

**Atradius Payment Practices Barometer
June 2022**



**Vietnam: unpaid B2B trade debt and
write-offs dent business liquidity**

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About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

It contains direct feedback from businesses in a given market or region about how they manage payment default risks related to selling on credit to B2B customers. Topics covered include: payment terms, the time it takes to collect invoices, managing payment delays, the impact of payment delays on business, and expected business trends.

We believe these survey results will offer compelling insights into the markets and regions where you do business.

This is the report for Vietnam.

Vietnam: overview of key survey findings

6% write off



Sales on credit increase amid concern over payment defaults and DSO

- Trading on credit with B2B customers is trending upward in the Vietnam market, with a prime focus on encouraging repeat business among existing loyal and trusted customers. One significant factor related to this is a rise in the number of companies who reported offering more liberal payment terms. However, almost half of the total value of B2B sales on credit remained unpaid at the due date, prompting the threat of liquidity squeeze on businesses. An extra concern expressed by businesses is the level of debts written off as uncollectable.
- Partly due to the longer payment terms being granted, nearly half of the businesses polled said their Days Sales Outstanding (DSO) is worsening. This highlighted there was a need to enhance their credit management process, with the use of various measures like the avoidance of credit risk concentration and more rigorous checks on the credit quality of customers. Some businesses told us they requested cash payments on delivery, while others were offering discounts for faster settling of invoices.

Confident outlook, but crucial focus on strategic credit management

- A generally positive outlook was revealed among businesses in Vietnam -- despite the effects of the pandemic and concern about supply chains being threatened with disruption by global economic instability. There is an almost universal expectation that B2B payment practices of customers will improve in the coming months, while another strong indication of business confidence in the Vietnam market is that a significant number of companies also anticipate an increase in trading on credit.
- The need for strong strategic credit management was a crucial theme throughout the survey. Some companies in Vietnam told us they preferred to manage this in-house even with the danger of a strain on their resources, but an increasing number said they were opting for credit insurance cover to protect the strength of their business. Reported benefits of this strategy, aimed at protecting the business against customer payment default and bad debts, include access to in-depth risk information and regular market intelligence, while also helping to improve DSO and free up working capital.

Vietnam: credit sales and payment terms (B2B)

Trading on credit with B2B customers on the rise, focus on customer loyalty

- Companies polled in Vietnam told us they transacted an average of 58% of the total value of their business-to-business (B2B) sales on credit during the past months, illustrating how this trade practice plays a significant role in the Vietnam market. Almost seven in ten companies, the majority from the consumer durables industry, said they accepted trade credit requests from B2B customers far more often than previously. Where B2B trade credit requests were rejected, this was mainly due to costs of trade receivables carrying and management being deemed unsustainable.
- Our survey found that encouraging repeat business with trusted customers is the key reason for B2B trading on credit for 35% of Vietnam companies -- and is the dominant factor in the extremely competitive local agri-food industry. Another factor driving trade on credit is that it becomes a source of short-term funds for customers with temporary liquidity shortfalls, and it is used to replace or supplement bank loans. Vietnam's steel industry, which is highly dependent on imported inputs, told us this was the reason they most often traded on credit with B2B customers.

Credit sales boosted by longer time to pay, companies seek insurance protection

- Whichever reason influenced companies' decisions to sell on credit to B2B customers, a vast majority of businesses polled in Vietnam (66%) said it meant offering customers more liberal payment terms. This was reported particularly by chemicals companies, who said they frequently did so when spotting a good business prospect that could boost sales growth. The remaining companies told us they either did not change their customary payment terms or needed to significantly shorten them due to customer credit quality deterioration. Despite the more lenient approach found in the survey, local practices in Vietnam tend to foster fast payment of invoices, within a 30-day average from invoicing.
- A majority of Vietnam companies (60%) told us the length of payment terms offered to B2B customers chiefly reflects their customary internal trade practices. This was especially so in the local agri-food businesses, with its focus on cultivating customer loyalty. 47% of businesses polled said payment terms are usually set in alignment with availability and cost of funds needed to run the business during the time the company's liquidity is tied up in credit sales. The textile/clothing industry reported this particularly and may explain why companies in the sector see the value of a credit insurance cover as a financing tool.



