



Greece: do businesses manage receivables strategically?

Atradius Payment Practices Barometer





trading partners

Top 5

- Italy
- Germany
- Turkey
- Cyprus
- Bulgaria

Source: WTEEx

imports

Top 5

- Mineral fuels and lubricants
- Machinery and transport equipment
- Chemicals
- Manufactured goods mainly classified by material
- Various industrial products

Source: Hellenic Statistical Authority

exports

Top 5

- Mineral fuels and lubricants
- Manufactured goods mainly classified by material
- Food and live animals
- Chemicals
- Machinery and transport equipment

Source: WTEEx

Economic growth in Greece is projected to reach approximately the level of 2% in 2019 and 2020. Investment is expected to be the main driver of long-term growth in the coming years, although limited access to finance is negatively impacting businesses of all sizes in general, and SMEs in particular. Household consumption is expected to grow gradually, providing economic support to the country. Insolvency levels are expected to improve this year, however remaining at rates above 4%.



Makis Tzeis, Country Manager of Atradius Greece, commented on the report



Greek economic growth is expected to gain momentum this year and in 2020. To achieve a long-term improvement in the investment environment, which is expected to be the main contributor of the country's growth, it is essential to continue to implement the various structural reforms, which Greece has successfully undertaken till now.

Our survey reveals an optimistic view of the future among survey respondents. The majority of respondents believe that their B2B customers' payment practices will not change markedly over the coming months, and that the availability of financing will not become more troublesome over the same period.

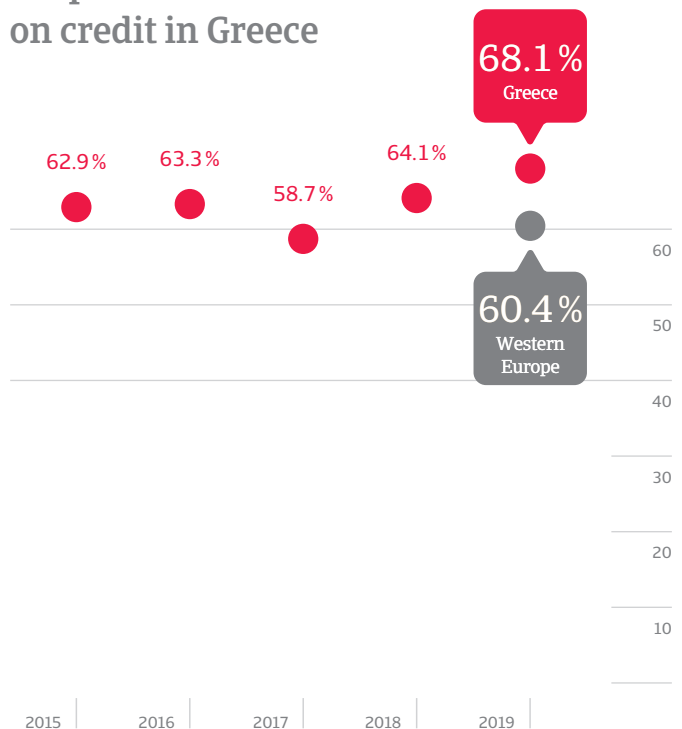
However, the global economic climate has deteriorated and risks have clearly increased, therefore it is essential for businesses to have a strong focus on customer credit risk mitigation.



Sales on credit terms did not increase significantly over the past year

Based on survey findings, Greek survey respondents transacted 68.1% of the total value of their sales to B2B customers on credit (up from 64.1% last year). This is notably above the 60.4% average for Western Europe. This increase in the use of B2B trade credit is highly likely to be caused by businesses needing to expand sales to existing and prospective customers, as well to protecting current sales from competition from foreign markets. However, as this increase appears to be relatively modest it may point to Greek respondents' strict control on the size of the commercial exposure they are willing to take with their trade counterparties. This signals a sharp focus on customer credit risk mitigation and on the steps businesses take to make sure offering trade credit does not weaken their working capital cycle and ultimately their short-term financial flexibility.

