

EOS
survey 2019



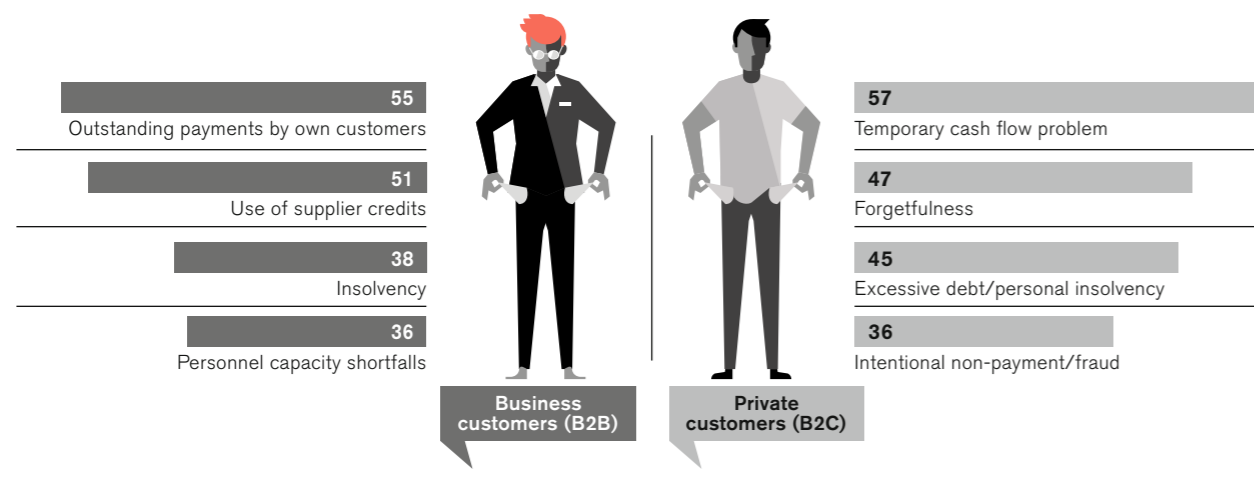
**European
Payment
Practices**

How Europe pays

81 percent of customers in Europe pay on time. But why do some people pay their bills too late or not at all? What are the consequences for the companies – and how do they react to this?

Why has my money not arrived?

The most frequent reasons for late or no payment as a percentage of the responses received.

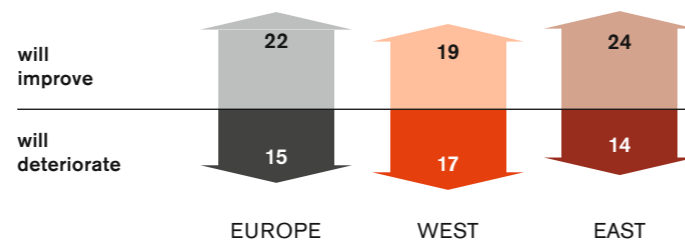


Payment practices are improving

Proportion of on-time payments as percentage of total receivables.

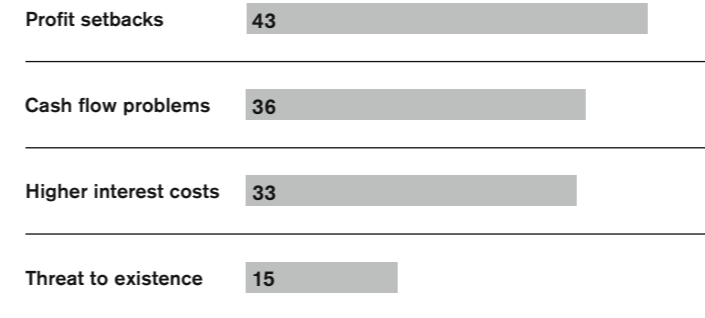
What does the future hold? The picture is divided.

