Atradius
Managing risk, enabling trade

November 2020

France: strong customer relations set business tone for 2021

Atradius Payment Practices Barometer

Survey results for France

The Atradius Payment Practices Barometer is an annual survey that assesses business payment behaviour throughout the world. The survey explores a range of topics including payment terms, payment delays, credit sales and DSO (Days Sales Outstanding).

The survey provides us with the opportunity to hear directly from businesses and, this year, gives us insight into how businesses are coping with the COVID-19 pandemic and global recession.

In this report, you will find the survey results for France.

Yves Pierre Poinsot, Atradius Country Manager for France commented on the report:

"COVID-19 has significantly impacted french economy and there remain many questions on what will happen in 2021. The fact is we simply don't know how long the pandemic will last.

Despite governmental measures designed to help prop up businesses, many sectors have hardly suffered from the lockdowns and forced closures with a significant increase in late payment affecting their cash flow.

Some sectors, such as machines sector, are protecting their receivables with a wider use of credit insurance. Facing the uncertainty of our environment, it is important for businesses to protect their cash flow from non-payment risks offered by credit insurance, as risks are likely to increase in 2021."

Key takeaways

Businesses target domestic sales with proactive credit policies
72% of businesses surveyed in France reported that they most often accepted requests of trade credit to encourage sales on the domestic B2B market.

Credit terms become important source of short-term finance
The primary reason for the increase in payment terms includes providing B2B customers in financial distress with short-term financing. This was reported by 30% of businesses.

Late payment surge in France
45% of respondents told us they had to wait up to one month longer than last year to turn overdue invoices into cash, notably higher than the 22-day average for Western Europe overall.

COVID-19 pandemic leads to cash flow issues
Cash flow issues were reported by 44% of respondents in France, compared to 38% in Western Europe.

France leads region in sourcing credit information directly from customers
51% of respondents sourced credit information directly from the customers. This was highest across the countries surveyed in Western Europe, and well above the 38% average for the region.

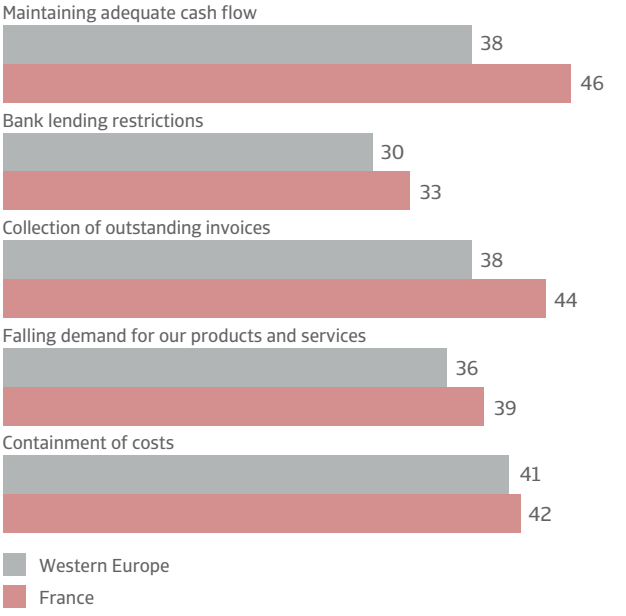
Businesses use trade credit as a tool to grow sales and provide short-term finance

France has been severely affected by the COVID-19 virus and in response implemented a long and stringent lockdown. This has impacted business throughout the country and has resulted in a strong contraction of GDP. 44% of businesses reported cash flow issues, above the average of 38% for Western Europe as a whole. However, it is also fair to say that different sectors have been impacted in different ways. The machines industry in France has been hit hard with 61% of businesses telling us they were experiencing liquidity shortages, significantly above the regional average of 42%. Late payments affect nearly half of businesses in the sector and a large proportion of the businesses we spoke admitted delaying payments to suppliers. In contrast, although 45% of businesses in the agri-food industry experienced cash flow issues, 38% reported no impact at all.