47%

of businesses polled said payment terms are set in alignment with availability and cost of funds needed to run the business while awaiting payments from customers.

Vietnam: customer payment default (B2B)

Unpaid B2B trade debt and write-offs dent business liquidity

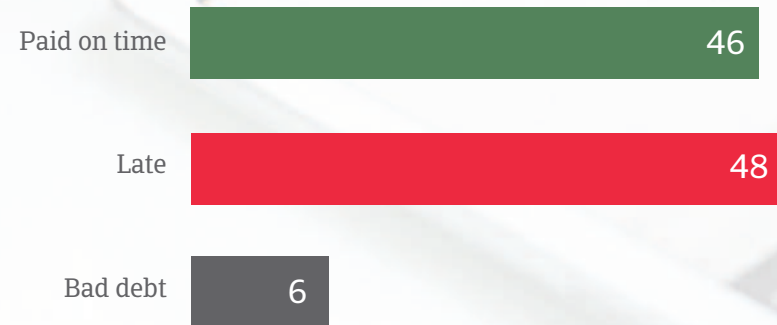
- Vietnam businesses are not immune to the disruption caused by the pandemic and the unsettled global economic environment, nor to the impacts of customer payment default – and our survey found that 48% of the total value of Vietnam businesses' B2B sales on credit remained unpaid at the due date. A significant number of companies polled said they needed measures to avoid being liquidity squeezed – using external financing, bank overdrafts, or delaying payments to their own suppliers. The latter, though, can trigger a ripple effect along the chain, and mean even trusted customers with excellent payment records can be hit by a liquidity crisis. This, in turn, shows the value of having good insight into customer strength and seeing far along the supply chain.
- An additional concern for companies in Vietnam is debts written off as uncollectable, an inherent risk in trading on credit. Our survey found that write-offs amounted to 6% of all B2B invoices, and that the figure rose to a whopping 9% in the Vietnam steel/metals industry, a reflection of the current highly challenging economic and trading global landscape. This may explain why businesses told us they were trying to improve the situation by enhancing collection efficiency and minimizing debt collection costs.

Customer payment default mainly due to liquidity issues and admin troubles

- 70% of companies polled in Vietnam believe liquidity issues are a key reason for payment default by B2B customers. This was especially reported in the textile/clothing and consumer durables industries, probably because they are strongly export-oriented and tough global economy conditions have weakened the financial position of overseas customers. It may explain why nearly half of Vietnam businesses said they needed to further enhance their credit management process. Among the measures cited were monitoring customer credit quality and spending more time and resources to chase unpaid invoices.
- Financial weakness of customers is not the only reason for payment default, however, with 52% of companies polled saying it was also due to administrative inefficiencies in the customer payment process, a particular issue in the agri-food industry. One quarter of businesses said payment defaults were due to disputes with customers, reported most often in the steel/metals industry. Another factor cited was intentional late payment for various reasons, chiefly by businesses in the textile/clothing and chemicals industries.



Vietnam: % of the total value of B2B invoices paid on time, overdue and bad debt as uncollectable



Sample: all survey respondents
Source: Atradius Payment Practices Barometer - June 2022

Vietnam: impact of customer payment default (B2B)

Avoidance of credit risk concentration and credit control utmost priority

- Due to the significant impact of customer payment default, Vietnam businesses reported increased awareness about the value of protection against unexpected losses. This is to avoid jeopardising their liquidity position. As a crucial step to enhancing their credit management process, businesses polled said they focused on improving assessments of customer creditworthiness. The aim is to steer B2B sales on credit away from poor quality customers towards good prospects, while at the same time monitoring customer credit quality to anticipate warning signs of potential payment default.
- Other strategies to boost credit management were also reported. 61% of companies polled, and especially in the steel/metals industry, said they actively used measures to avoid credit risk concentration – on either a single customer, or on groups of customers with the same features. Many businesses in Vietnam told us they requested cash payments on delivery, while others said they also suspended delivery until the payment of the invoice, which was particularly reported in the textile/clothing industries.