Evaluation of trends in payment practices in the next two years. Overall, 22% of respondents think that payment practices are going to improve compared with 24% in the previous year.



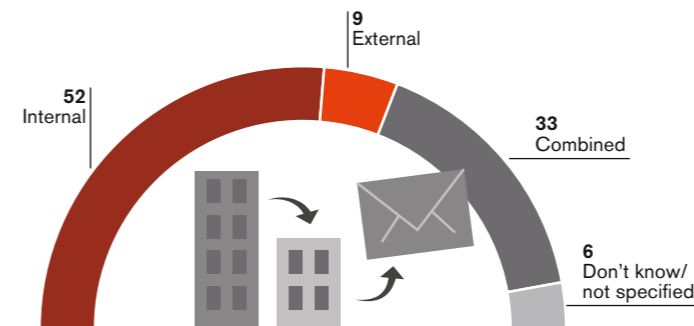
What payment defaults mean for companies

Percentage of companies affected.



Debt collection: Do your own or cooperation with external service providers?

How companies organize their receivables management, as a percentage of responses.

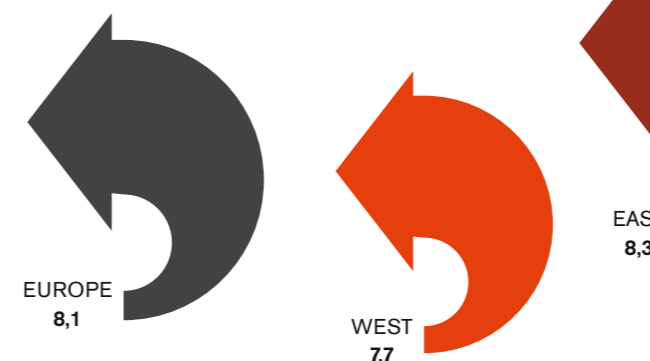


4 out of 10

companies rely on working with external service providers to process receivables.

Debt collection recovers lost revenue

Percentage of revenue recovered through working with receivables management service providers.



About the EOS survey "European Payment Practices" 2019

In partnership with independent market research institute Kantar, EOS conducted interviews with 3400 companies in 17 European countries about the prevailing payment practices in their respective countries via telephone interviews.

200 companies in each of the countries Belgium, Bulgaria, Croatia, Czech Republic, Denmark, France, Germany, Greece, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Spain, Switzerland, and the UK answered questions in spring 2019 on their own payment experiences as well as current issues relating to risk and receivables management.

The surveyed decision makers from the area of receivables management work in companies with an average of EUR 28 million in revenue and an average workforce of 183. This is the 12th year in a row that EOS has conducted the annual survey.

Source: EOS survey "European Payment Practices" 2019 | EOS/Kantar © 2019 EOS Group

Positive trend continues



Payment practices have further improved in Europe among both private and business customers. 81 percent of all invoices are paid on time – this represents an increase of six percentage points over 2014. But what else concerns the decision makers who deal with receivables management on a daily basis? EOS addressed this question once again in this year's "European Payment Practices" survey.

Western Europe leading in terms of payment practices

In Europe, four out of five invoices are settled on time. Western Europe shows a positive trend in late/unrecoverable payments compared with the previous year. **83 percent** of invoices are settled within the payment term. **15 percent** are late. **2 percent** are unrecoverable. In Eastern Europe, the share of invoices settled within the payment term is **80 percent**. **18 percent** of payments are received late; around **3 percent** are unrecoverable.

Shortening of payment terms

One reason for the positive trend in payment practices could be the renewed shortening of payment terms by European companies. Currently customers have on average one day less time than in the previous year to settle their invoices within the given period. For private customers, this number dropped **from 23 to 22 days**; for business customers, it went **from 38 to 37 days**. Overall, the payment terms of European companies were shortened **from 34 to 33 days** – five years ago, it was four more days.