An interesting trend revealed by the survey is that after the start of the pandemic businesses in France began using trade credit as a tool to stimulate sales and provide short-term finance to customers. In addition to this being highlighted by businesses we spoke to, it can be seen in the dramatic lengthening of payment terms. However, there was also a big jump in late payments. In fact, France was second only to Greece in reporting the highest percentage of late payments in Western Europe. Despite all of this negativity however, businesses also reported working more closely with customers to develop a proactive approach to credit. They reported being more open to the idea of providing customers with access to short term finance, while in return suppliers directly provided financial information more often. Businesses plan to continue this approach into 2021 and about half report they expect to see customer creditworthiness improve next year.

This year's Payment Practices Barometer survey was conducted after the onset of the pandemic. Benchmarking the results to compare against last year's results provide us with a useful insight into how businesses are faring during the pandemic. Where possible the questions and interview groups are identical to last year, although there are some fluctuations.

France: top 5 challenges to business profitability in 2021



Sample: all interviewed companies
Source: Atradius Payment Practices Barometer – November 2020

Main survey results for France

■ **Businesses use trade credit in a bid to stimulate domestic sales**

Trade credit is currently involved in 44% of the B2B sales of the businesses surveyed in France, below the 55% average for Western Europe. Of those that use trade credit, about half (51%) told us that the total value of B2B credit sales increased by one third since the onset of the pandemic, compared to before the pandemic. For 38% there was no change. A significantly lower percentage of respondents (12%) reported a decrease in the total value of B2B sales made on credit.

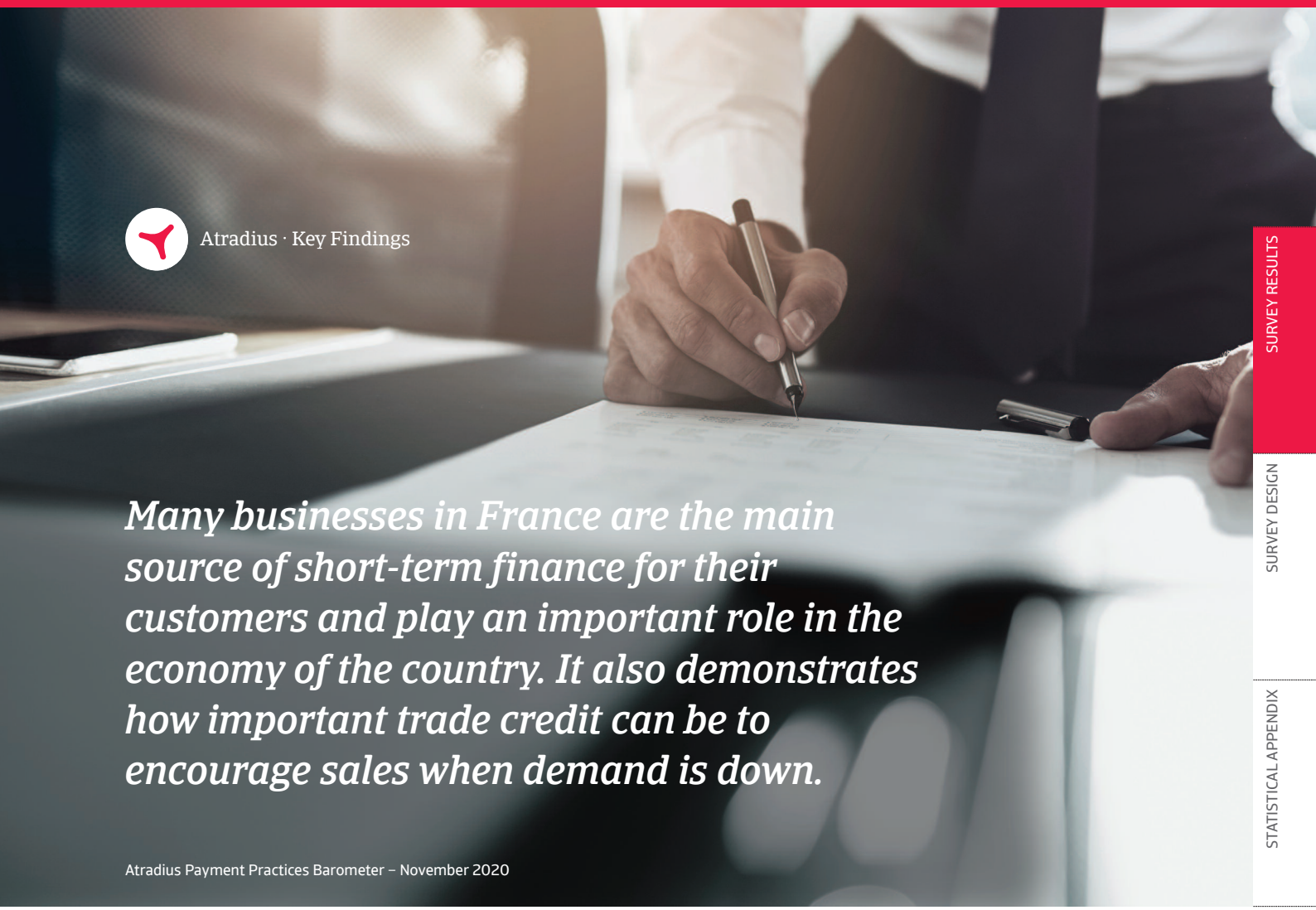
72% of businesses surveyed in France reported that they most often accepted requests of trade credit to encourage sales on the domestic B2B market. This is a much higher percentage than the 53% average for the region overall. When businesses turned down requests of trade credit, they most often did so due to a deterioration of the customer's creditworthiness. This tended to focus on SMEs and was reported more often in France than in Europe overall (48% of respondents, versus 45% in the region). On average, trade credit refusals amount to one third of the total B2B sales value.