Flexible approach to reduce DSO, but challenges remain

- Almost half of companies polled in Vietnam (47%) said a weakening in their liquidity position during the past months was due to a worsening of their Days-Sales-Outstanding (DSO), the length of time between invoicing and getting paid by customers. Most businesses told us this DSO worsening chiefly stemmed from a more liberal trade credit policy with B2B customers – and suggests the extra leniency came without adequate measures to protect against payment default. A reduced efficiency in collection of long unpaid trade debt was the key reason for DSO worsening and cash flow deterioration, particularly noted in the steel/metals industry.
- Vietnam businesses took a range of actions to reduce the length of DSO and thus help to improve cash flow. The device used most often was negotiating shorter payment terms with B2B customers, while another was offering discounts for faster invoice payment, a technique successfully used by many companies exporting around the world, and one which can be very attractive for potential customers in a competitive market.



Average time it takes to convert overdue B2B invoices into cash (year-on-year change)

(% of respondents)



Sample: all survey respondents - Source: Atradius Payment Practices Barometer - June 2022

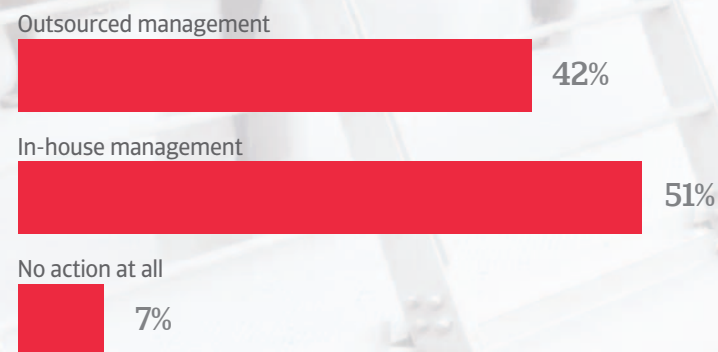
Vietnam: management of customer payment default (B2B)

Businesses show proactive approach to strategic credit risk management

- Managing customer risk in-house was the option taken in recent months by 51% of companies polled in Vietnam, while 42% either outsourced the issue to a credit insurer or purchased specific trade finance solutions. Retaining customer credit risk in-house was particularly noted in the textile/clothing sector, which said it usually involved setting aside funds to cover potential losses. The danger of this strategy is that it strains resources and prevents a company using those funds to expand their business. Resorting to self-insurance also means spending time and resources to develop and execute internal credit management procedures.
- Outsourcing credit risk management to a credit insurer was reported by Vietnam companies to have significant benefits, including access to in-depth risk information on potential customers and services like regular market intelligence and debt collection. Having a credit insurance cover also helped improve DSO and free up working capital, noted especially by consumer durables companies. Some businesses opted for letters of credit commonly used in commodity trading, while others resorted most frequently to trade receivables securitization or factoring. The latter was quite often used to complement a credit insurance cover.

Vietnam: over the past 12 months, how have you managed the risk of customer payment default?

(% of respondents)



Sample: all survey respondents (multiple choice survey question)
Source: Atradius Payment Practices Barometer - June 2022

Vietnam: the business outlook (B2B)

Business confidence high, positive outlook for B2B trading on credit

- There is strong confidence in the ongoing recovery of the domestic economy during the coming months, and a positive finding of our survey is that all companies polled in the Vietnam market expect payment practices of their B2B customers to improve going forward. Another clear indicator of business confidence is shown by the significant number of companies who anticipate strong expansion of trading on credit terms with B2B customers. This is because they consider customer loyalty and repeat business from established B2B customers to be the driving force behind their business growth.

