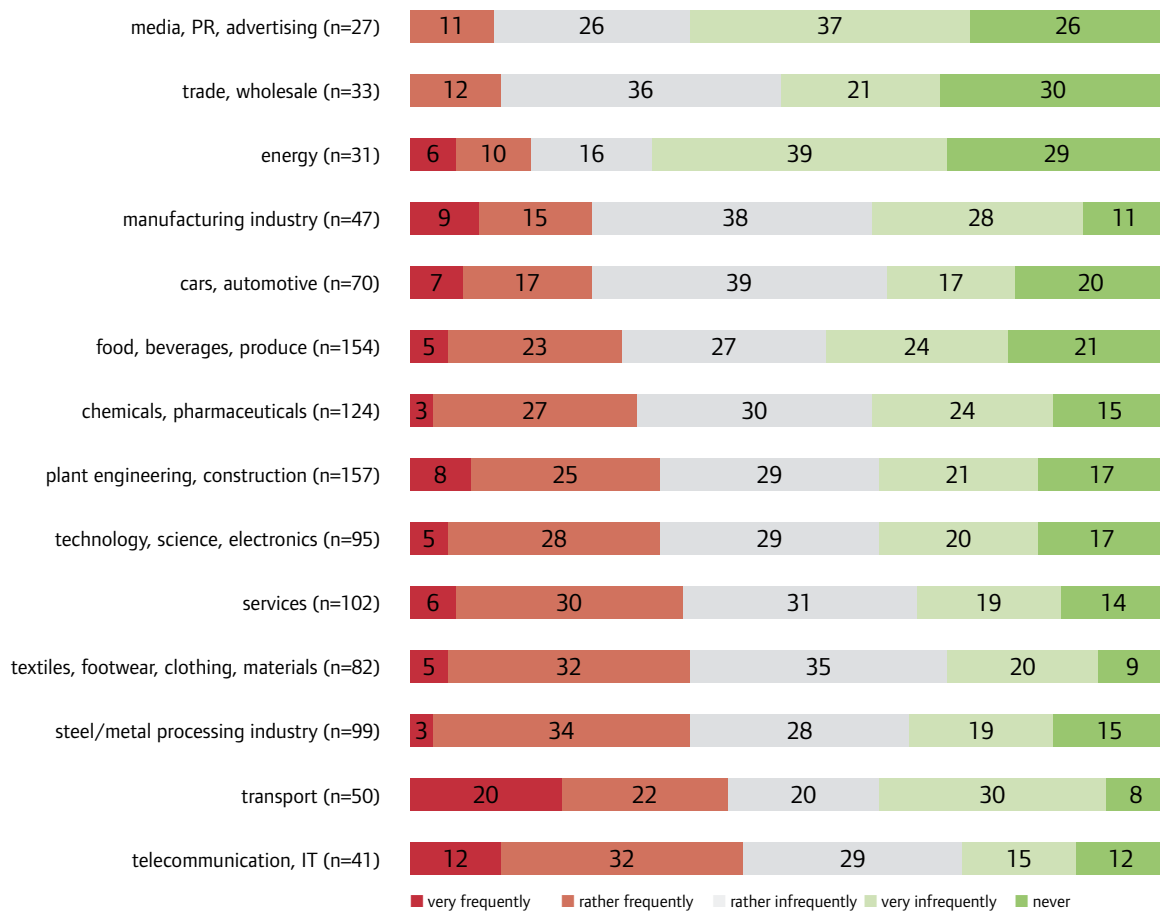
How many days does it take, on average, until your business partners from the industry settle their debts?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Delays of Belgian Companies from Various Industries

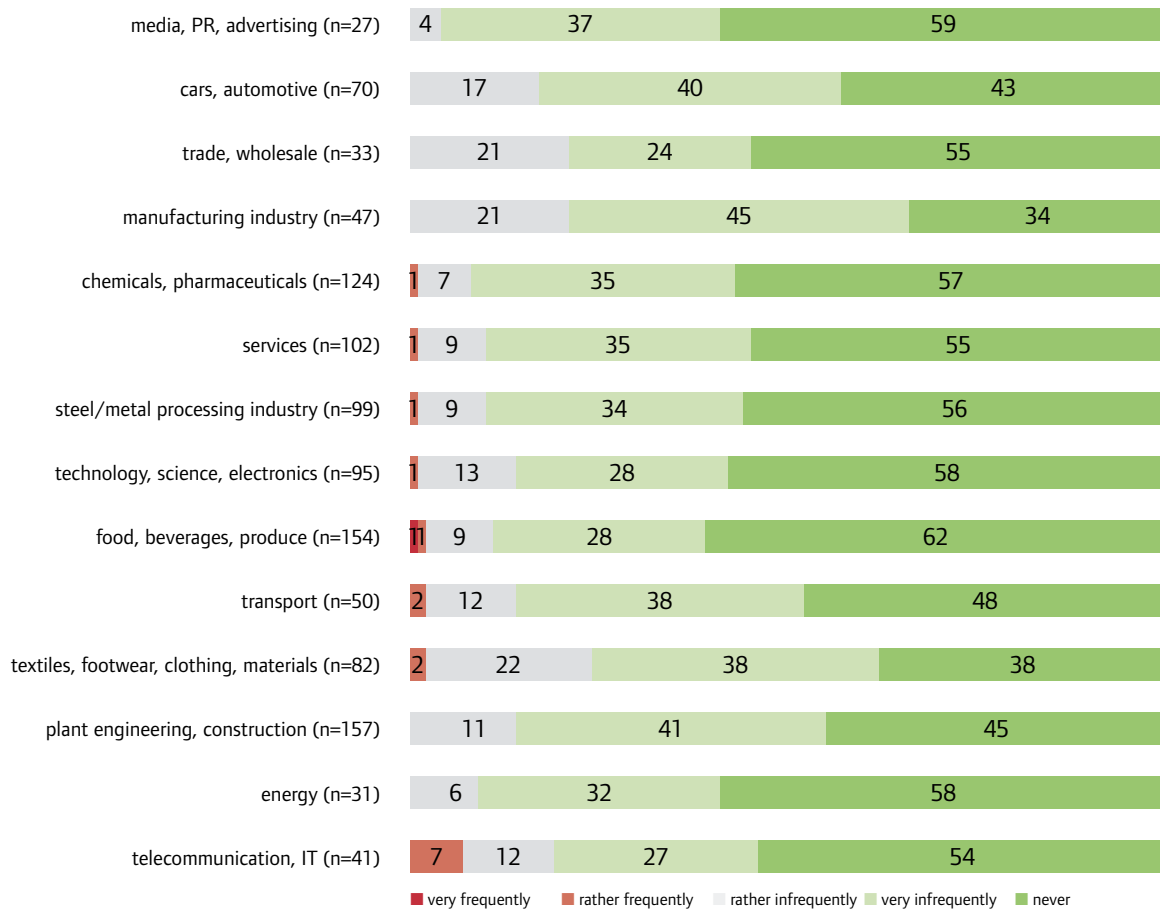
How often were outstanding debts only paid after some delay?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Default of Belgian Companies from Various Industries

## How often were outstanding debts not paid at all?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Behaviour of Various Industries in France

## Payment Duration\*

- Companies from the media/PR/advertising sector score well with an average of 42 days. Companies from service and transport industries also pay within a short period of time (50 days).
- Companies from the retail sector take up the most time (89 days) to make their payments.

## Payment Delays

- Companies from media/PR/advertising (85% “rather infrequently”, “very infrequently” or “never”), automotive and textile sectors were evaluated positively. The payment behaviour of the public sector is seen positively as well.
- The payment behaviour of healthcare and telecommunication/IT sectors as well as that of the chemicals/pharmaceutical sector is evaluated rather negatively (> 40% “rather frequently” or “frequently”).