■ **Longer B2B payment terms offered to businesses as short-term finance**

56% of the businesses surveyed reported setting payment terms of no more than 30 days on average. 20% of businesses set terms from 31 to 60 days. 11% set terms from 61 to 90 days and the remaining 13% from 90 days or longer. The latter represents more than a doubling on last year, when only 5% of the survey's respondents reported payments terms of 90 days or more.

57% of respondents reported granting longer payment terms to their B2B customers following the outbreak of the pandemic, up to 20 days longer. The average increase for Western Europe is 47%. This is a noteworthy change in payment trends, and can also be seen in the increase in average payment terms in days for the country. Last year this stood at 34 days. After the pandemic hit, this rose to 52 days. For 37% of businesses payment terms remained stable. Only 6% reported reducing payment terms, with an average of 10 days fewer than last year.

The main reasons driving the increase in longer terms include providing B2B customers in financial distress with short-term financing (reported by 30% of businesses in the country, regional average: 23%) and encouraging sales on the domestic market (27% of respondents in France and 32% in Western Europe).



Many businesses in France are the main source of short-term finance for their customers and play an important role in the economy of the country. It also demonstrates how important trade credit can be to encourage sales when demand is down.

Atradius Payment Practices Barometer – November 2020

Looking ahead, 30% of businesses told us that they plan to continue with the trade credit policies they developed at the start of pandemic. In effect this means that many businesses in France are the main source of short-term finance for their customers and play an important role in the economy of the country. It also demonstrates how important trade credit can be to encourage sales when demand is down.

■ **Late payments increased by an average of 78% year-on-year**

Late payments increased from 27% of the total value of invoices last year, to 48% this year. In addition, 48% of businesses told us this negatively impacted their costs (regional average: 47%). This corresponds with an average 78% increase year-on-year.

Of course, statistics show that the longer receivables remain unpaid, the lower the likelihood of collecting them. 45% of respondents in France told us they had to wait up to one month longer than last year to turn overdue invoices into cash (notably higher than the 22-day average for Western Europe overall). An average of 8% of the total value of B2B receivables was written off as uncollectable after the onset of the pandemic (above the 7% average for Western Europe). 8% of the total value of B2B receivables was also reported to be unpaid within 90 days. This indicates that, on average, businesses in France have lost 100% of the value of their B2B receivables that were not paid within 90 days.

The increase in late payments is reflected in the lengthening of DSO. 47% of businesses reported DSO increases of up to 10% (regional average 57%). 43% reported increases of more than 10% (regional average: 37%). Only 10% of businesses reported shorter DSO (regional average: 7%). DSO varies significantly across the industries. Increases of DSO above 10% were reported by 51% of businesses in the construction materials sector. Average DSO increases of up to 10% were reported by 40% of the businesses polled in the steel/metals industry. Significantly, increases of more than 10% were reported by 60%. Currently DSO stands at a 180-day average (above the 110-day average for the industry in Western Europe).