On-time payment among private customers

Whereas private customers pay within the payment term in **84 percent** of the cases, only **79 percent** of companies succeed in doing so. The survey respondents see the main reasons for payment delay or default as being cash flow problems (**57 percent**) for private customers. Payment default by their own customers (**55 percent**) and use of supplier credits (**51 percent**) are reasons for business customers.

Business customers paying later

With **16 days** the time period in which private customers settle their invoices after the payment term has expired is stable compared to the previous year. In the business customer segment, however, this time period has been lengthened; here, companies now have to wait even longer, **23 days** on average, for payments to come in. Overall, the average period is **21 days**.

Skeptical look ahead

Despite the positive trend in payment practices, European companies are now skeptical about the future. Only **22 percent** still expect a considerable improvement in payment practices in the next two years; in 2018, **24 percent** did. In contrast, **15 percent** of respondents expect a deterioration, an increase of two percentage points over the previous year.

Measures to prevent payment defaults

71 percent of companies state prompt invoicing and **63 percent** a defined dunning process as primary measures to safeguard against payment defaults and delays. In addition, **47 percent** stated carrying out credit checks.

Consequences of payment defaults

As already in the previous year, companies especially see themselves as being confronted by profit setbacks and temporary cash flow problems as the consequence of payment defaults and delays. Around **15 percent** of surveyed companies even see an existential threat in payment defaults and delays.

Use of receivables management

Cooperation with receivables management service providers minimizes payment defaults. Thus, European companies recover **nearly 8 percent** of revenue from cooperation with external providers. Despite this, in Europe, those relying on professional support in receivables management are still in the minority. About four out of ten companies (**42 percent**) cooperate with external service providers to collect outstanding debts.