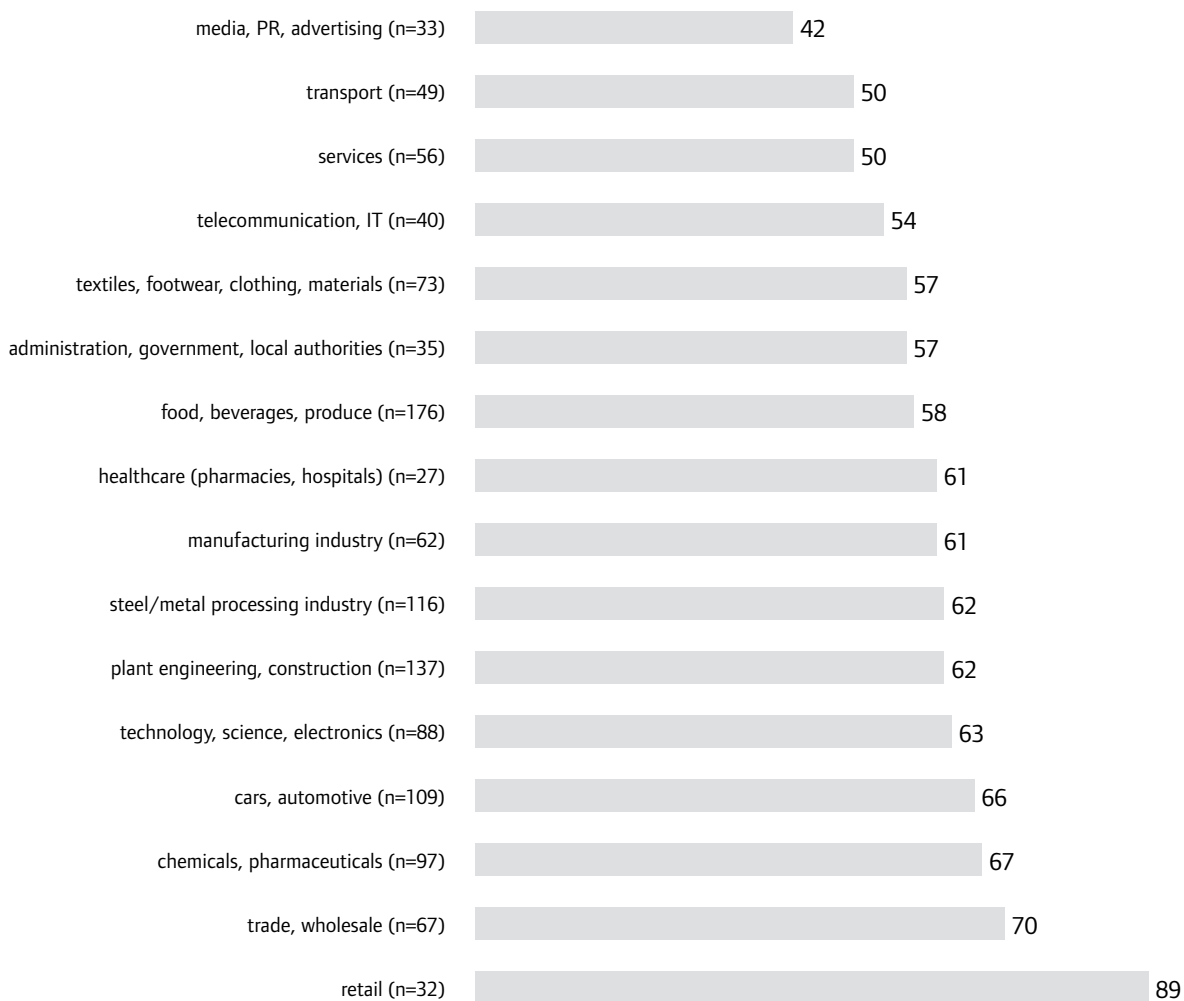
## Payment Default

- Total non-payments are particularly scarce in trade/wholesale and the public sectors. The media/PR/advertising industry also performs well.
- Non-payments are most prevalent in the manufacturing, chemicals/pharmaceuticals, furniture and retail sectors.

\* When interpreting these average values it should be considered that they are particularly susceptible to outliers. Therefore, the results of sectors with only few evaluations should be viewed with caution.

## Payment Duration of French Companies from Various Industries

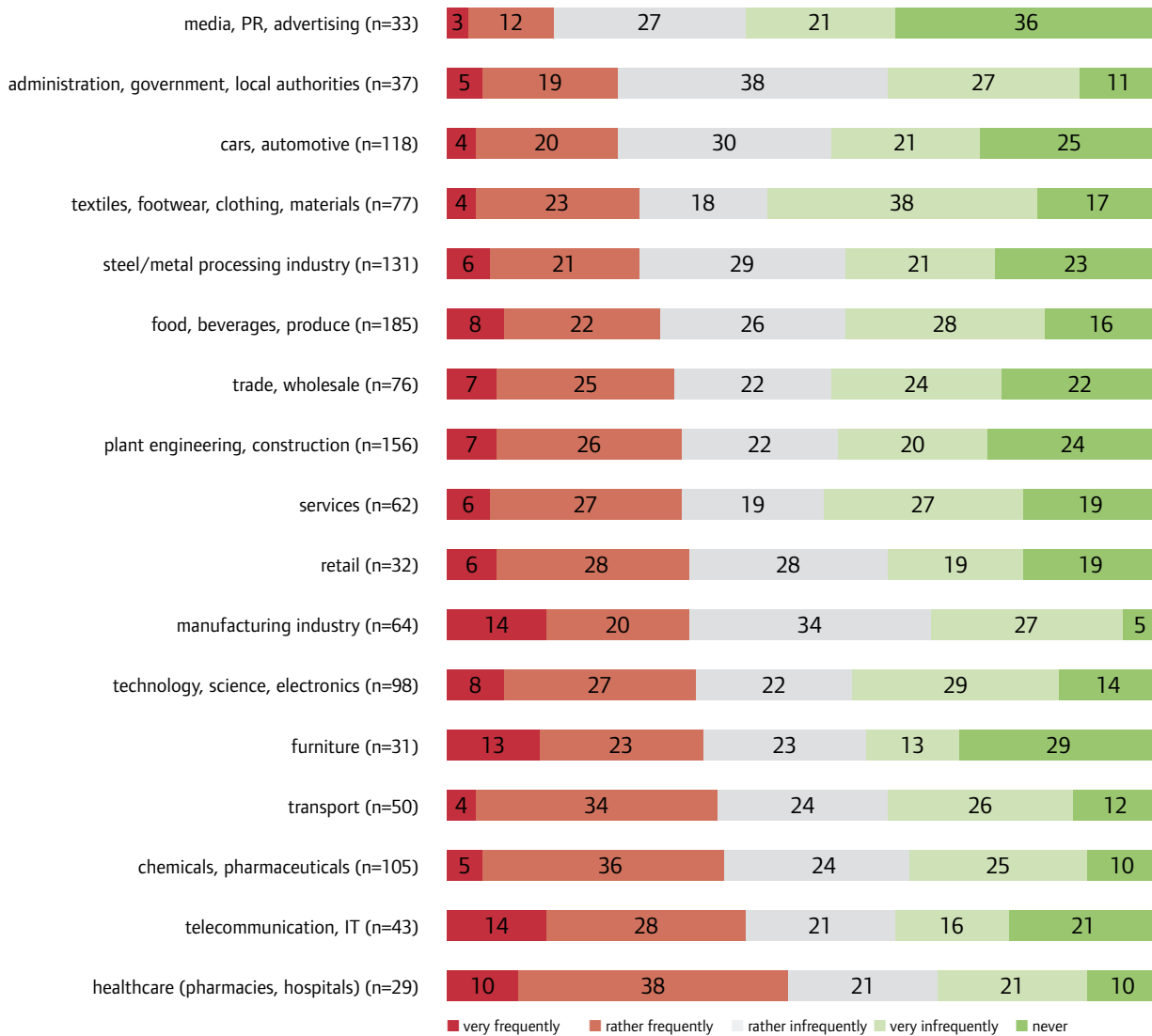
How many days does it take, on average, for your business partners to settle their debts?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Delays of French Companies from Various Industries

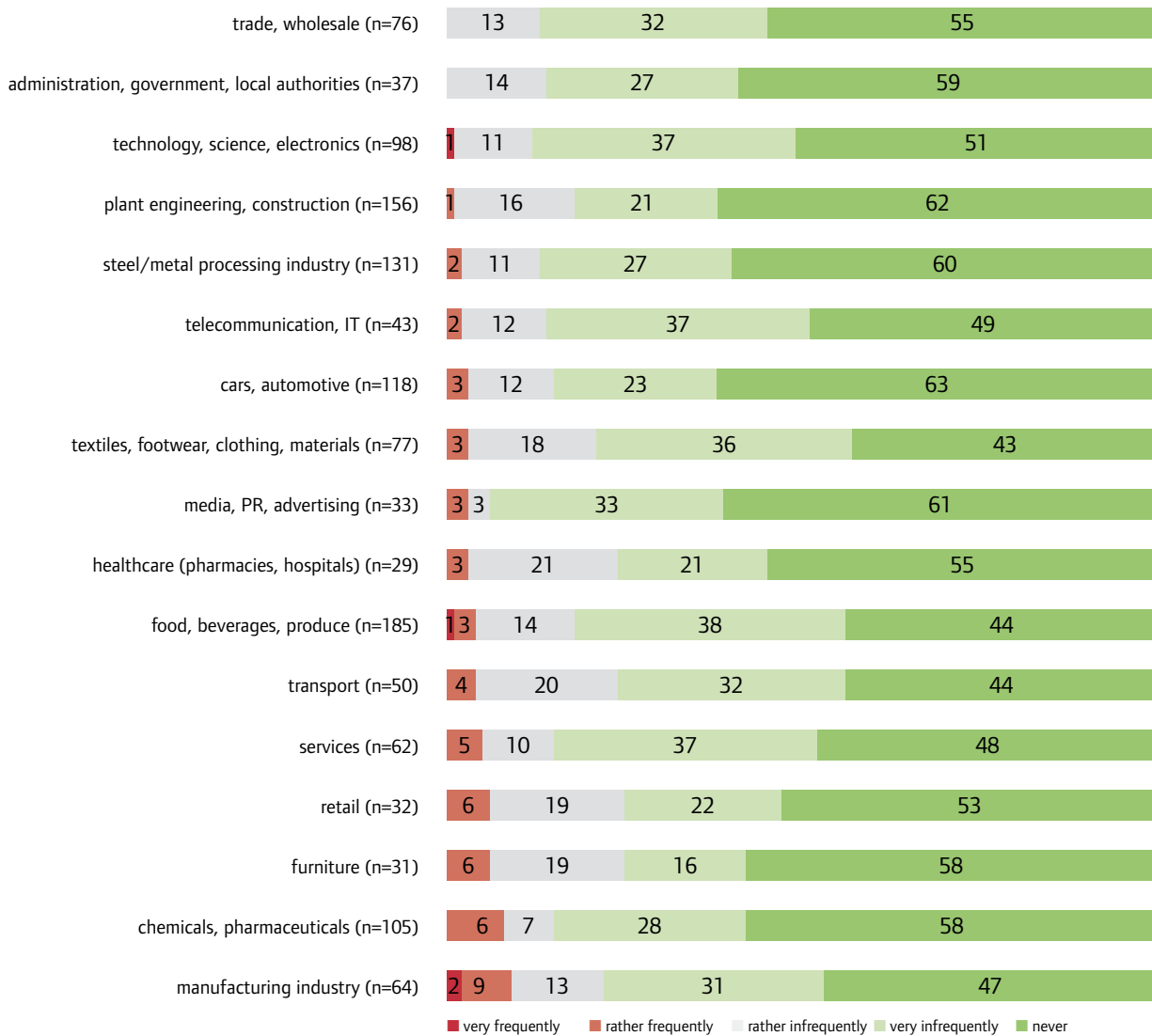
How often were outstanding debts only paid after some delay?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Default of French Companies from Various Industries

## How often were outstanding debts not paid at all?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Behaviour of Various Industries in Germany

## Payment Duration\*

- The public sector takes most time to settle their payments with 69 days, on average. The furniture sector comes off only slightly better (58 days).
- No sector can be positively singled out in this field.