Concern over DSO worsening and coping with extra demand as economy rebounds

- Despite this expected improvement in domestic B2B payment practices, a vast majority of the companies polled (71%) expressed concern about a deterioration of their DSO triggered by the interplay between a more liberal credit policy and lower efficiency in collection of unpaid trade debts -- particularly those related to export B2B trade on credit. Against this backdrop, most Vietnam businesses who already have a credit insurance cover told us they would continue using it. This was particularly evident in the consumer durables industry, while many steel/metals companies said they would also consider credit insurance cover in the coming months.
- Looking ahead, more than one third (34%) of the Vietnam companies polled said their main concern is to keep pace with rising demand for their products and services due to the rebound of the domestic economy, a particular issue in the textile/clothing industry. In contrast, coping with the ongoing effects of pandemic-led disruptions is a strong worry in the consumer durables industry. Fears about a potential fall in demand for their products and services was expressed by another 30% of businesses, mainly in the agri-food industry, while a quarter of companies across all industries polled were anxious about ongoing supply chain disruptions impacting their business.

Vietnam: top 5 greatest challenges to business profitability in 2022

% of respondents

Keeping pace with rising demand for our products and services



Ongoing impact of pandemic on our business



Falling demand for our products and services



Supply chain issues



Maintaining adequate cash flow



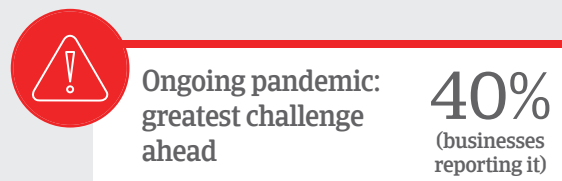
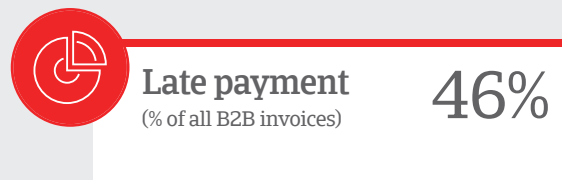
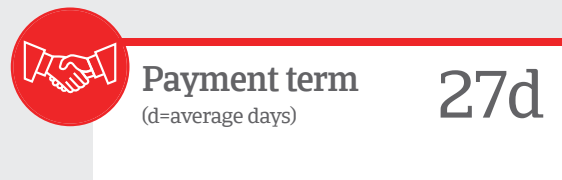
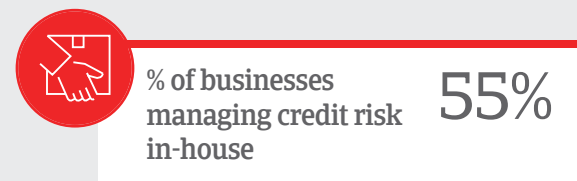
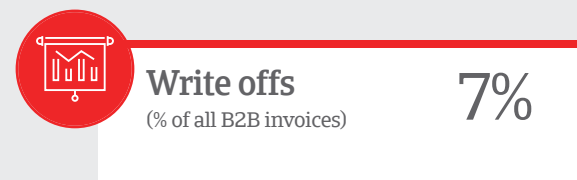
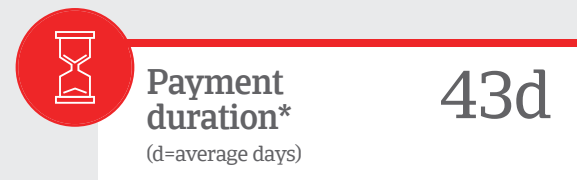
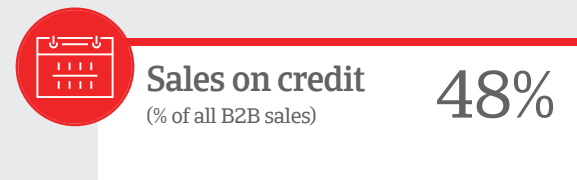
Sample: all survey respondents (multiple choice survey question)