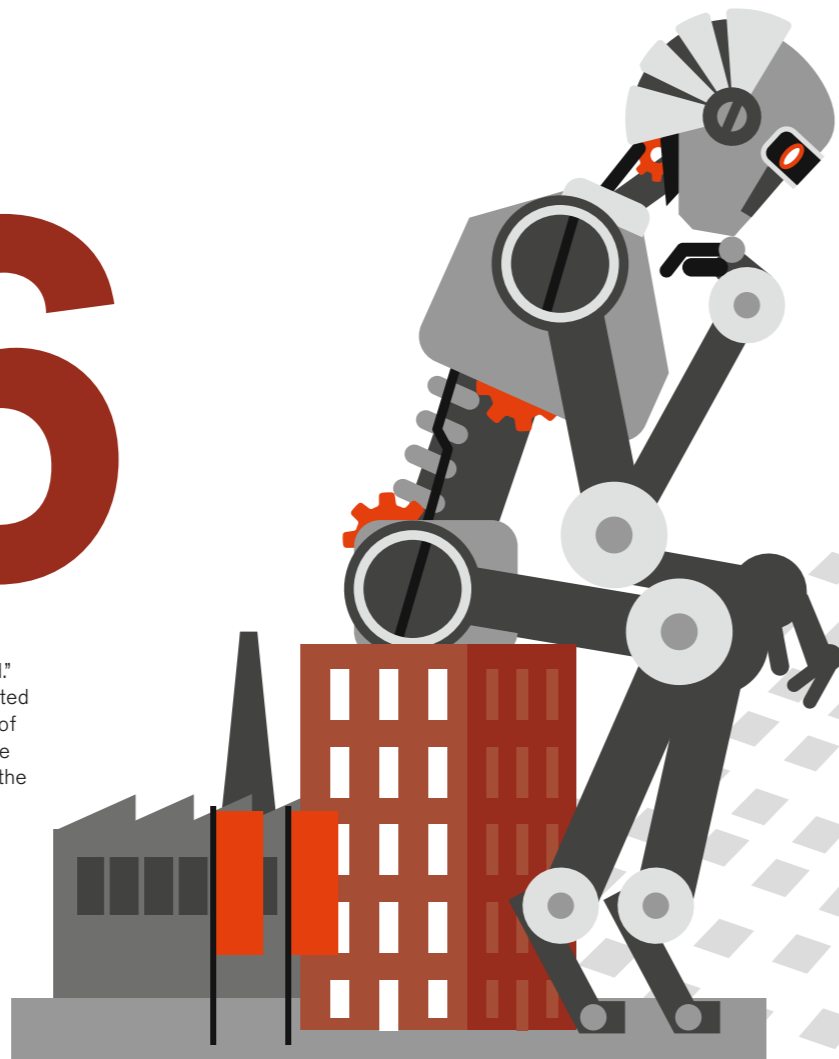
Artificial intelligence

Skepticism about artificial intelligence predominates among European companies. Nearly half of them see it threatening jobs. However, at the same time, a quarter of them think self-learning systems are necessary in receivables management.

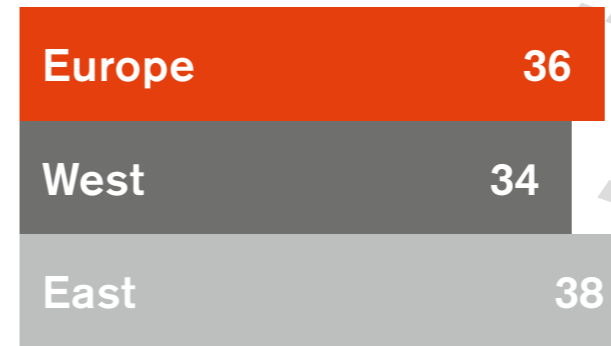
36

percent

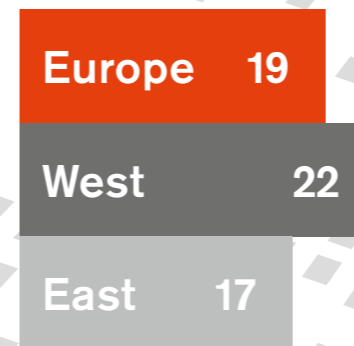
think AI is "completely overrated." These reservations are also reflected by the fact that only 30 percent of financial decision makers believe that AI will become a hot topic in the next two years.



” Artificial intelligence jeopardizes jobs in receivables management.



” Artificial intelligence is completely overrated.



” I can imagine relying completely on artificial intelligence.

AI solutions

Minimizing error rates

Even though skepticism about artificial intelligence is predominant among many of the surveyed companies in Europe, some still see potential in the use of AI solutions. Fully 18 percent cannot wait to work with AI in receivables management, whereas a quarter consider self-learning systems to be necessary here. Also, 30 percent of financial decision makers even believe that AI will “drastically minimize” error rates.

Figures in percent

In need of improvement

Only about half of the European companies give themselves a good grade when it comes to digitalization. There is still a lot to be done in the area of digital dunning.



38

percent

say, "Our dunning process is only partially digitized."

17

percent

say, "Our dunning process has hardly been digitized up to now."