## Payment Delays

- The car/automotive sector, the steel and metal processing industry and the food/beverages/ produce sector all do well. Approx. 80% of the evaluations state that delays happen “rather infrequently”, “very infrequently” or “never” in these industries.
- The payment behaviour of the transport sector is not well perceived – about 50% of the evaluations expect frequent delays here.

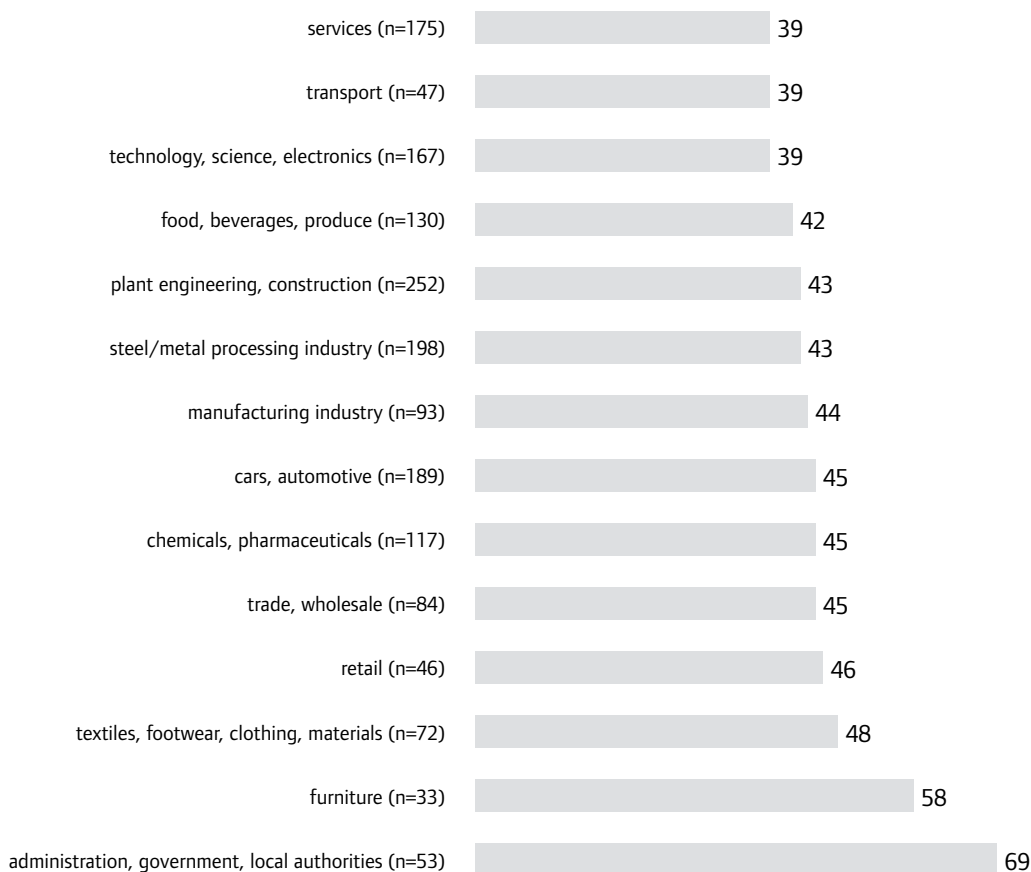
## Payment Default

- Overall, complete non-payments are infrequent amongst German companies. However, no single sector stands out.
- Non-payments occur most frequently, though altogether still very seldom (< 10% “rather frequently”), in the telecommunication/IT and the furniture sectors.

\* When interpreting these average values it should be considered that they are particularly susceptible to outliers. Therefore, the results of sectors with only few evaluations should be viewed with caution.

## Payment Duration of German Companies from Various Industries

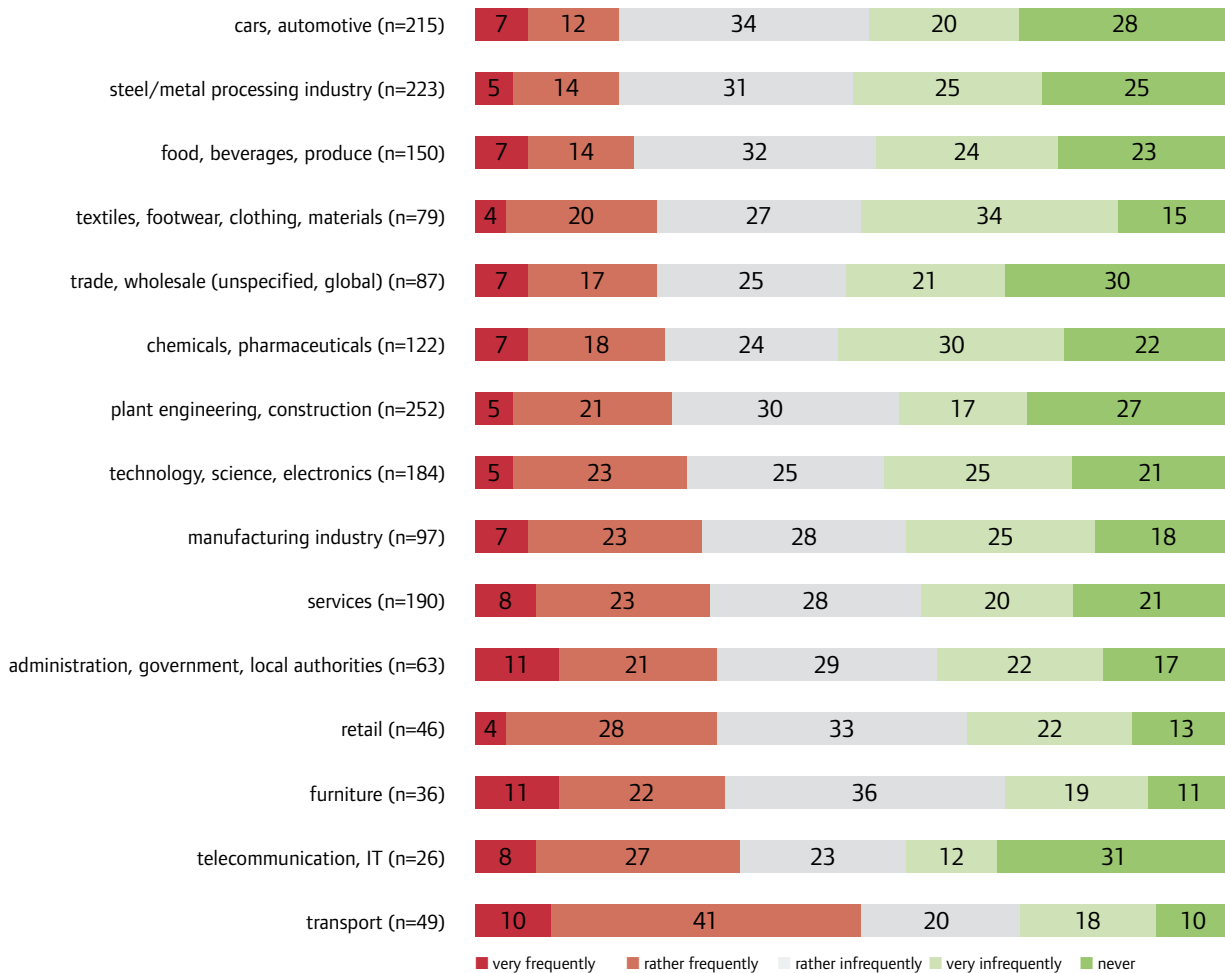
How many days does it take, on average, for your business partners to settle their debts?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Delays of German Companies from Various Industries