■ **Cash flow issues affect businesses in France**

Customer late payments increased in France following the onset of the pandemic, and caused cash flow difficulties for many businesses. This was reported by 44% of respondents in France, compared to 38% in Western Europe. 47% of businesses responded to the cash flow shortages by delaying payments to suppliers (regional average: 34%). France was only second to Greece in the percentage of respondents reporting the withholding of supplier payments. 35% of respondents told us they spent more on time, costs and resources to chase outstanding invoices (regional average: 37%). Hiring freezes were reported by 30% (regional average: 26%).

■ **Businesses change the way they approach credit checks, working more closely with customers**

Following the onset of the pandemic, we asked businesses how they assessed the creditworthiness of their B2B customers and whether this had changed from last year. 46% of businesses said that last year they usually relied on their customers' financial statements (regional average: 41%). However, following the onset of the pandemic, 51% began sourcing credit information directly from the customers. This was highest across the countries surveyed in Western Europe, and well above the 38% average for the region. 33% sourced agency credit reports (regional average: 23%) and 31% checked customer trade references more frequently than before the pandemic (regional average: 25%).

When assessing the customer's credit quality (and how this may have changed during the economic crisis) businesses reported focusing on the following areas: profitability, ability to generate cash and financial flexibility. They also monitored the customer's ability to access cash and told us that they plan to focus on this area over the coming months.

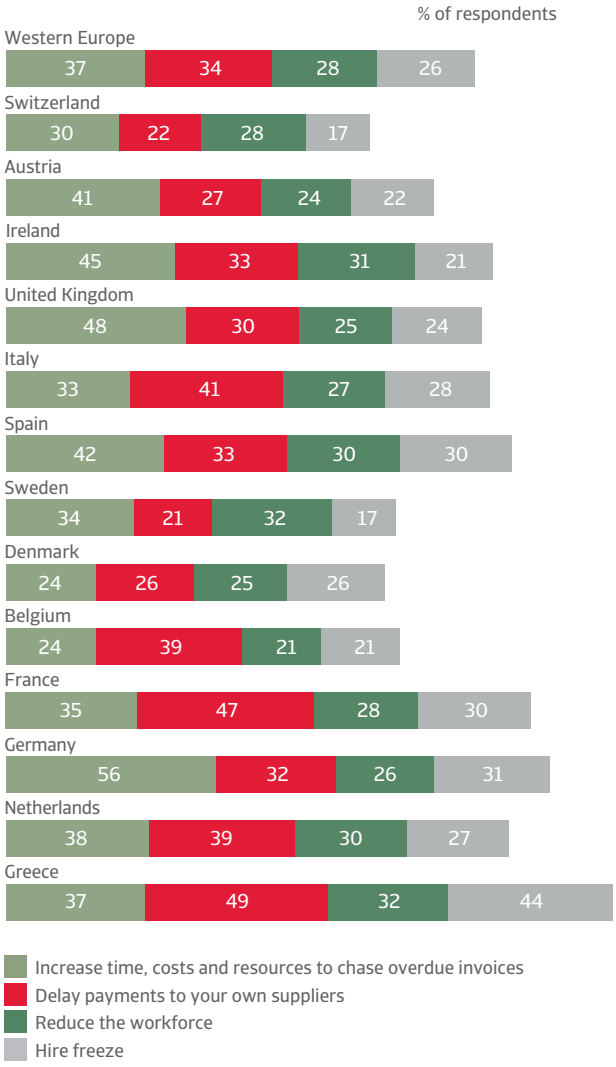
We asked businesses whether they applied a different credit management policy than before the pandemic. 50% of respondents told us that since the onset of the pandemic they began to retain and manage the risk of customer payment default internally through self-insurance more often (regional average: 47%). 49% started to send outstanding invoice reminders more frequently (regional average: 38%). Over the coming months, however, self-insurance appears to be the credit management technique favoured by most of the respondents (58% in France and 56% in Western Europe overall). In addition, respondents told us they plan to request more payment guarantees and payments in cash (57% in France and 50% in the region).