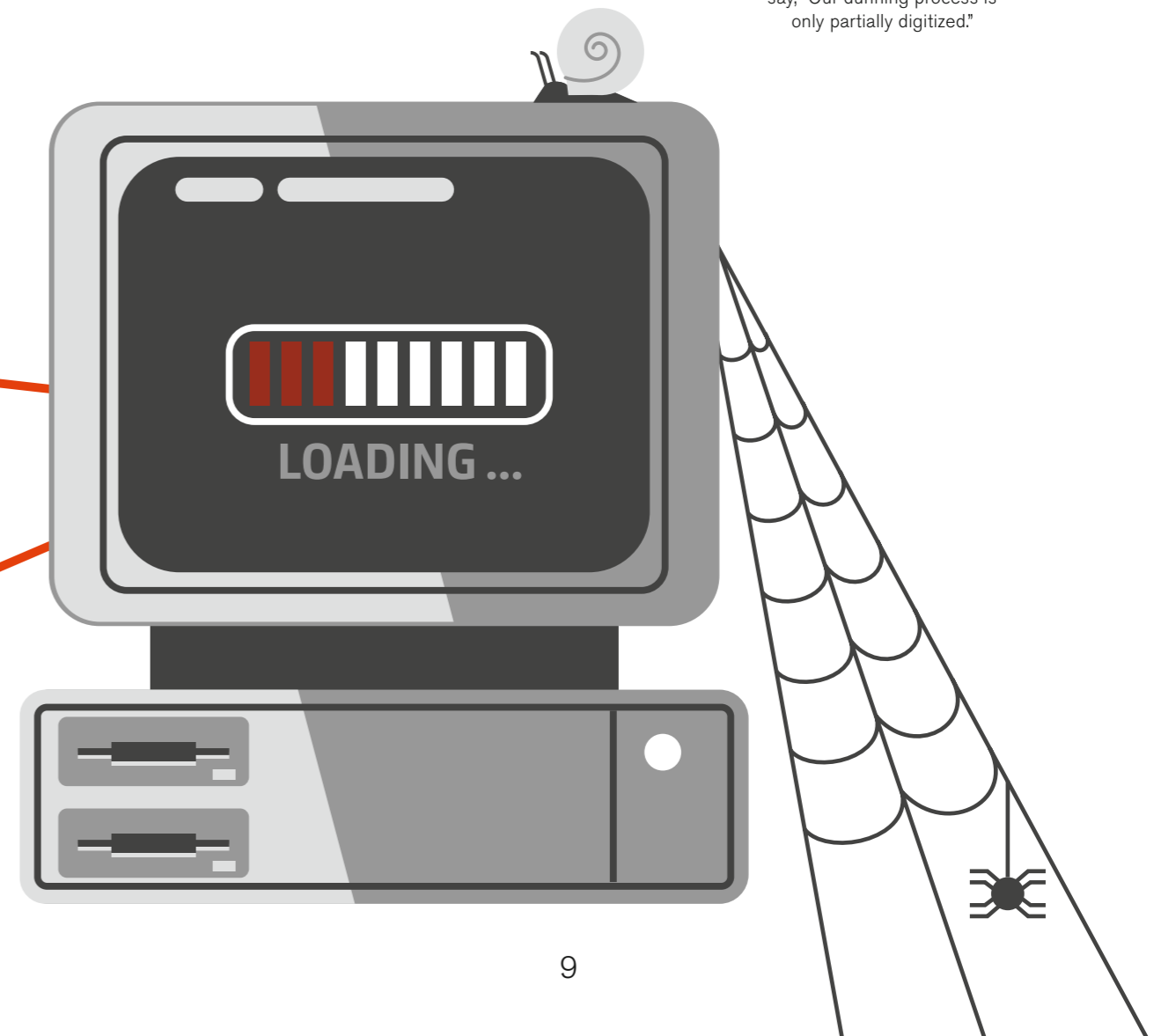
"Our degree of digitalization is high or very high."

49

"Our dunning process is largely or completely digitized."

41

Figures in percent

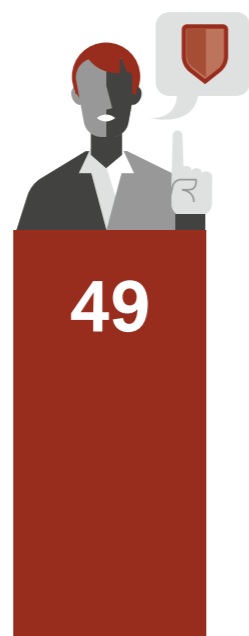


Trends in receivables management

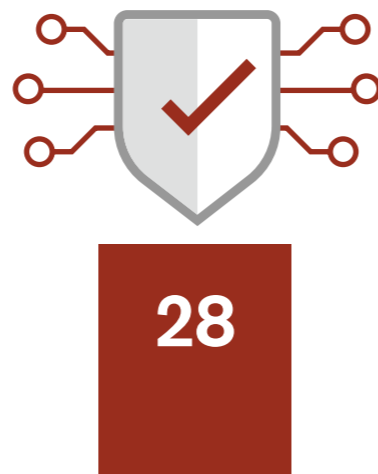
European companies think security topics are the biggest trends in receivables management for the next two years. Among them are measures to improve data protection and cyber security.