Source: Atradius Payment Practices Barometer - June 2022

Vietnam: overview of key survey findings by industry

Agri/Food

Data not available for 2021



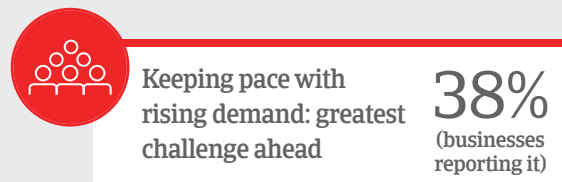
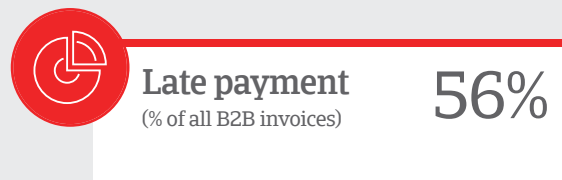
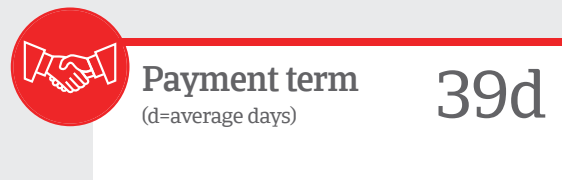
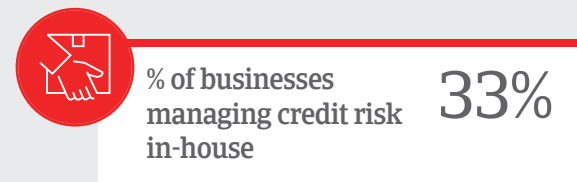
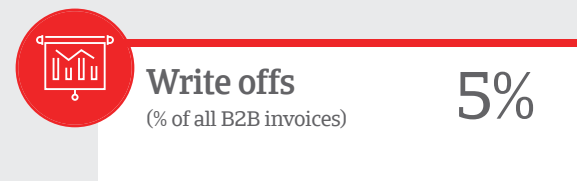
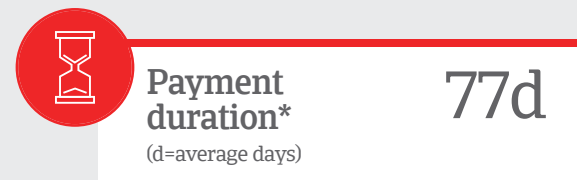
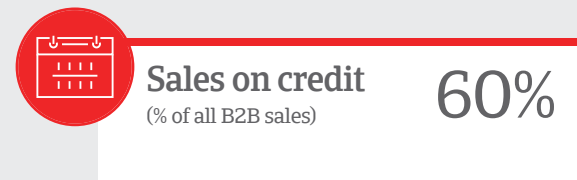
* payment term on the invoice plus any delay.



Vietnam: overview of key survey findings by industry

Chemicals

Data not available for 2021



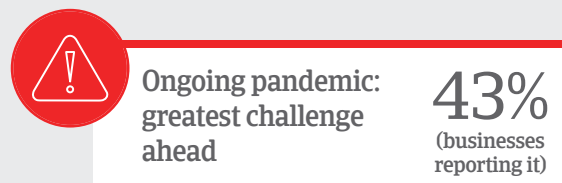
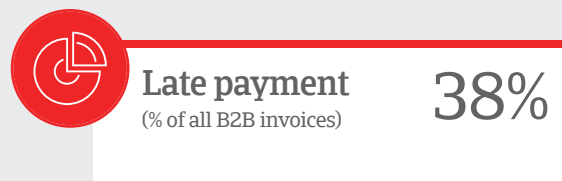
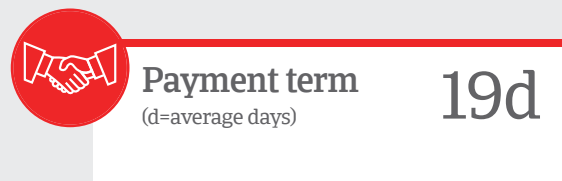
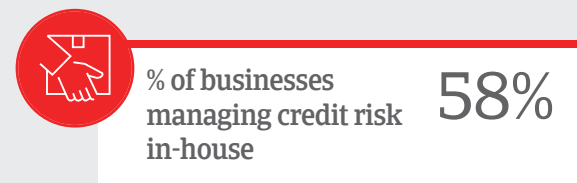
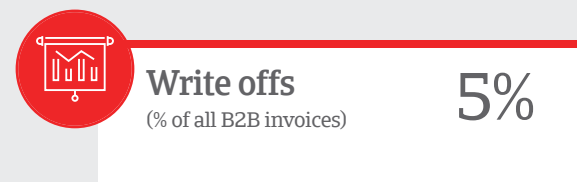
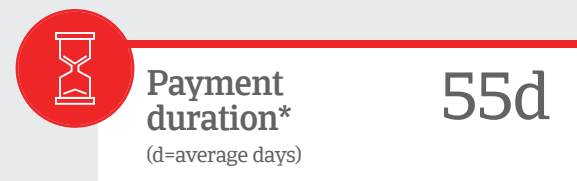
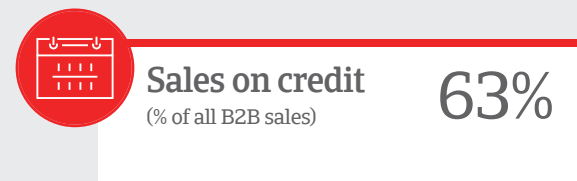
* payment term on the invoice plus any delay.