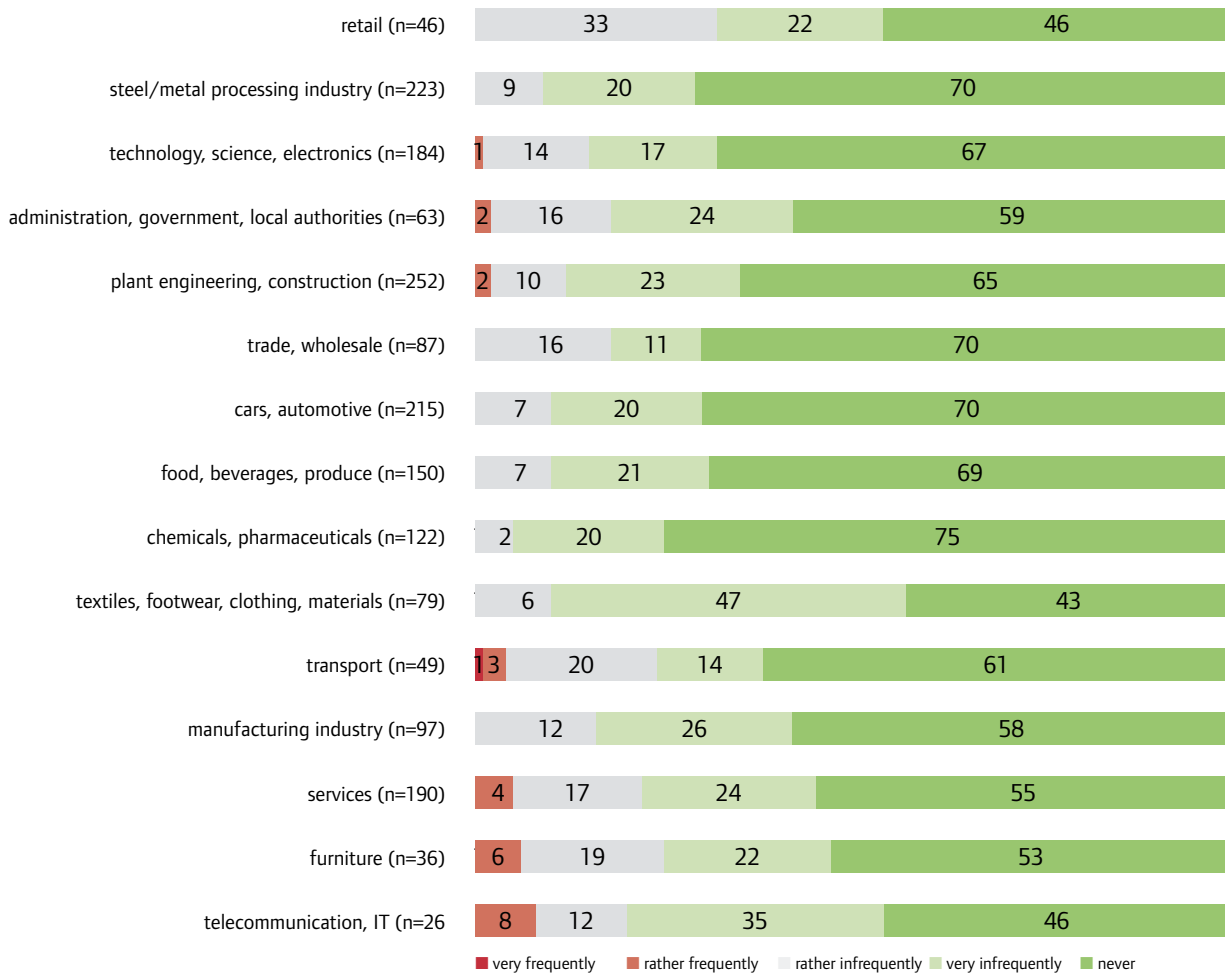
How often were outstanding debts only paid after some delay?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Default of German Companies from Various Industries

## How often were outstanding debts not paid at all?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Behaviour of Various Industries in Great Britain

## Payment Duration\*

- Companies from the transport, service and food/produce sectors perform well (averagely 44 or 45 days).
- The public sector (66 days) and the retail sector (59 days) take the most time to pay their bills.

## Payment Delays

- Companies from the media/PR/advertising and trade/wholesale sectors are rated positively (about 65% “very infrequently”, “rather infrequently” or “never”).
- The payment behaviour of retail, automotive, manufacturing, chemicals/pharmaceuticals and healthcare sectors are evaluated negatively (about 35% “rather frequently” or “frequently”).

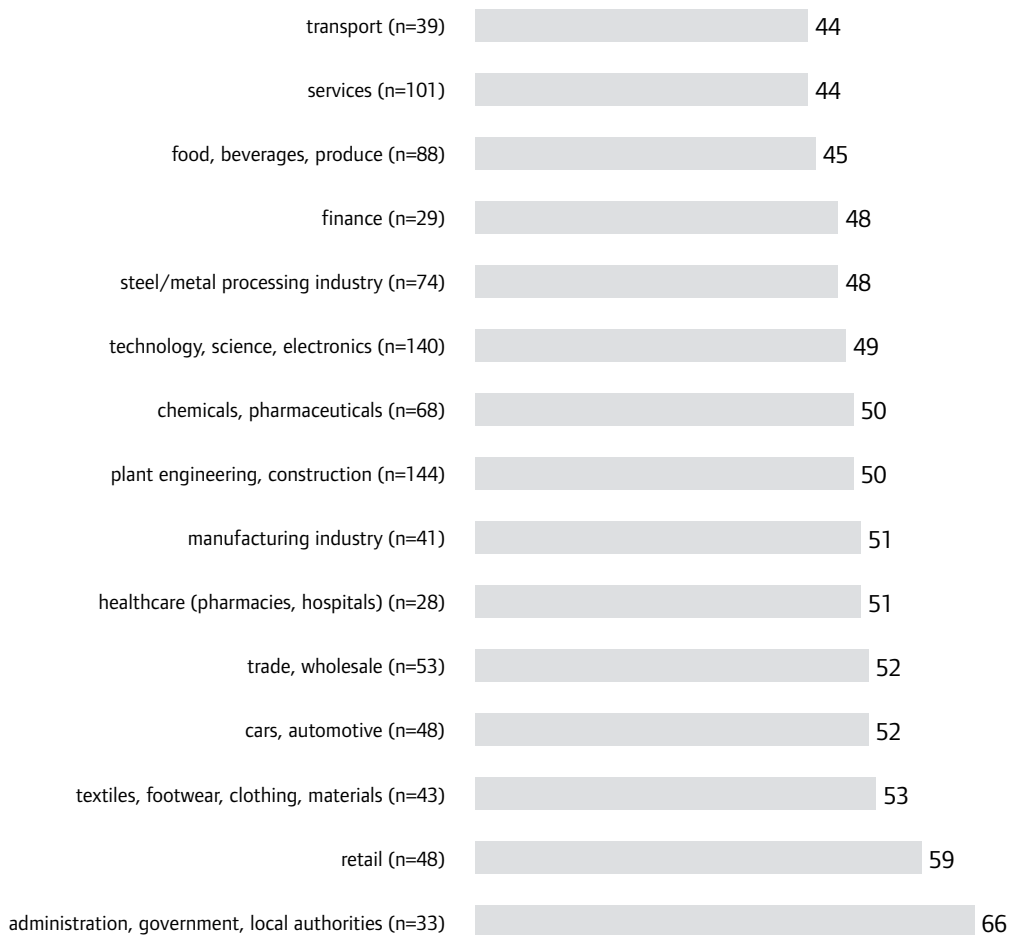
## Payment Defaults

- Non-payments occur very infrequently in the media/PR/advertising, trade/wholesale and cars/automotive sector (categories “very frequently” and “rather frequently” were not cited at all).
- Non-payments were highest though still infrequent (about 6% “rather frequently” or “very frequently”) in healthcare public, financial and service sectors.

\* When interpreting these average values it should be considered that they are particularly susceptible to outliers. Therefore, the results of sectors with only few evaluations should be viewed with caution.

## Payment Duration of British Companies from Various Industries

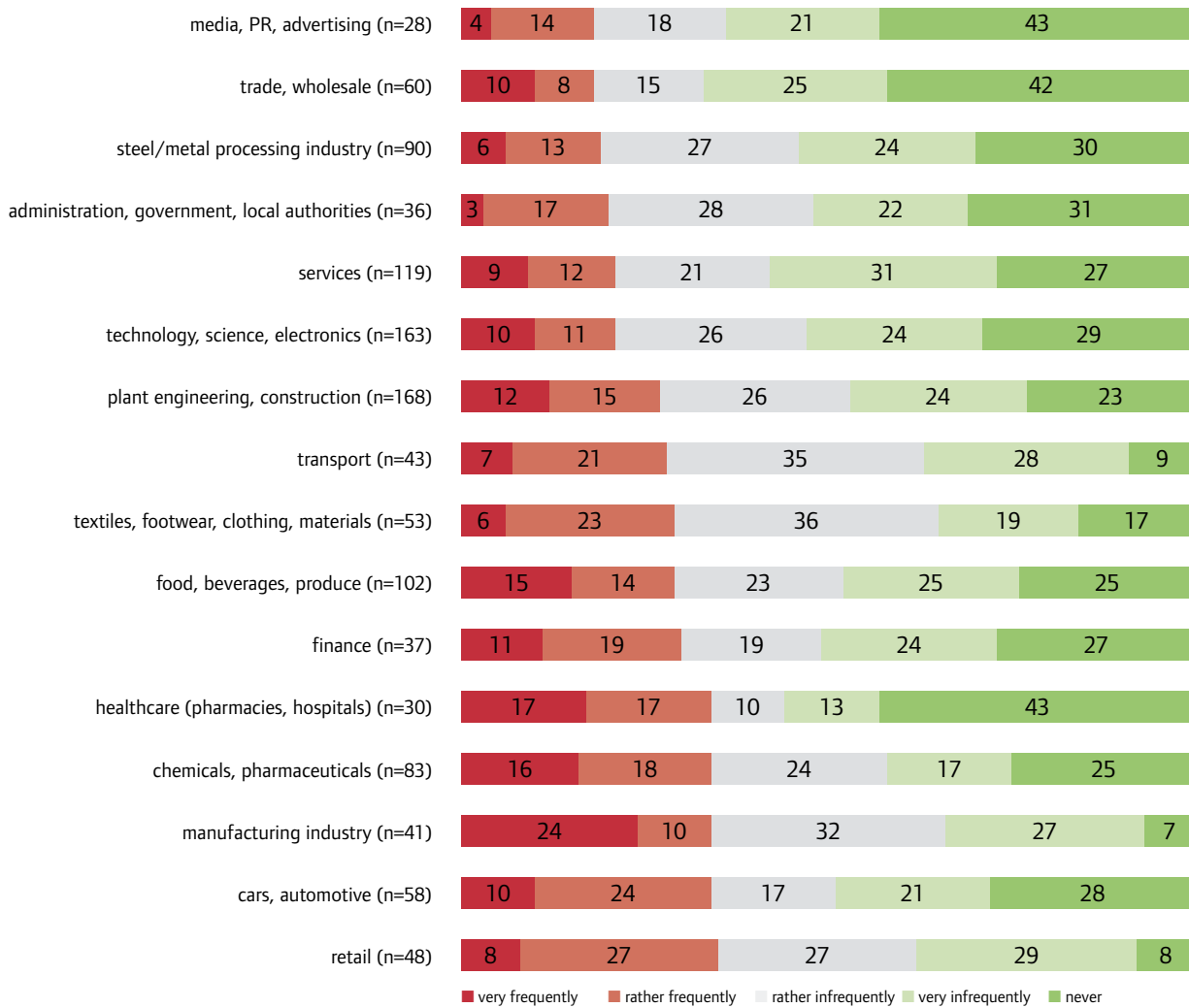
How many days does it take, on average, for business partners to settle their debts?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Delays of British Companies from Various Industries