” Cyber security ...



... is an important trend for us.



... is implemented by us.

33

percent

of companies in Western Europe have taken measures in the area of cyber security. In Eastern Europe, only every fourth one (25 percent) has done so.

” Data protection ...



... is an important trend for us.



... is implemented by us.

Top 9

trends in receivables management

1. Measures to improve data protection (52%)
2. Cyber security (49%)
3. Individualization of debt collection process (45%)
4. Automation of digital communication with customers (43%)
5. Penetration of market by new digital payment solutions such as Apple Pay and Google Pay (35%)
6. Artificial intelligence (30%)
7. Trading platforms for receivables purchases (28%)
8. Machine learning (25%)
9. Blockchain technology (22%)

Digital payment methods

In Europe, digital payment methods continue to play a subordinate role. Classic payment options are still dominant.

The most common digital payment methods



Online transfers via third-party providers



Mobile payment



eWallets



Cryptocurrencies



Only **28**

percent

of companies offer their customers digital payment options. Whereas in Western Europe, nearly a third (32 percent) offer this variant to customers, in Eastern Europe, only about a quarter (26 percent) do.

Top 3 traditional payment methods

Bank transfer	81
Payment on account	69
Payment in advance	50



Figures in percent

Overview of results

Figures in percent

	WEST										EAST									
	TOTAL	WEST	EAST	Germany	Denmark	Belgium	Switzerland	United Kingdom	Spain	France	Poland	Slovakia	Czech Republic	Slovenia	Croatia	Hungary	Bulgaria	Russia	Greece	Romania
Payment terms in days	33	30	34	23	24	32	31	33	39	32	32	35	33	33	33	37	34	25	46	35
Payment practices of customers																				
Invoices paid on time	81	83	80	86	85	81	82	79	84	82	80	76	81	79	81	78	77	89	77	78
Payment delays	17	15	18	13	14	17	16	18	14	15	18	21	17	19	16	18	19	10	20	19
Payment default	2	2	3	1	1	3	2	3	2	2	3	3	2	1	3	4	4	1	3	3
Average delay in days (settlement of invoice AFTER payment term has expired)																				
	21	19	22	22	20	17	18	19	20	17	19	19	18	32	20	18	19	32	23	18
Future trend in payment practices																				
Payment practices will generally/significantly improve	22	19	24	7	8	27	23	22	23	23	28	30	26	14	8	24	33	23	34	17
Payment practices will generally/significantly deteriorate	15	17	14	24	13	12	13	23	22	16	15	18	9	12	8	15	16	19	17	11
