



Atradius Payment Practices Barometer

International survey
of B2B payment behaviour

Survey results for Slovakia

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.



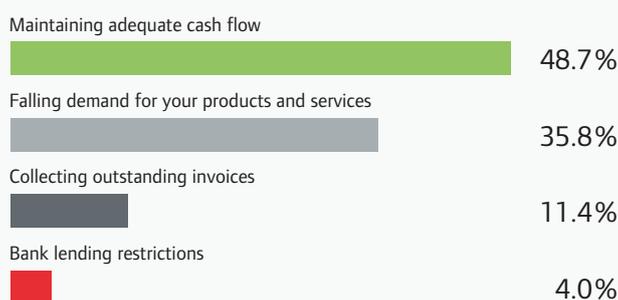
Survey results for Slovakia

The greatest challenge to business profitability this year

The Slovakian economy is forecast to grow 2.1% in 2014. This is mainly due to improved internal demand, which is expected to exceed net export volume and become the driving factor of the country's economic growth this year. This is reflected in a substantial increase in consumer confidence, in retail sales and in private consumption. External demand from Slovakia's main trading partners is expected to improve as well, in particular due to improvement of economic conditions in the Eurozone and the increase in global trade. However, Slovakia, like many other countries in Eastern Europe remains susceptible to downward trends.

In light of this, the highest percentage of respondents in Slovakia (an average of 48.7%, mainly in the wholesale/retail/distribution sector and in large enterprises) consider maintaining sufficient cash flow as the biggest challenge to business profitability they will be facing in 2014. This percentage is the highest of all the countries surveyed in the region (Eastern Europe overall: 41.7% of respondents; Western Europe: 29.6%). A fall in demand for their products and services is worrisome for 35.8% of the respondents in the country (Eastern Europe: 31.9%; Western Europe: 32.2%). Collection of outstanding invoices and bank lending restrictions, the other challenges to business profitability examined in our survey, are perceived to be the least worrisome by respondents in Slovakia (11.4% and 4% of respondents respectively). Both percentages are below the survey averages for Eastern Europe (17.8% in respect to outstanding invoice collection and 8.6% in respect to bank lending restrictions) and Western Europe (23.1% and 15.1% respectively).

The greatest challenge to business profitability this year – Slovakia



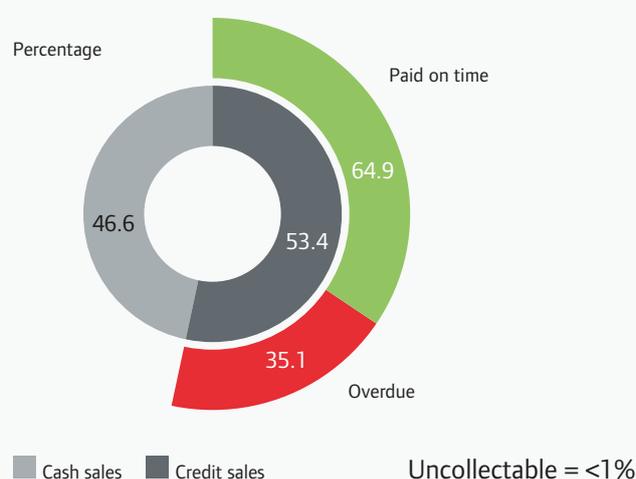
Sample: companies interviewed in Slovakia
Source: Atradius Payment Practices Barometer – June 2014

More information in the [Statistical appendix](#)

Past due receivables

The trade-credit risk environment, as evidenced by responses in Slovakia, shows that 35.1% of the total value of respondents' B2B sales made on credit are overdue. This is highest of all the countries surveyed in the region (Eastern Europe average: 31.9%; Western Europe average: 37.6%). Late payment of invoices from B2B customers was experienced almost equally often by respondents in all of the industries and business size groups surveyed. As to payment timing, on average, overdue payments from B2B customers were received 28 days after the due date (average for Eastern and Western Europe: 23 days).