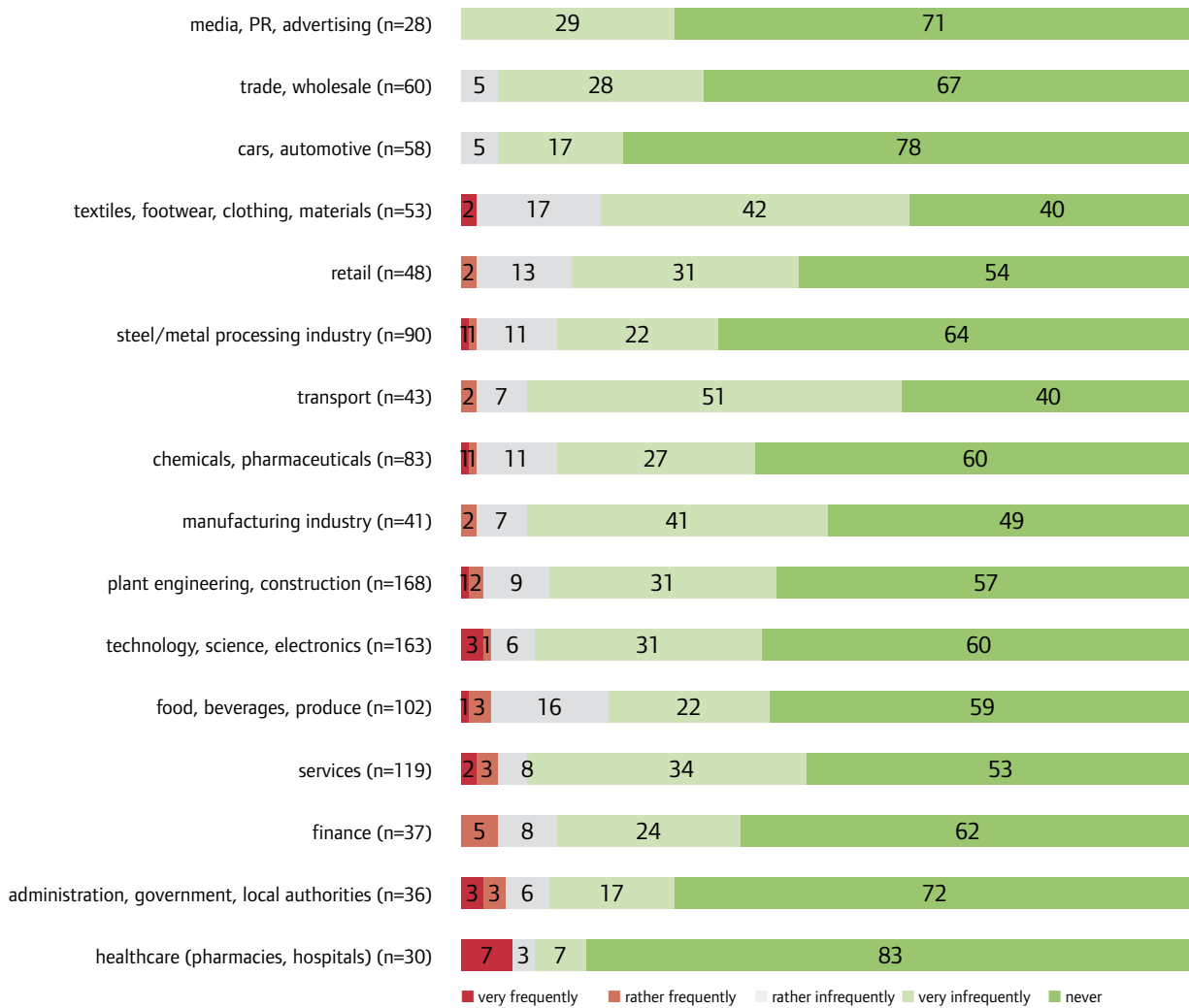
How often were outstanding debts only paid after some delay?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Default of British Companies from Various Industries

## How often were outstanding debts not paid at all?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Behaviour of Various Industries in Italy

## Payment Duration\*

- Companies from transport, steel/metal processing, and manufacturing industries perform well (67 days on average).
- The public sector (109 days), the car/automotive sector (94 days) and the textile/clothing sector (91 days) take the most time to pay.

## Payment Delays

- Retail companies are evaluated very positively (87% “rather infrequently”, “very infrequently” or “never”).
- The payment behaviour of the chemical/pharmaceutical sectors is evaluated negatively (47% “very frequently” or “rather frequently”).

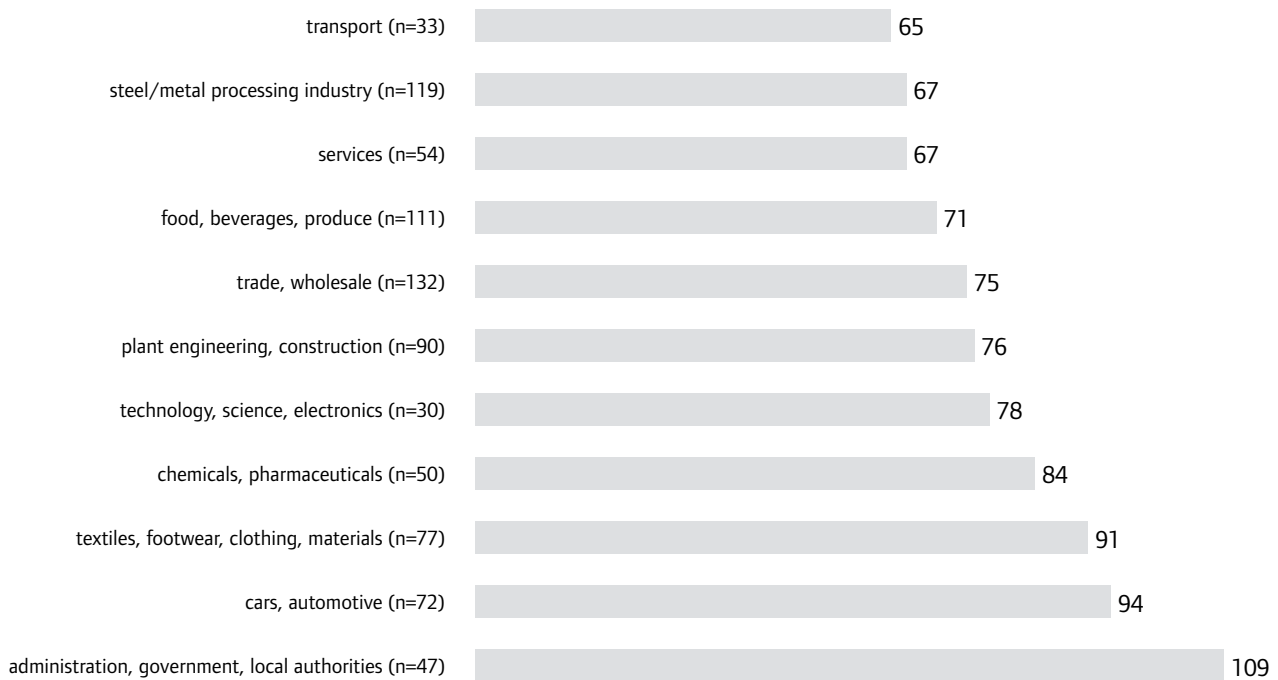
## Payment Default

- No industry stands out particularly for non-payments.
- The highest non-payment levels (nearly 10% “very frequently” or “rather frequently”) are seen in technology/science/electronics sectors. The public sector and the transport industry are also near the bottom.

\* When interpreting these average values it should be considered that they are particularly susceptible to outliers. Therefore, the results of sectors with only few evaluations should be viewed with caution.