Reasons for poor payment practices among BUSINESS CUSTOMERS – TOP 4 (agreement 1 + 2)																				
Payment defaults by own customers	55	49	59	17	29	61	56	58	65	54	56	65	60	43	60	53	59	60	59	74
Use of supplier credits	51	51	51	38	55	53	50	51	59	50	59	58	51	28	61	51	58	31	52	67
Insolvency	38	36	40	26	31	37	19	45	48	43	36	41	35	37	42	48	40	34	40	48
Personnel capacity shortfalls	36	38	35	11	16	52	45	49	49	41	45	46	37	8	44	40	48	9	41	41
Reasons for poor payment practices among PRIVATE CUSTOMERS – TOP 4 (agreement 1 + 2)																				
Temporary cash flow problem	57	53	60	37	29	60	63	57	60	61	64	59	66	41	63	68	64	38	72	70
Forgetfulness	47	51	45	38	58	57	41	58	47	59	53	48	44	25	55	53	50	21	51	53
Excessive debt/personal insolvency	45	42	47	22	24	57	41	45	59	47	50	51	53	41	45	46	58	31	46	54
Intentional nonpayment/fraud	36	31	39	17	24	34	31	32	35	44	40	48	44	29	40	41	47	15	45	49
Consequences of payment defaults for companies – TOP 4 (agreement 1 + 2)																				
Profit setbacks	43	36	48	14	12	38	38	57	56	36	50	50	40	17	54	52	58	49	50	63
Cash flow problems	36	28	42	9	9	31	28	43	37	40	41	44	39	21	44	41	48	51	50	44
Higher interest costs	33	29	35	6	10	40	23	39	38	43	36	38	16	16	43	42	47	35	42	38
Reduction in investments	25	20	28	3	5	29	15	34	29	26	17	29	20	17	30	27	28	44	41	28
Measures by companies to protect against payment defaults – TOP 4																				
Prompt invoicing	71	71	72	95	77	64	69	67	62	65	70	71	79	68	68	68	75	66	75	79
Defined dunning process	63	68	59	96	88	61	64	52	58	60	61	56	60	60	60	44	67	52	70	67
Use of professional debt collection services	51	47	54	56	51	40	44	57	35	48	59	42	67	21	57	66	75	9	73	70
Credit standing checks	47	47	47	85	68	37	44	28	37	34	37	36	34	81	35	40	42	80	47	44
Cooperation with external service providers in receivables management																				
Completely or partially outsourced	42	42	41	31	34	48	51	47	38	50	45	43	44	12	49	51	48	10	53	61
External receivables management: Average revenue recovered in percent																				
	8.1	7.7	8.3	9.8	6.7	8.1	6.4	8.3	7.2	7.8	7.1	8.3	8.4	8.4	8.1	7.9	11.1	24.5	9.0	5.0
The recovery of financial resources results in ... – TOP 4																				
Liquidity for settling own debts	64	65	63	49	39	72	86	66	56	69	66	73	69	57	55	72	57	50	59	63
Securing or creation of jobs	45	44	46	30	9	52	51	54	51	50	52	49	43	17	53	49	51	17	29	54
Expansion of business segment	36	32	38	18	18	42	35	33	28	42	32	46	33	17	32	46	43	17	31	46
Extra investment in research and development	26	25	27	14	6	32	35	27	24	24	27	31	30	9	26	29	27	11	26	29

