



Atradius Payment Practices Barometer

International survey of B2B payment behaviour
Survey results for Brazil



Survey design for the Americas

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 2014 edition conducted in 4 countries in North and South America. Using a questionnaire, Conclusr Research conducted a net of 839 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 (Brazil, Canada, Mexico, the United States of America (US)). 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=839 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. Telephone interviews (CATI) of approximately 15 minutes duration. Interview period: 2nd Q 2014

Sample overview – Total interviews = 839

Country	n	%
Brazil	209	25.0
Canada	210	25.0
Mexico	210	25.0
US	210	25.0
Industry	n	%
Manufacturing	229	27.3
Wholesale / Retail / Distribution	241	28.7
Services	369	44.0
Business size	n	%
Micro-enterprises	272	32.4
SMEs (Small/Medium enterprises)	463	55.2
Large enterprises	104	12.4

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 Brazil

The greatest challenge to business profitability this year

In Brazil, Latin America's second largest emerging market, the economic environment has become more challenging over the past year and, as a consequence, risks are rising. The country's unbalanced policy mix and limited structural reforms have reduced its shock absorbing capacity and diverted it from a path of sound economic growth. The economy is forecast to grow 1.8% this year and 2.0% in 2015, down from 2.3% last year. Additionally, Rising interest rates, weakening earnings and currency depreciation (which has ended) have heightened credit risk, particularly in the corporate sector. Against this economic background, respondents in Brazil were asked to indicate the greatest challenges to their business profitability this year. The highest percentage of respondents (33.5%, chiefly in the wholesale/retail/distribution sector and from large enterprises) reported that maintaining sufficient cash flow levels will be their biggest challenge. This percentage, which is consistent with the 31.0% average for the Americas (Europe: 32.4% of respondents), is the highest of the countries surveyed in the region. The other challenges to business profitability examined - a falling demand for products and services, collection of outstanding invoices and bank lending restrictions - seem to be less worrisome for respondents in Brazil. 24.4% said that falling demand for their products and services will be the greatest challenge to business profitability this year. This percentage compares to 26.5% of respondents in the Americas (Europe: 32.2%). In Brazil, collection of outstanding invoices and bank lending restrictions are perceived as being equally challenging to business profitability this year (21.1% of respondents each). This compares to a 22.5% regional response rate for collection of invoices and 20.0% for bank lending restrictions (Europe: 21.8% and 13.6% respectively).

The greatest challenge to business profitability in Brazil



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

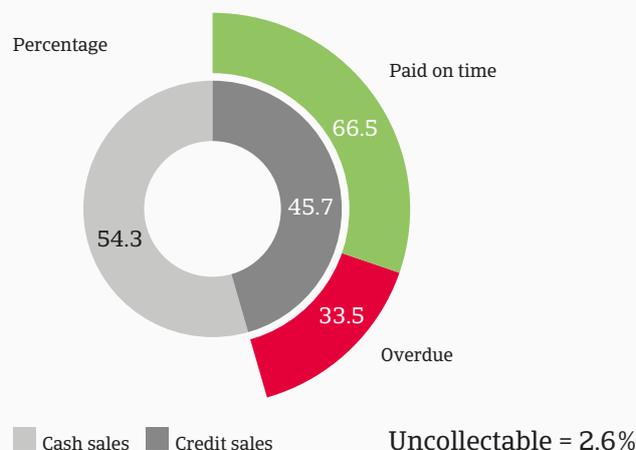
More information in the [Statistical appendix](#)

Past due receivables and uncollectables

Late or non-payment can have a serious impact on a business' turnover and cash flow. Not only because bad payment behaviour of buyers costs a business time and money in respect to pursuing debt collection, but also because bad debt reserves

represent money that is unavailable for use in growing the business. In addition to that, the longer the receivables remain outstanding, the lower the likelihood of turning them into cash. Based on survey responses in Brazil, 33.5% of the average total value of the B2B invoices issued by respondents in the country remained unpaid by their customers after the due date. This sits below the 38.4% average for the Americas (Europe: 36.4%). The average total value of past due B2B invoices is almost uniformly distributed across all the industries and business size groups surveyed in Brazil. While Brazil has a lower percentage of invoices still unpaid 90 days after the due date (average 4.4% vs. 5.2% for the Americas overall and 4.6% for Europe), the percentage that is uncollectable is less favourable. 2.6% of the average total value of receivables are written off by respondents as uncollectable (average for the Americas: 2.7%; Europe: 1.7%). Based on these averages, it is possible to conclude that, on average, businesses in Brazil lose 61.3% of the value of their B2B receivables that are still unpaid over 90 days past due (average for the Americas: 51.9%; Europe: 35.0%).