## Payment Duration of Italian Companies from Various Industries

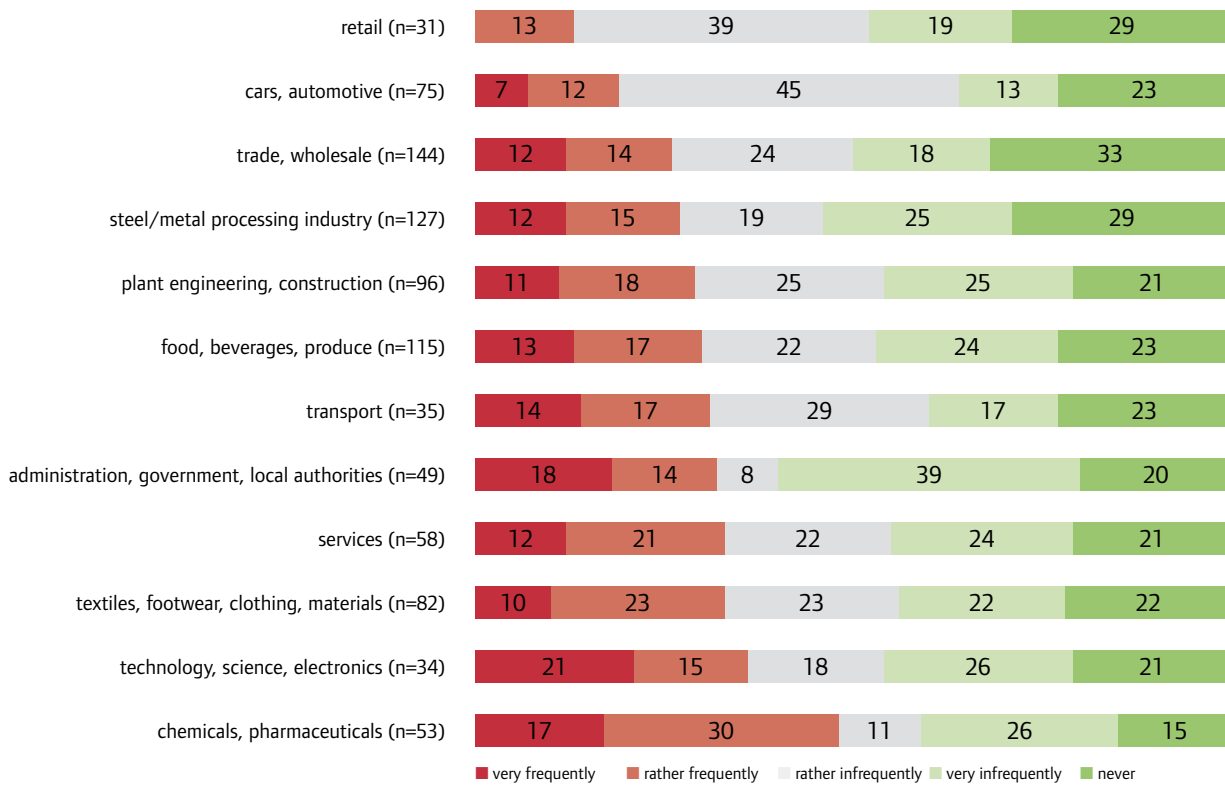
**How many days does it take, on average, for business partners to settle their debts?**



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Delays of Italian Companies from Various Industries

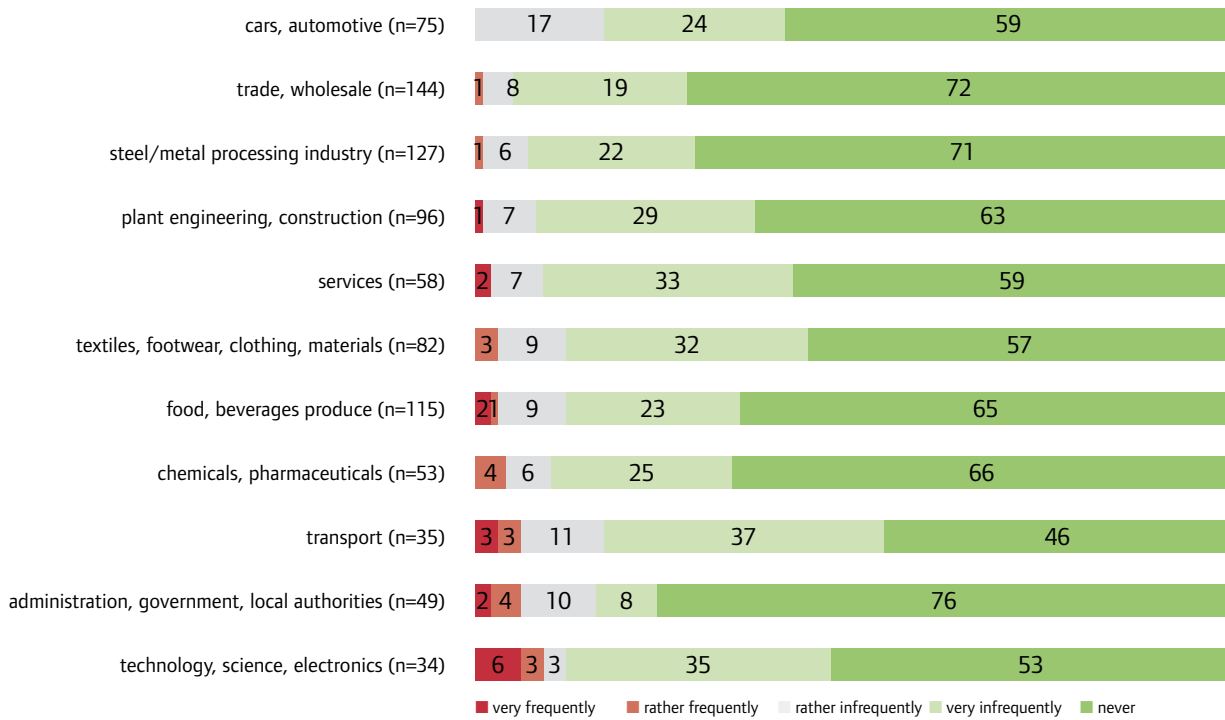
How often were outstanding debts only paid after some delay?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Default of Italian Companies from Various Industries

## How often were outstanding debts not paid at all?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Behaviour of Various Industries in The Netherlands

## Payment Duration\*

- Overall, the sector-related differences in the payment duration of companies are marginal. No sector can be singled out.
- Companies from manufacturing (average of 50 days), steel/metal processing (49 days) and technology/science/ electronics (48 days) sectors take the longest to pay.

## Payment Delays

- Companies from the chemical/ pharmaceutical, trade/wholesale and the public sectors are rated positively (> 80% “rather infrequently”, “very infrequently” or “never”).
- The payment behaviour of the retail, automotive and transport sectors is evaluated negatively (> 40% “very frequently” or “rather frequently”).

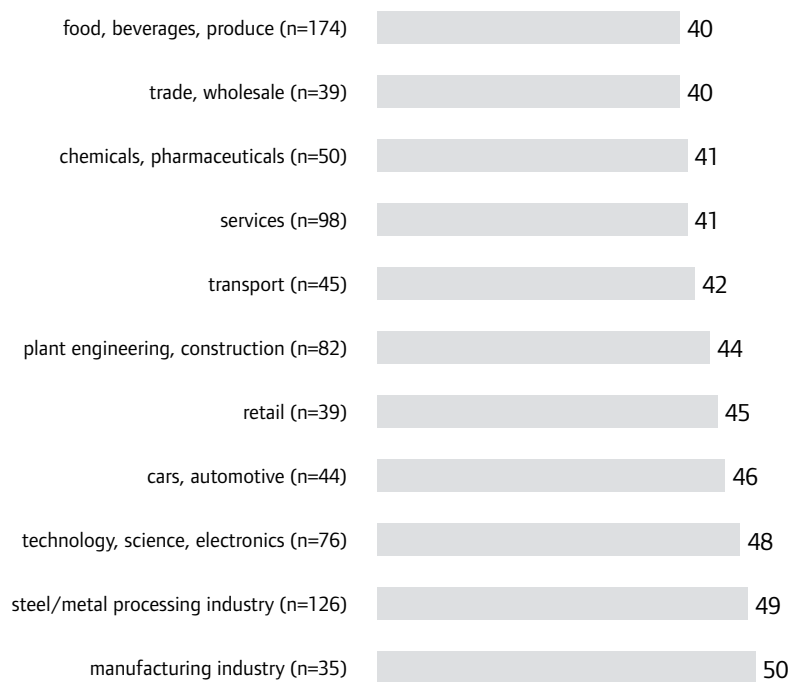
## Payment Default

- Overall, non-payments happen infrequently in Dutch companies.
- The highest non-payment levels occur in the car/automotive industry.

\* When interpreting these average values it should be considered that they are particularly susceptible to outliers. Therefore, the results of sectors with only few evaluations should be viewed with caution.