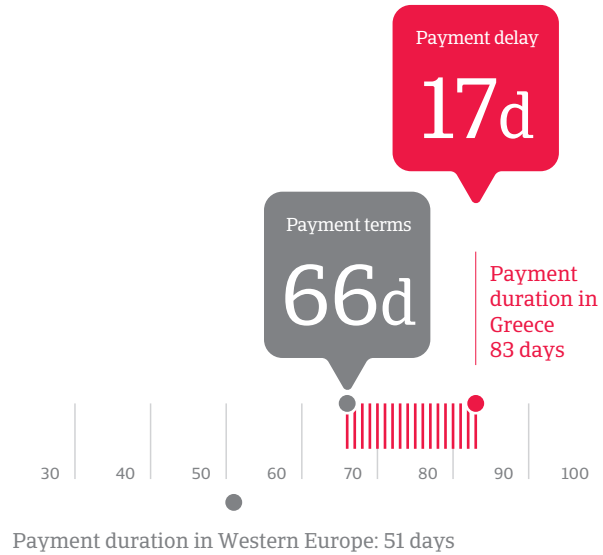
Proportion of total B2B sales made on credit in Greece



Sample: companies interviewed (active in domestic and foreign markets)
Source: Atradius Payment Practices Barometer – October 2019



Payment duration in Greece



d = average days

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

Source: Atradius Payment Practices Barometer – October 2019

Terms for payment of invoices are the longest in Western Europe

Consistent with their focus on customer credit risk mitigation, the payment terms offered by Greek survey respondents are even stricter than last year. Average payment terms recorded in Greece stand at 66 days from invoicing (up from 62 days last year). These are the longest observed in Western Europe and compare to a 34 days average for the region.

A strong approach to risk assessments is found at the centre of most Greek B2B credit policies

The assessment of customer creditworthiness is the most commonly applied credit management technique in Greece. Survey results show checks on creditworthiness are performed by 45% of respondents in Greece, compared to 36% in Western Europe and 39% Eastern Europe. When it comes to setting payment conditions for their customers, far more respondents in Greece (39%) than in Western Europe (22%) request cash payment from their B2B customers. This is also the case with requests for secured forms of payment, which respondents in Greece (34%) make markedly more frequently than those in Western Europe (19%). However, once the credit sale is underway, and the payment of the invoice is overdue, far more survey respondents in Greece (40%) than in Western Europe (28%) engage in dunning activities (outstanding

invoice reminders). Interestingly enough, notably more respondents in Greece (24%) than in Western Europe (11%) reported to use information technology to manage their receivables. It is worth noting that respondents in Greece (8%) use credit insurance far less often than those in Western Europe (21%). This is also the case when it comes to retaining a collections agency (8% of respondents in Greece compared to 18% in Western Europe).

Highest percentage of write-offs of uncollectable accounts in Western Europe found in Greece

34.8% of the total value of B2B invoices issued by Greek survey respondents over the past year was past due. This is the highest figure recorded in Western Europe, and it is well above the 28.9% average for the region. However, over the past year, the percentage of B2B payments made on time to Greek survey respondents increased to 60.9% from 52.4% one year ago. Consequently, respondents in Greece turn overdue invoices into cash significantly earlier than last year (on average 83 days, down from 92 days). This variation is consistent with observations for the region overall, where over the past year payment duration decreased on average to 51 days, down from 57 days last year. Despite this, 64% of Greek respondents (more than the 42% for Western Europe) reported no significant impact on business arising from late payments. This finding is in line with the sharp focus on credit management shown by respondents in Greece and commented on earlier. Respondents whose business was hit hard by late payments managed liquidity issues by delaying payment of invoices to their own suppliers (25% of Greek survey respondents compared to 28% in Western Europe). The proportion of write-offs of uncollectable accounts in Greece (3% of the total value of B2B receivables, up from 2.8% one year ago) is the largest in Western Europe and compares to a 2.2% average for the re-

Atradius · Key Findings

44%
of respondents in Greece (far above the 31% in Western Europe) reported that they will monitor their buyers' credit risk on a more regular basis over the coming months.

Atradius Payment Practices Barometer – October 2019



83 days

is the average time it takes suppliers surveyed in Greece to turn past due invoices into cash

gion. This finding points to lower efficiency in collection of overdue accounts in Greece, and is consistent with the lowest use of debt collection agencies in Western Europe, as revealed by survey findings.