Average total value of B2B receivables by payment timing in Slovakia



Sample: companies interviewed in Slovakia
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' is reflected in the 40 days average DSO recorded in Slovakia (average for Eastern Europe 42 days, and for Western Europe 52 days). This compares to an average 29 days payment term extended to B2B customers on credit sales (average for Eastern Europe 25 days and for Western Europe 32 days). This suggests that some receivables of large amounts were outstanding for quite long. Respondents in the Slovakian manufacturing sector and from SMEs recorded the longest DSO (averaging 42 days). A breakdown of DSO by timing shows that 55% of respondents in the country reported a DSO ranging from 1 to 30 days; nearly 43% ranging from 31 to 90 days, and around 2% of respondents posted a DSO of over 90 days. 63.4% of the respondents in Slovakia become concerned about the sustainability of the business when DSO is 1 to 45 days longer than the average payment term (60.1% of respondents in Eastern Europe and 51% in Western Europe).



More information in the [Statistical appendix](#)

Uncollectable receivables

B2B trade debt management can be expensive for suppliers. Whether done in house or through a collections agency, it costs time and money in respect to pursuing collection of debts and on legal fees. In addition, a business may incur additional financing costs on its own debts or miss out on other business development opportunities due to the unavailable funds. On the basis of the responses in Slovakia, on average, less than 1% of the total value of respondents' B2B receivables was written off as uncollectible (average for Eastern Europe: 1.2% and for Western Europe: 1.7%). Considering that 3.6% of the value of receivables was unpaid within 90 days, it suggests that, on average, businesses lose 28% of the value of their receivables that are not paid within 90 days (average for Eastern Europe 34% and for Western Europe 35%).

Main reasons for late payment from B2B customers

The trade credit risk environment in Slovakia highlights the importance of having a good credit management system in place. This starts with good knowledge of potential customers' payment practices, as an incorrect evaluation may result in serious cash flow problems. The highest percentage of respondents in Slovakia reported that late payments from B2B customers were most often due to insufficient availability of funds (72.7%, in respect to domestic customers and 54.3% to foreign customers). Both percentages are well above those of Eastern Europe (58.6% in respect to domestic and 37.5% in respect to foreign customers) and Western Europe (46.6% domestic and 35.2% foreign). 43.9% of respondents in the country reported that domestic customers often delay payment as a source of surrogate financing. The wholesale/retail/distribution sector and SMEs were the most impacted by invoice payment delays due to liquidity constraints of domestic B2B customers.

Credit management policies used by respondents

59.5% of the respondents in Slovakia reported using one or more credit management tools to mitigate the risk of payment default from B2B customers. This percentage is above the 55.3% survey average for Eastern Europe (Western Europe: 59.2%). When asked to be more specific about the kind of credit management tool/tools they use for this purpose, the highest percentage of respondents in Slovakia (92%, almost equally distributed across all of the industries and business size groups surveyed) reported they regularly send payment reminders (dunning). This compares to an overall survey average of 72.6% for Eastern Europe and of 46.2% for Western Europe). 66.1% of respondents check their customers' creditworthiness by means of bank references, the analysis of the customer's financial statements, and the purchase of credit reports (Eastern Europe: 42.7%; Western Europe: 43.3%). Nearly 3 out of 5 respondents, however, said they sell on cash terms to protect their business from payment defaults by customers (respondents in Eastern Europe: 34.6%; Western Europe: 30.9%).

Most often used credit management policy in Slovakia (vs. Eastern Europe) – Payment reminders (dunning)



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

More information in the [Statistical appendix](#)

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.

Statistical appendix

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).

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Atradius N.V.
David Ricardostraat 1 · 1066 JS Amsterdam
Postbus 8982 · 1006 JD Amsterdam
The Netherlands
Phone: +31 20 553 9111

info@atradius.com
www.atradius.com