Average total value of B2B receivables by payment timing in Brazil



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

More information in the [Statistical appendix](#)

Days Sales Outstanding - DSO

Respondents in Brazil posted a DSO averaging 59 days, which climbs to 66 days in the services sector. This is the highest across the countries surveyed in the Americas, where the average DSO is 48 days (in line with the 50 days in Europe). Around 60.0% of the respondents in Brazil reported a DSO ranging from 1 to 30 days; just over 23.0% ranging from 31 to 90 days, nearly 16.5% posted a DSO of over 90 days. This latter percentage is the highest of the countries surveyed in the Americas. The average DSO emerging by responses in Brazil is notably more than the 29 days average payment term recorded in the country (average for the Americas: 28 days; Europe: 31 days). A comparison of the

average DSO with the average payment term in the country reflects bad payment behaviour from quite a few B2B customers of respondents in Brazil. Furthermore, it suggests that respondents have to wait on average one additional month from the invoice due date to collect a considerable part of the value of their credit sales. In addition to increasing payment risk, slow payment can reduce access to financing and put financial stress on production. The above mentioned survey findings may explain why nearly 74.0% of the respondents in Brazil reported they become concerned about the sustainability of their business when DSO exceeds the average payment term by 31 or more days (respondents in the Americas: 74.7; Europe: 77.0%). In light of the trade credit risk scenario evidenced by responses in Brazil, businesses should consider the importance of having enhanced credit management policies in place. In this respect, by insuring its B2B receivables a business gets the most comprehensive protection against insolvency or payment default. It can help reduce losses from payment defaults, stabilize cash flow and enable a supplier to offer more comprehensive payment terms. Essentially it can be an important component of a business' competitive strategy.



More information in the [Statistical appendix](#)

Main reasons for late payment from B2B customers

It is very difficult for a business to predict which customer will delay or default on payment. Therefore presale knowledge of customers' payment behaviour becomes an essential step towards protection of a business' profit and cash flow. Based on responses in Brazil, late payment of invoices by domestic B2B customers occurs most frequently due to lack of liquidity (46.2% of respondents, compared to 46.6% in the Americas and to 49.5% in Europe). Respondents in the manufacturing sector and SMEs are impacted most frequently by late payments of domestic customers. Late payment of Invoices by respondents' foreign customers, conversely, is most often due to inefficiencies of the banking system. This according to 39.7% of respondents in Brazil, the highest percentage of the countries surveyed in the Americas (regional survey average: 33.0%; Europe: 23.8%). The most impacted by late payment from foreign customers are respondents in the services sector and from large enterprises.

Credit management policies used by respondents

To mitigate the risks inherent in offering trade credit in transactions with B2B customers, 83.4% of respondents in Brazil, mainly in the manufacturing sector and from SMEs, employ spe-

cific credit management policies. This response rate is in line with the 81.5% of respondents in the Americas, whereas it is far higher than the 58.3% of respondents in Europe. More specifically, around 53.0% of respondents in Brazil reported that, when a credit sale is made, they monitor their buyers creditworthiness to try to avoid payment defaults. The same percentage of respondents request secure forms of payment from their B2B customers, most often cash with order or cash with delivery (around 55.0% of respondents). The payment method that respondents in Brazil accept the most often in B2B transactions are electronic/bank transfers (77.9% of respondents vs. 74.4% in the Americas, and 83.8% in Europe). This finding may be read in conjunction with our earlier observations about late payment of invoices from foreign customers, which is most often due to inefficiencies of the banking system. Credit card appears to be the second most often accepted method of payment in B2B transactions of respondents in Brazil (56.9% of respondents, vs. 55.0% in the Americas and nearly 30.0% in Europe). Consistent with the response rate for the Americas, PayPal is currently the least used payment method that respondents in Brazil accept from B2B customers (30.9% of respondents vs. 31.8% in the Americas and 15.3% in Europe). However 68.3% of respondents in Brazil anticipate increasing use of PayPal in B2B transactions. This is consistent with our earlier finding that respondents in Brazil are inclined to request secure forms of payment in B2B trade.

Most often used credit management policies in Brazil



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

More information in the [Statistical appendix](#)

Payment Practices Barometer for the Americas

The findings related to each of the countries surveyed in the Americas are presented in the Statistical Appendix to this report. The regional Atradius Payment Practices Barometer report for the Americas, as well as its Statistical Appendix, are available for free and downloadable on the atradius.com website.

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.

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The [Statistical appendix](#) to this report is part of the September 2014 Payment Practices Barometer of Atradius (survey results for the Americas) available at www.atradius.com/Publications/Payment Practices Barometer. This appendix is available for download in PDF format (English only).

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