## Payment Duration of Dutch Companies from Various Industries

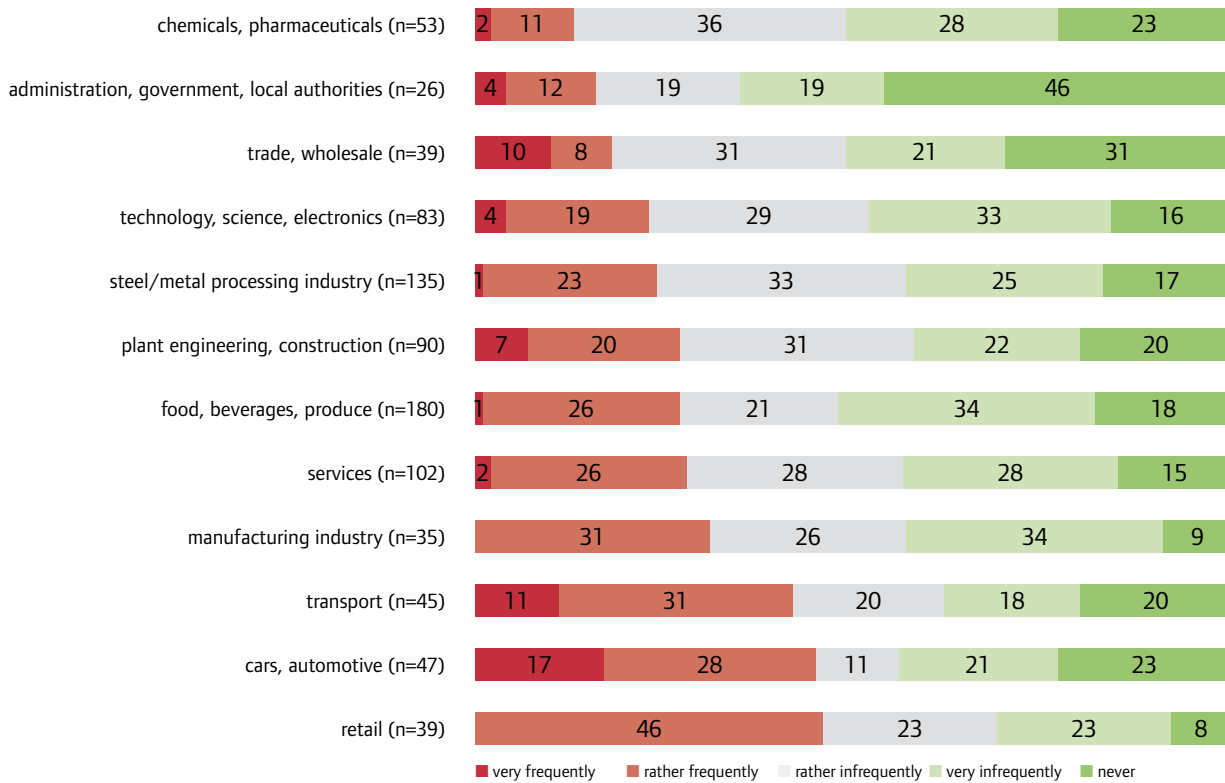
**How many days does it take, on average, for business partners to settle their debts?**



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

# Payment Delays of Dutch Companies from Various Industries

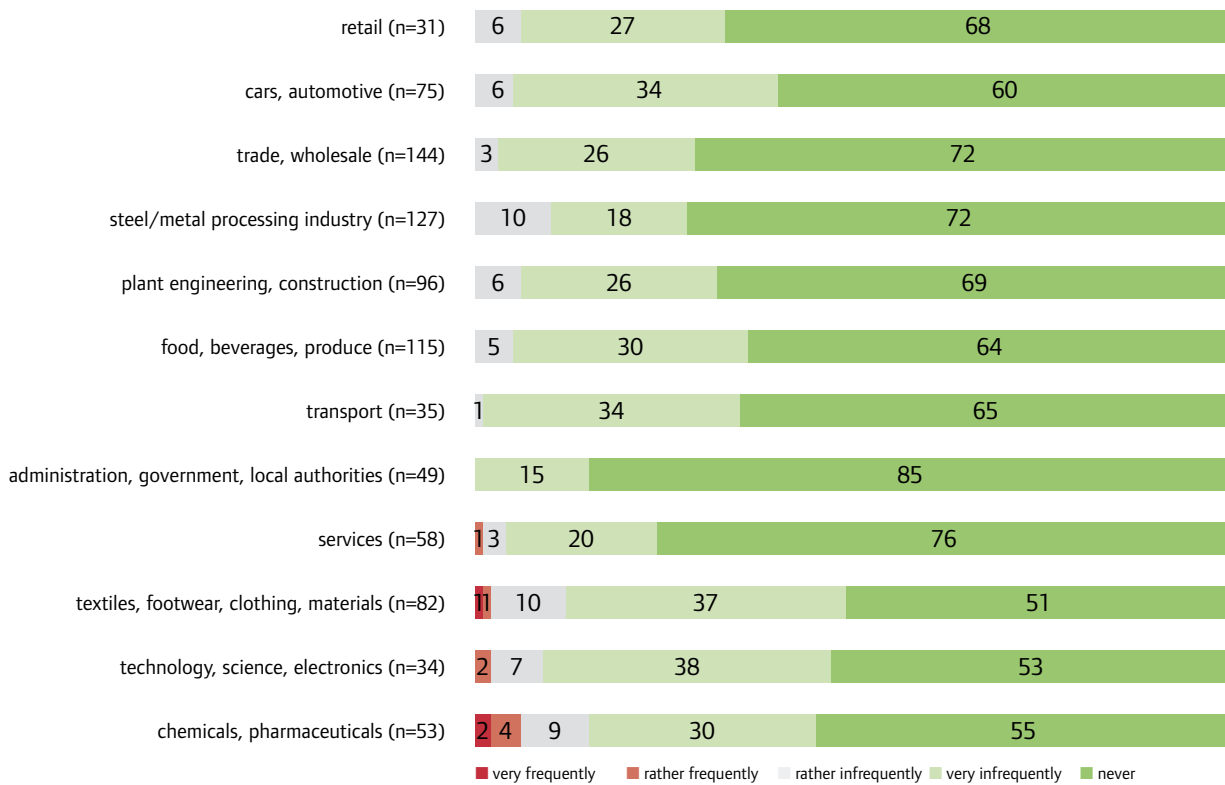
How often were outstanding debts only paid after some delay?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

## Payments Default of Dutch Companies from Various Industries

How often were outstanding debts not paid at all?



Basis: evaluation by domestic and foreign business partners, cumulated by the surveys in summer 2006 and winter 2006/07; only industries with case numbers > 25

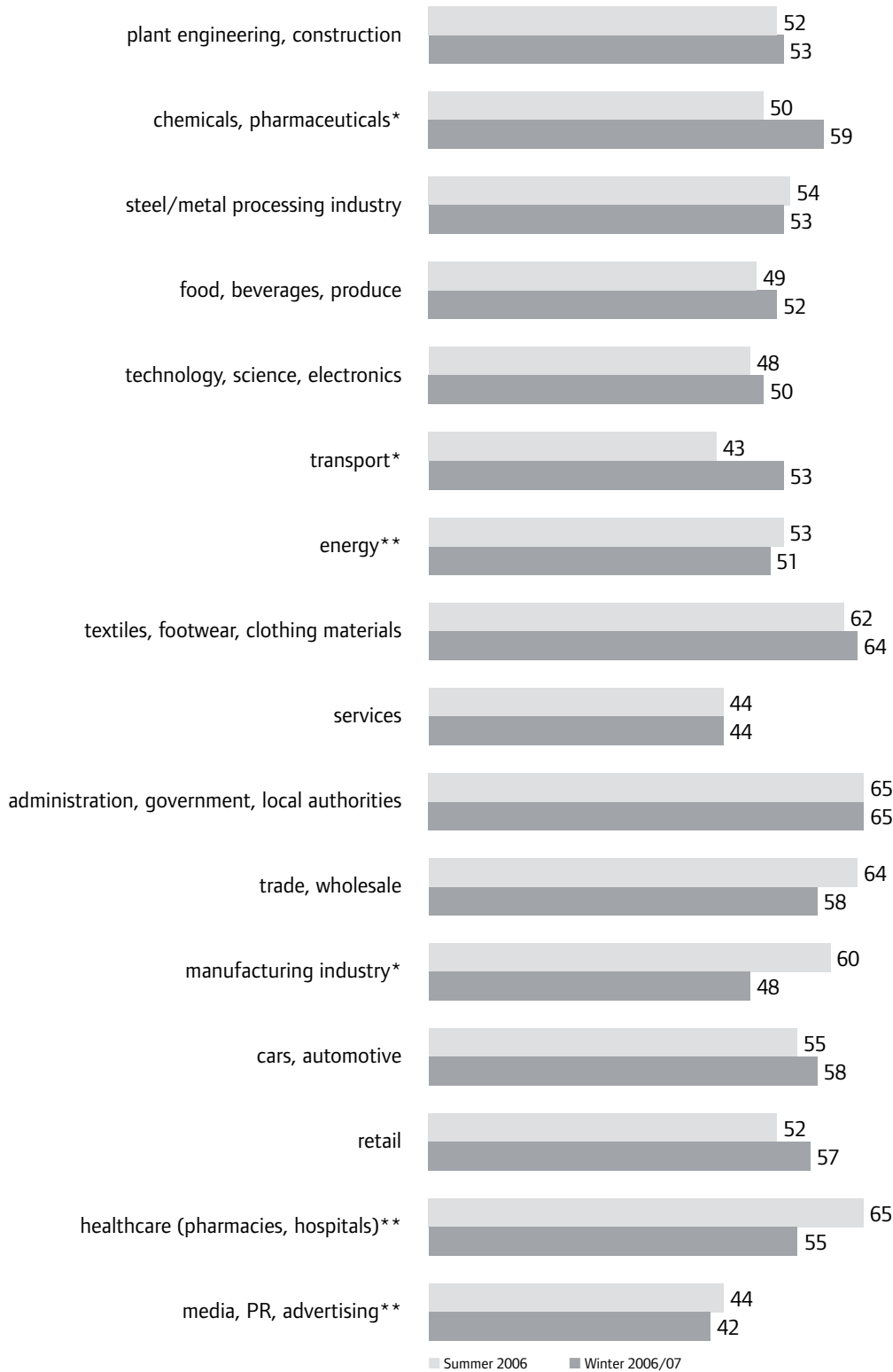
# Payment Behaviour of Various Industries – Comparison over time

- Between the surveys in summer 2006 and winter 2006/07, the cars/automotive industry (less delays and non-payments than in summer) and the retail trade (significantly less delays than in summer) showed improvement across all surveyed countries.
- Payments by the manufacturing industry were made after 48 days on average, compared to 60 days in summer 2006.
- The payment behaviour of the transport sector in particular has deteriorated over the course of time. Customers in this industry have been taking more time to pay in comparison to summer; total non-payments are also being reported more frequently in winter 2006/07.
- The chemical/pharmaceutical industry needs 59 days average to make their payments in winter – compared to 50 days in summer 2006.
- In addition to the transport sector, non-payments have also been occurring in other industries more frequently than in summer, e.g. in companies in the finance sector and in manufacturing industry.