51% of the survey respondents told us they expected their customers' creditworthiness to improve in 2021 (slightly more than the average for Western Europe). 21% anticipate deterioration in their creditworthiness. The remaining 27% expect no change (close to the 29% average for the region).

Likewise, a majority of respondents believe the domestic economy will improve next year (as expressed by 58% in France and 57% in Western Europe). 26% expects it to get worse (regional average: 27%). The same goes for the outlook for the recovery of the global economy (48% expect growth and 33% expect a decline) and of international trade (45% growth and 36% deterioration).

Despite these expressions of business confidence, however, 46% of businesses told us that managing adequate cash flow represented the greatest threat to business profitability next year. This was followed by 44% who are concerned about the effective collection of outstanding invoices and 42% for whom containment of costs represents a threat to profitability. Businesses in France are more worried than their peers in Western Europe overall about debt collection and cash flow.

Western Europe: top 4 measures to manage liquidity issues due to the impact of the pandemic



Sample: all interviewed companies
Source: Atradius Payment Practices Barometer – November 2020

France: impact of the COVID 19-induced economic crisis on industries

Late payments and cash flow

- Late payments in the agri-food industry in France affect 52% of the total value of B2B invoices (significantly up from last year's 27%). 53% of respondents reported having to wait longer to cash in overdue invoices, up to 22 days on average. For 35%, there was no change in the average invoice-to-cash turnaround, while 12% cashed in overdue invoices earlier than before the pandemic.
- Average DSO increases of up to 10% were reported by 45% of respondents (regional average: 57%). 38% reported increases of more than 10% (regional average: 35%). Currently DSO stands at an 82-day average (well below the 108-day average for the industry in Western Europe).
- 45% told us they experienced cash flow difficulties due to the downturn. 38% reported no impact at all. This is consistent with the industry at regional level, where 37% reported a negative impact on cash flow and 27% told us their cash flow remained unaffected.
- 60% delayed payments to suppliers (above the regional average of 45%). 35% spent more time and resources on chasing unpaid invoices (regional average: 37%).

Approach to credit quality assessments

- After the onset of the economic crisis, businesses in the French agri-food changed the way they approached credit checks. Information provided by customers and financial statements are now the most common sources for creditworthiness assessments in the industry.
- Priority is given to evaluating the customer's ability to generate cash, alongside its financial flexibility and profitability. The majority of the industry reports that they will continue to monitor these areas over the coming months.

Approach to credit management

- Following the onset of the economic crisis, survey respondents told us they more often resorted to self-insurance and outstanding invoice reminders, as well as offering discounts for early payment of invoices. Over the coming months, businesses in the sector will request payment guarantees and plan to speed up debt collection.
- 56% of respondents expect customer creditworthiness to improve next year, while only 16% expect deterioration. This compares to 54% expecting improvement in Western Europe and 15% expecting deterioration.
- 62% of the industry in France anticipates a fall in demand to present the greatest challenge to profitability in 2021. This compares to 42% with the same concern at regional level.

2021 industry outlook

- 60% of respondents expect the domestic economy to improve over the next six months (regional average: 57%). 28% expect it to get worse (regional average: 27%). Similarly, the majority of businesses are optimistic about the outlook for the global economy (65% optimistic, 23% pessimistic) and international trade (50% optimistic, 30% pessimistic).

Late payments and cash flow

- Late payments affect 43% of the total value of B2B invoices (compared to last year's 28%). 43% of respondents reported having to wait longer to cash in overdue invoices, up to 25 days longer on average. For 46%, there was no change in the average invoice-to-cash turnaround, while 11% of respondents reported cashing in overdue invoices earlier than before the pandemic.
- Average DSO increases of up to 10% were reported by 40% of the businesses polled. Increases of DSO above 10% were reported by 51% of businesses. Currently DSO stands at a 100-day average (above the 91-day average for the industry in Western Europe).
- 43% of the respondents told us that they experienced liquidity issues due to the economic crisis (regional average: 32%). 29% reported no impact on cash flow (notably lower than the 50% of respondents at regional level).
- 51% of businesses delayed paying suppliers (regional average: 45%). 40% spent more time, costs and resources on chasing unpaid invoices (regional average: 33%).