Vietnam: overview of key survey findings by industry

Consumer Durables

Data not available for 2021



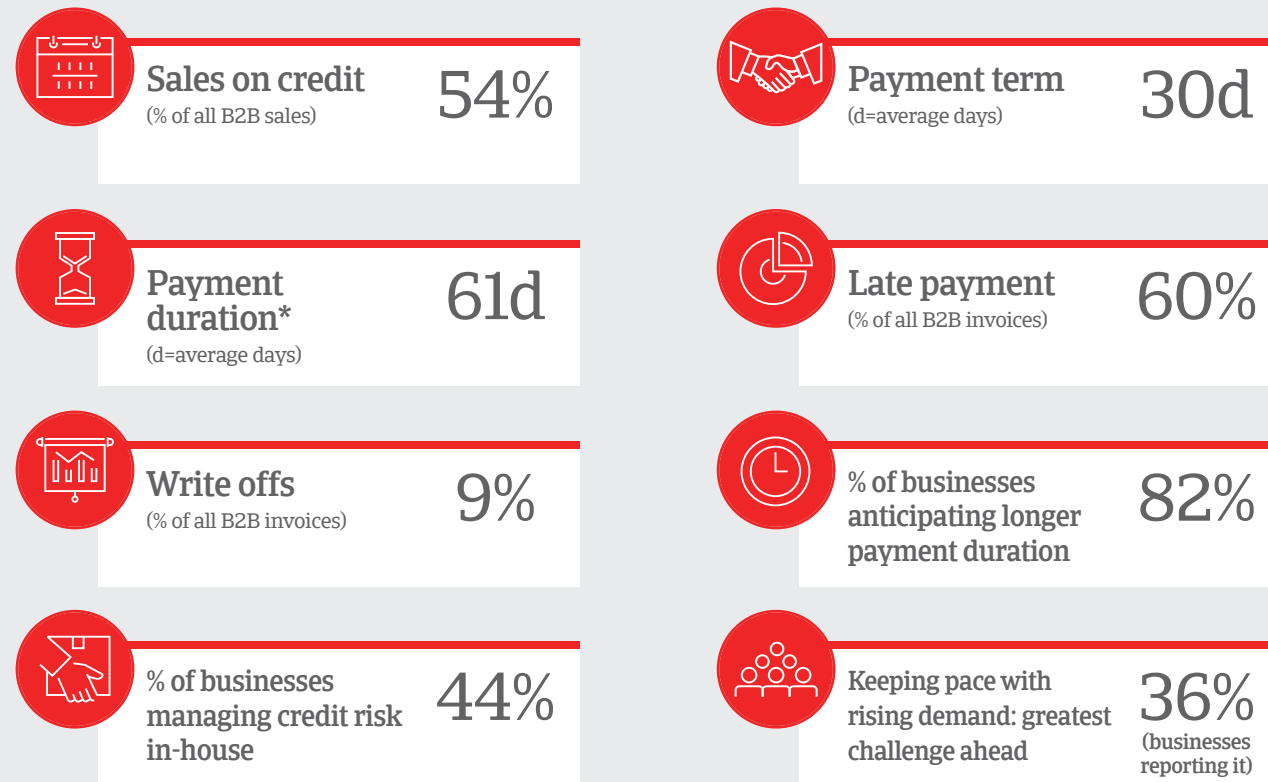
* payment term on the invoice plus any delay.