More respondents in Greece than in Western Europe plan on increasing the request of cash payments from their B2B customers

Far more survey respondents in Greece (73%) than in Western Europe (55%) are of the opinion that their B2B customers' payment practices will not change markedly over the coming months. Of those who predict B2B payment practices to change, 17% expect an improvement and 10% expect to see a deterioration over the coming months. For these latter, an increase in late payments from B2B customers is likely to have a negative impact on DSO (says sales outstanding). In order to protect their receivables from the risk of payment default, 47% of survey respondents in Greece (compared to 28% in Western Europe) will request cash payments more often. 44% of respondents (31% in Western Europe) plan on intensifying customer credit risk monitoring, and 39% (33% in Western Europe) will more often undertake dunning activities to chase overdue payments. Far more survey respondents in Greece (60%) than in Western Europe (40%) believe that availability of financing will not be more troublesome over the coming months. However, should access to bank financing be tighter over the same period, 76% of Greek respondents will be forced to delay investment and curb business growth in response to reduction in their working capital.

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Particularly in these difficult economic times, a good risk assessment is much more complex than in the past. Managing the risk of customers' payment default to safeguard cash flow, balancing out risks and cost of selling on credit terms, and avoiding severe liquidity issues are all needed to grow the business confidently. And this is where strategic credit management comes into play. This is because there are still profitable trade opportunities in challenging times. The key is to steer selling efforts away from risky customers in favour of those offering more reliable opportunities for growth.

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Makis Tzeis,
Country Manager of Atradius Greece



Overview of payment practices in Greece

By business sector

B2B customers in the Greek chemicals sector are given the longest payment terms

Greek respondents from the chemicals sector extended the longest payment terms to their B2B customers (averaging 82 days from invoicing). Average payment terms across the other sectors surveyed in Greece range from 78 days in the metals sector, to 52 days in the transport sector.

Trade credit risk deteriorated significantly in both the agri-food and construction sectors

Over the past year trade credit risk in Greece has significantly deteriorated in both the agri-food and the construction sectors. 54% and 60% of the total value of invoices remained unpaid at the due date respectively. The metals sector recorded the greatest improvement in customers' payment speed over the past year. Respondents in the Greek chemical sector are the longest in cashing in past due payments (on average 105 days from invoicing). Across the other sectors surveyed in Greece, the average timing it takes businesses to turn overdue invoices into cash ranges from a high of 98 days in the metals sector, to a low of 62 days in the ICT/electronics sector.

Proportion of uncollectable receivables is highest in the construction sector

In the construction sector in Greece the proportion of B2B receivables written off as uncollectable doubled over the past year (3.6% compared to 1.8%). This is the highest figure recorded across all of the sectors surveyed in the country. At the lower end of the scale, the transport sector recorded an average of 1.9% of receivables written off as uncollectable (up from less than 1% last year).



Overview of payment practices in Greece

By business size

Greek SMEs granted the longest average payment terms for B2B customers

Respondents from SMEs in Greece extended the longest payment terms to B2B customers, averaging 69 days from invoicing. Micro enterprises offered shorter payment terms to B2B customers (averaging 62 days from the invoice date). The shortest B2B payment terms were given by large enterprises.