Approach to credit quality assessments

- Businesses in the French construction materials industry told us they more often sourced credit information directly from customers and plan to use this alongside customer financial statements, bank references and credit reports issued by specialist agencies.
- The industry focuses on their customers' ability to generate cash, profitability and financial flexibility. They plan to retain the same approach over the coming months.

Approach to credit management

- Following the onset of the economic crisis, respondents told us they more often resorted to self-insurance and payment guarantees. Over the coming months, businesses plan to rely more on self-insurance and increase the use of outstanding invoice reminders.
- 54% of respondents expect their customers' creditworthiness to improve over the coming months (regional average: 39%). Just 14% expect to see a deterioration (regional average: 28%).
- 49% of the construction materials industry in both France and Western Europe as a whole considers containment of costs to present the greatest challenge to profitability in 2021. 46% believe the effective collection of outstanding invoices will pose the greatest challenge (regional average: 42%). For 43%, this will be maintaining adequate cash flow and restrictions to bank finance (regional average: 28%).

2021 industry outlook

- 77% expects the domestic economy to improve over the next six months (regional average: 51%). Only 9% expects it to get worse. Optimism about the outlook for the global economy is expressed by 69% of respondents (compared to 40% at regional level). 54% anticipate a brighter outlook for international trade over the coming months (regional average: 47%).

BUSINESS SERVICES

Late payments and cash flow

- Late payments in the French services/business services sector affect over half of the total value of B2B invoices (double compared to last year). 49% of respondents reported having to wait longer to cash in overdue invoices, up to 30 days on average. For 44%, there was no change and 7% reported cashing in overdue invoices earlier than before the crisis.
- Average DSO increases of up to 10% were reported by 43% of the businesses. Increases of more than 10% were reported by 49% of businesses. Currently DSO in the sector stands at a 150-day average (above the 92-day average for the industry in Western Europe).
- 43% of the businesses polled (regional average: 44%) told us they experienced cash flow issues caused by the economic crisis. 32% said that cash flow remained unaffected (28% in the region), while 25% reported a positive impact (28% in the sector at regional level).
- 41% of the French services/business services sector delayed payments to suppliers (regional average: 38%). 39% spent more on time, costs and resources to chase unpaid invoices (in line with the regional average).

Approach to credit quality assessments

- After the onset of the economic crisis, respondents told us they made wider use of information provided directly by the customer for credit assessments and now use these alongside financial statements and bank references.
- Businesses prioritise evaluating the customer's profitability and ability to generate cash. Survey respondents say they will retain this focus over the coming months alongside monitoring customer financial flexibility.

Approach to credit management

- Following the onset of the economic crisis, the sector's primary credit management practices include: payment guarantees (67% of respondents), self-insurance, outstanding invoice reminders and cash payment requests (55%). Over the coming months, businesses told us they plan to continue with this approach.
- 52% of industry respondents (regional average: 48%) believe their B2B customers' creditworthiness will improve over the coming months. In contrast, 21% believe it will deteriorate (regional average: 28%).
- According to 44% of the businesses in France and Western Europe, maintaining adequate cash flow presents the greatest challenge to profitability in 2021. This is followed by the containment of costs (cited by 41%, compared to 31% in the region).

2021 industry outlook

- The sector is optimistic about the outlook for the domestic economy over the coming months (52% expect it to improve, 32% to get worse). The same goes for the outlook for the global economy (40% optimistic, 37% pessimistic). Opinions about the outlook for international trade are almost evenly split (40% optimistic, 39% pessimistic).

MACHINES

Late payments and cash flow

- Late payments affect nearly 50% of the total value of B2B invoices in the French machines industry (a significant increase on last year's 28%). 44% of survey respondents reported having to wait longer to cash in overdue invoices, up to 30 days longer on average. 39% reported no change in average invoice–to-cash turnaround, while 7% told us they converted overdue invoices into cash earlier than before the crisis.
- Average DSO increases of up to 10% were reported by 44% of the industry. 48% reported increases of more than 10%. Currently DSO stands at a 119-day average (above the 110-day average for the industry in Western Europe).
- 61% of businesses revealed they experienced liquidity shortages due to the economic crisis (regional average: 42%). Only 17% reported cash flow to be unaffected. This contrasts with the industry at regional level, where 27% reported the same.
- To safeguard liquidity levels and contain costs due to the increase in late payments, businesses delayed paying suppliers and enacted hiring freezes (40% each, compared to 32% and 22% respectively).