# Payment Duration by Industries in Europe – Comparison over time

## Chemical and Transport Sector more cautious, the Manufacturing Industry shows improvement

Average payment period of domestic and foreign business partners in respective industries by days



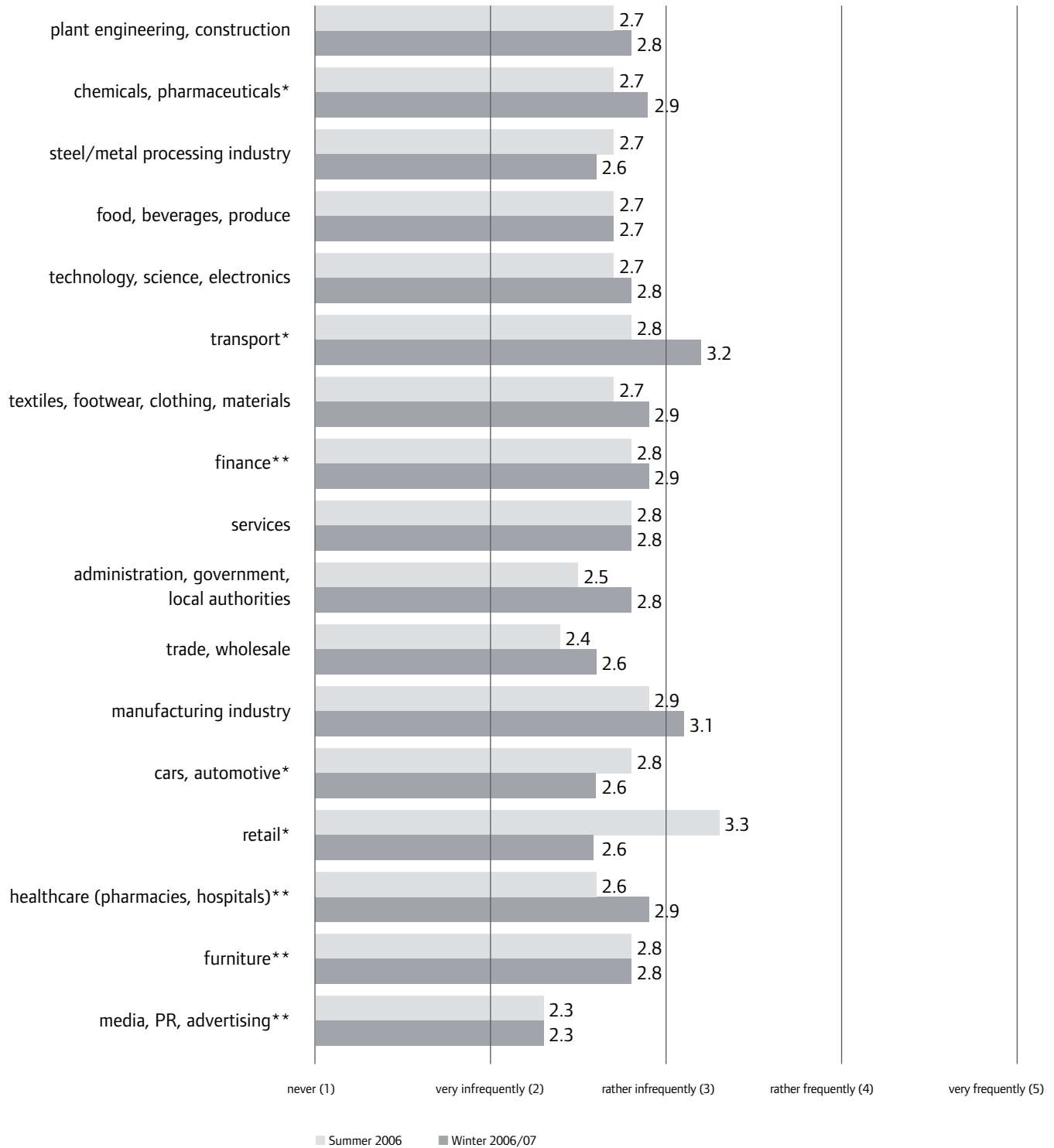
Basis: evaluation of companies of all regions with business partners in respective industries; industries with n≥35 evaluations

\* Statistically significant changes; chi-square test; p=0.05

\*\* Sample sizes < 50; these results are susceptible to outliers

## Payment Delays by Industries in Europe – Comparison over time

Transport Sector under more criticism, Automotive and Retail Sectors viewed more positively



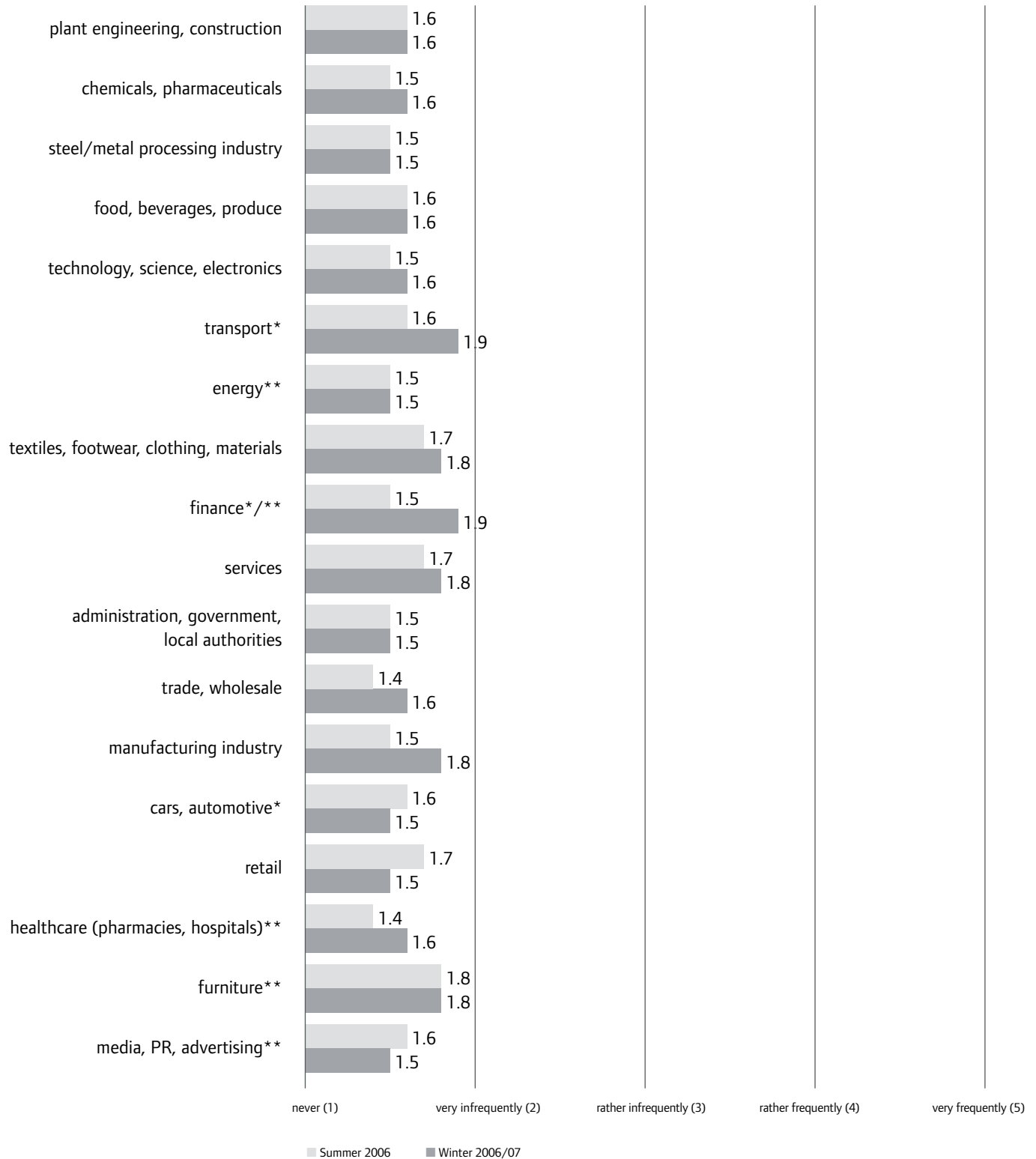
Basis: evaluation of companies of all regions with business partners in respective industries; industries with n≥35 evaluations

\* Statistically significant changes; chi-square test; p=0.05

\*\* Sample sizes < 50; these results are susceptible to outliers

## Payment Default by Industries in Europe – Comparison over time

**Transport, Finance and Manufacturing Industries viewed more critically, Automotive Industry viewed more positively**



Basis: evaluation of companies of all regions with business partners in respective industries; industries with n≥35 evaluations

\* Statistically significant changes; chi-square test; p=0.05

\*\* Sample sizes < 50; these results are susceptible to outliers

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