Vietnam: overview of key survey findings by industry

Steel/Metals

Data not available for 2021

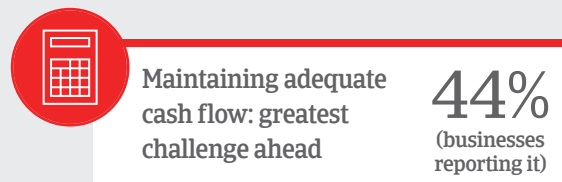
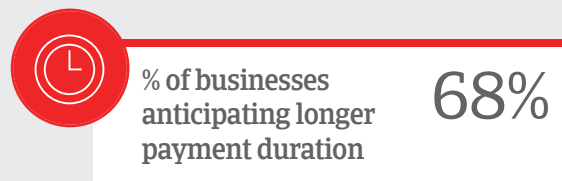
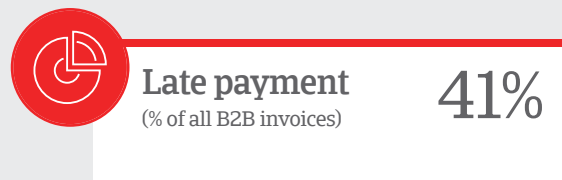
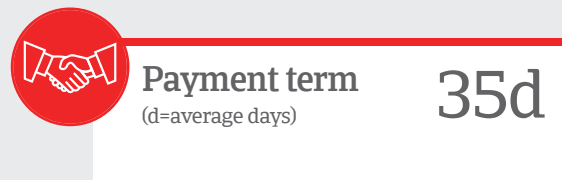
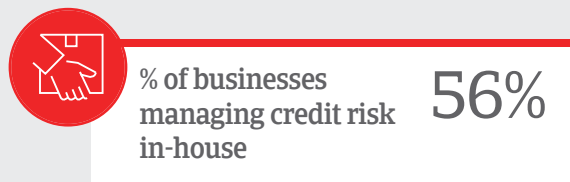
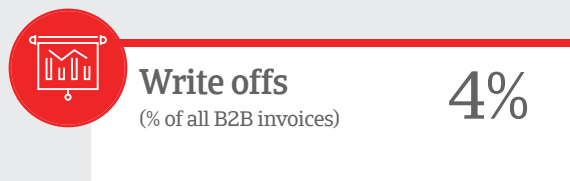
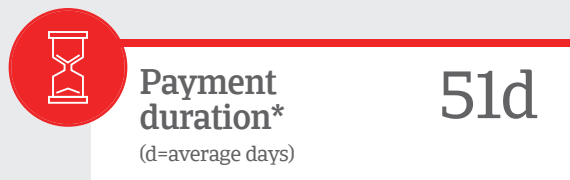
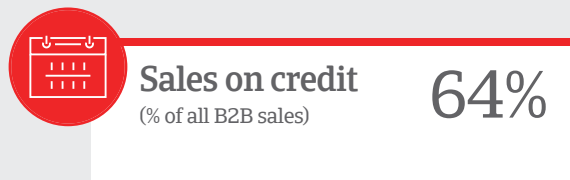


* payment term on the invoice plus any delay.