	WEST										EAST									
	TOTAL	WEST	EAST	Germany	Denmark	Belgium	Switzerland	United Kingdom	Spain	France	Poland	Slovakia	Czech Republic	Slovenia	Croatia	Hungary	Bulgaria	Russia	Greece	Romania
Average share of total receivables volume made up by foreign receivables among companies	14	15	13	22	24	12	14	13	11	11	12	11	11	39	11	11	14	4	10	11
Future trend in foreign receivables up to 2021 (total 1 + 2)																				
Will rise significantly/somewhat	24	24	25	29	34	25	25	17	18	18	30	16	25	34	22	23	27	21	35	21
Degree of digitization in companies (total 1 + 2)																				
Very high/high	49	48	50	26	44	58	52	55	53	49	51	57	60	38	51	57	49	31	57	54
Digitalization of the dunning process in the company																				
Completely digitized	17	17	16	1	2	21	23	23	23	27	19	19	20	9	22	20	21	3	17	17
Largely digitized	24	26	22	33	9	27	29	27	35	20	24	23	26	12	25	30	29	10	25	19
Partially digitized	38	37	39	47	45	41	36	37	28	28	42	41	39	48	36	34	33	38	39	44
Hardly digitized	17	16	17	17	44	7	8	10	8	21	13	13	12	28	13	14	15	39	15	9
Biggest trends in receivables management in the next two years – TOP 4 (agreement 1 + 2)																				
Measures to improve data protection	52	51	52	56	62	51	49	47	48	49	55	55	54	44	50	50	58	57	46	53
Cyber security	49	52	47	35	66	53	54	51	53	55	50	40	50	52	49	46	43	47	48	44
Individualization/personalization of the debt collection process	45	44	46	30	45	48	48	48	45	47	49	43	51	40	46	42	38	46	63	41
Automation of digital communication with customers	43	45	42	50	46	43	43	44	45	44	43	42	46	47	41	34	36	53	40	41
Trends in receivables management that are already being used in practice – TOP 4																				
Measures to improve data protection	60	67	55	73	81	64	66	59	62	67	64	53	64	48	51	50	61	35	70	55
Individualization/personalization of the debt collection process	39	37	40	48	56	31	34	23	31	36	36	40	47	35	37	38	41	41	46	41
Automation of digital communication with customers	34	32	36	46	30	30	31	25	31	31	36	33	45	23	36	37	25	34	51	37
Cyber security	28	33	25	31	73	23	23	29	28	24	26	20	28	42	22	22	20	21	29	25
Assessment of artificial intelligence in receivables management – TOP 4 (agreement 1 + 2)																				
Use of artificial intelligence in receivables management jeopardizes jobs	47	43	49	41	19	47	52	43	48	51	54	53	53	28	53	54	52	51	42	55
Artificial intelligence is just a buzzword and is completely overrated	36	34	38	36	22	35	37	35	35	36	37	37	37	35	40	36	40	44	37	36
Artificial intelligence will drastically reduce the error rate in receivables management	30	29	32	12	32	32	32	32	29	32	33	33	24	29	34	33	36	34	30	34
Self-learning systems are needed in receivables management	25	25	26	20	24	27	27	28	26	23	26	27	27	19	26	26	30	29	23	27
Payment methods offered by companies – TOP 4																				
Classic payment methods (net)	100	100	100	99	100	100	100	99	99	100	99	100	100	99	99	99	100	99	100	100
Bank transfer	81	85	79	92	96	72	89	77	79	83	82	75	81	89	80	69	84	65	81	81
Payment on account	69	72	66	81	59	77	83	51	74	80	87	60	83	20	63	68	84	63	70	75
Payment in advance	50	51	50	73	66	38	52	39	43	45	42	45	49	49	48	50	53	72	43	46
Cash payment/payment on collection	42	43	40	55	35	36	50	35	36	53	42	34	45	30	51	37	48	34	49	36
Digital payment methods (net)	28	32	26	27	47	27	31	34	25	28	30	29	29	12	37	28	33	7	32	28
Online transfers via third-party providers	23	23	23	14	23	23	26	30	24	22	28	28	26	6	33	26	29	2	28	26
Mobile payment	7	10	5	6	28	8	7	8	3	8	3	4	7	4	11	5	8	6	4	4
eWallets	4	5	4	13	3	3	5	4	1	2	4	0	3	3	2	9	5	2	6	3
Crypto-currencies	1	0	0	0	0	1	0	1	0	0	0	0	0	2	1	0	2	1	1	0

„Finance is changing. We like it that way!“

Klaus Engberding,
CEO of the EOS Group

For a debt-free world

EOS originated in 1974 as the debt collection company of the Otto Group in Germany. Now, EOS is an international financial investor and service provider and a trusted partner to customers from a wide range of sectors in 26 countries.

For Europe's banks, we are one of the leading purchasers of non-performing loans (NPLs). We take over receivables management for companies, municipal authorities and administrations, even across borders. Through our services we ensure liquidity and investments and safe-guard jobs. However, our most important investment is in our employees and the technology that underpins our services.

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Use of the data from this survey is only permitted with reference to the source (EOS Survey "European Payment Practices" 2019).