Greek large enterprises are the swiftest to cash in overdue invoices

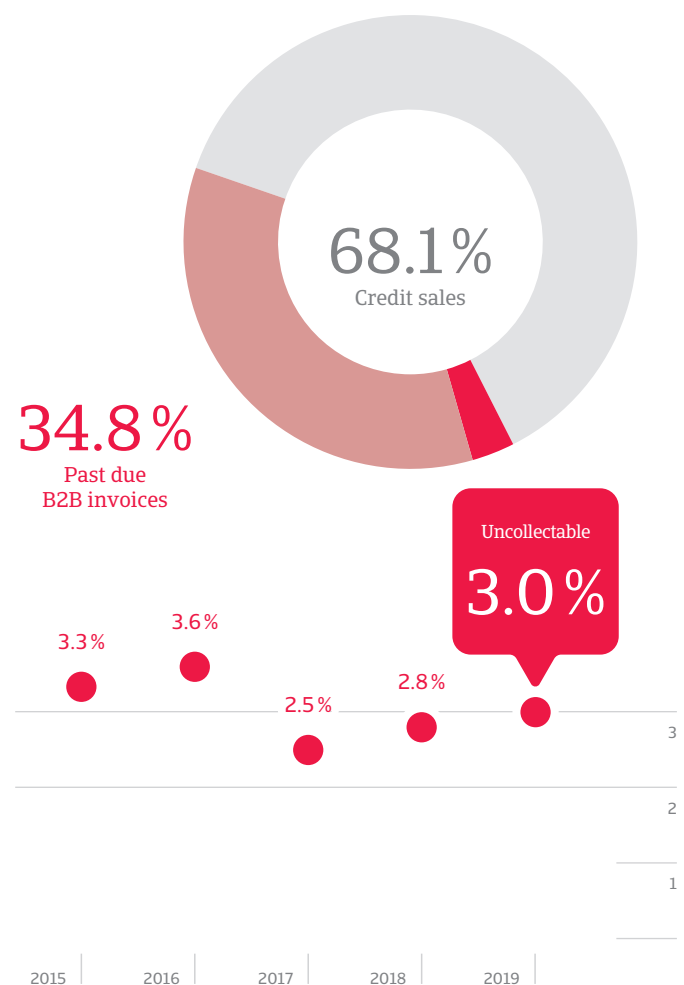
Over the past year, the payment behaviour of B2B customers of Greek large enterprises deteriorated significantly. The proportion of paid on time invoices decreased to nearly 40% from 62% last year. Despite this worsening, respondents from Greek large enterprises have improved the average timing for collection of past due payments (on average within 70 days from invoicing down from 96 last year). This is particularly true of the shorter-term outstanding ones. Respondents from both micro enterprises and SMEs recorded an improvement in their customers' payment practices. This in turn led to an improvement in the average invoice-to-cash turnaround, which for SMEs occurs on average within 86 days from invoicing (down from 90 last year), and for micro enterprises occurs on average after 79 days from invoicing (down from 95 last year).

Greek SMEs recorded the highest rate of receivables written off as uncollectable

Greek SMEs have a markedly worse track record when it comes to collecting overdue payments, with 3.5% of B2B invoices written off as uncollectable (up from 2.9% last year). The average for both large and micro enterprises is 2.7% (up from less than 2.3% last year).

Uncollectable B2B receivables in Greece

(% of total value of B2B receivables)





Survey design for Western Europe

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the 'Atradius Payment Practices Barometer'. In this report focusing on Western Europe, which is part of the 2019 edition of the Atradius Payment Practices Barometer, companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Spain, Sweden, Switzerland, The Netherlands and United Kingdom) have been surveyed. Due to a change in research methodology for this survey, for some of the current results, no year-on-year comparison is feasible.

Using a questionnaire, Conclusr Research conducted a net of 2.770 interviews. All interviews were conducted exclusively for Atradius, without any combination of topics.

Survey scope

- Basic population: companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Spain, Sweden, Switzerland, The Netherlands and United Kingdom) were monitored. 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.
- Sample: N=2.770 people were interviewed in total (approximately n=200 people per country). In each country, a quota was maintained according to three classes of company size.
- Interview: Web-assisted personal interviews (WAPI) of approximately 15 minutes duration. Interview period: Q3 of 2019.

Sample overview – Total interviews = 2.770

Country	n	%
Austria	221	8.0%
Belgium	216	7.8%
Denmark	200	7.2%
France	209	7.6%
Germany	210	7.6%
Greece	200	7.2%
Ireland	204	7.3%
Italy	225	8.1%
Spain	229	8.3%
Sweden	214	7.7%
Switzerland	209	7.7%
The Netherlands	210	7.6%
United Kingdom	223	8.0%
Industry	n	%
Manufacturing	945	34.1%
Wholesale trade/ Retail trade / Distribution	1,526	55.1%
Services	299	10.8%
Business size	n	%
Micro enterprises	936	33.8%
SME (Small/Medium enterprises)	946	34.8%
Large enterprises	945	31.4%

It may occur that the results are a percent more or less than 100%. 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.

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Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Western Europe. This is part of the October 2019 Payment Practices Barometer of Atradius, available at www.atradius.com/publications

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For more **insights into the B2B receivables collection practices in Greece** and worldwide, please see the International Debt Collections Handbook by Atradius Collections (free download after registration), available on www.atradiuscollections.com

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