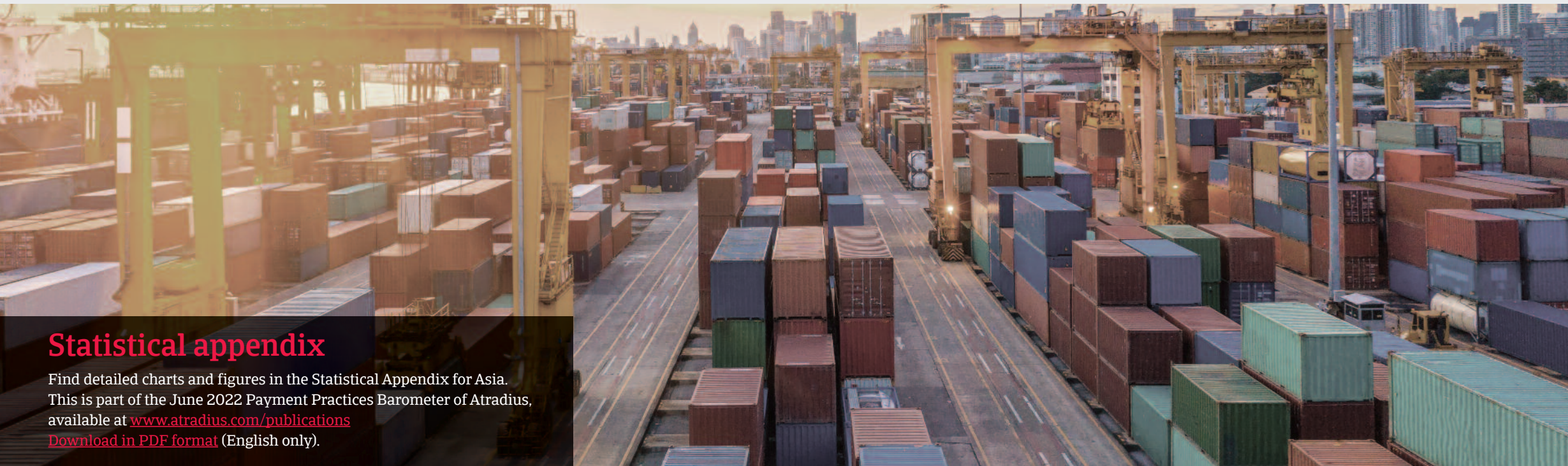
Vietnam: overview of key survey findings by industry

Textile/Clothing



* payment term on the invoice plus any delay.

Glossary



Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Asia. This is part of the June 2022 Payment Practices Barometer of Atradius, available at www.atradius.com/publications.
[Download in PDF format](#) (English only).

Payment term (credit period, credit term)

The period after delivery or shipment of goods or after rendering of services at the expiry of which invoices are due to be paid.

Overdue invoice (past due invoice, defaulted invoice)

A customer's obligation that has not been paid by its due date.

Write-offs

Overdue invoices that cannot be collected and therefore are treated as bad debts and written off as uncollectable.

Days Sales Outstanding (DSO)

Average time (days) a company takes to convert its credit sales into cash or cash in the outstanding payments from its customers.

Survey design

Survey objectives

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Vietnam companies are the focus of this report, which forms part of the 2022 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 200 interviews in total. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** Companies from Vietnam were surveyed, and the appropriate contacts for accounts receivable management were interviewed
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** 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=200 people were interviewed in total. A quota was maintained according to three classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration.
Interview period: Q2 2022.

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For more insights into the B2B receivables collection practices in Vietnam and worldwide, please go to www.atradiuscollections.com

For Vietnam <https://atradius.sg/atradius-vietnam.html>

Email: info.vn@atradius.com

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Sample overview – Total interviews = 200

Business sector	Interviews	%
Manufacturing	90	45
Wholesale	26	13
Retail trade / Distribution	53	26
Services	31	16
TOTAL	200	100
Business size	Interviews	%
Micro enterprises	30	15
SME - Small enterprises	32	16
SME - Medium enterprises	30	15
Large enterprises	108	54
TOTAL	200	100
Industry	Interviews	%
Agri/Food	40	20
Chemicals	40	20
Consumer Durables	40	20
Steel/metals	39	20
Textiles/clothing	41	20
TOTAL	200	100

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