Approach to credit quality assessments

- Following the onset of the recession, the industry relied more on credit information provided directly from customers and combined this with checks on financial statements and bank references.
- When assessing creditworthiness, priority is given to the evaluation of the customer's profitability. This approach will remain unchanged over the coming months.

Approach to credit management

- Following the onset of the economic crisis, survey respondents told us their credit management practices will include self-insurance, offering of discounts for early payment of invoices and outsourcing of debt collection to a specialist agency. Over the coming months, businesses told us they plan to continue with this approach, in addition to making wider use of trade credit insurance.
- 30% of industry respondents believe their customers' creditworthiness will improve next year and 40% believe it will deteriorate. At regional level 55% believe it will improve, and 19% believe it will deteriorate.

- 48% of the industry believes containment of costs and effective debt collection both present the greatest challenges to profitability in 2021. An average of 48% in Western Europe share this view, and 32% of respondents in the region believe effective debt collection will be the greatest challenge.

2021 industry outlook

- The industry is largely optimistic about domestic economy (52% expect it to improve, 30% to get worse). However 48% expect the global economy to decline and 35% anticipate improvement. 39% expect international trade to improve and 40% expect deterioration.

STEEL-METALS

Late payments and cash flow

- 45% of the total value of B2B invoices remained unpaid at the due date (higher than last year's 32%). 53% of respondents reported having to wait longer to cash in overdue invoices, up to 30 days on average. For 47%, there was no change in the average invoice-to-cash turnaround. None of the businesses surveyed reported having cashed in overdue invoices more quickly than they did before the pandemic.
- Average DSO increases of up to 10% were reported by 40% of the businesses polled. Increases of more than 10% were reported by 60%. Currently DSO stands at a 180-day average (above the 110-day average for the industry in Western Europe).
- 47% of the survey respondents said they managed to contain the negative impact of the economic crisis on cash flow. 33% reported cash flow difficulties. This contrasts with the results for the region (39% reported negative impact, 34% no impact).
- To safeguard liquidity levels 47% of respondents told us they delayed paying suppliers (regional average: 27%).

Approach to credit quality assessments

- Following the onset of the downturn, the French steel/metals industry requested credit information directly from their B2B customers more often, adding this to their usual sources of trade references and credit reports.
- The industry prioritises reviewing the customer's financial flexibility and ability to weather unexpected shifts in the economic and business environment. Respondents say this approach will remain unchanged over the coming months.

Approach to credit management

- After the onset of the pandemic the French steel/metals industry strengthened their credit management practices by increasing the frequency of outstanding invoice reminders, outsourcing of debt collection and seeking debt securitisation. Over the coming months the industry plans to increase reliance on self-insurance.
- 40% of respondents from the French steel/metals industry expect customer creditworthiness to improve in the near future, while 19% to get worse.
- 53% consider containment of costs to be the greatest challenge to profitability in 2021 (regional average: 45%). 47% believe effective collection of outstanding invoices presents the greatest challenge (regional average 40%).

2021 industry outlook

- 53% of industry respondents expect the domestic economy to improve over the coming months (regional average: 63%). 13% expect it to get worse. 40% anticipate an improvement in the global economy, while 33% expect deteriorating. 47% expect international trade to get worse, whereas 40% are more optimistic.

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 2020 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 the United Kingdom) have been surveyed. Due to a change in research methodology for this survey, year-on-year comparisons are not feasible for some of the results, although last year's values are used as a benchmark where possible throughout the survey.

Using a questionnaire, CSA Research conducted 2,603 interviews. All interviews were conducted exclusively for Atradius.

Survey scope

- **Basic population:** companies from thirteen countries (Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Spain, Sweden, Switzerland, The Netherlands and the United Kingdom) were surveyed. The appropriate contacts for accounts receivable management were interviewed.
- **Sample design:** the Strategic Sampling Plan enables to perform an analysis of country data crossed by sector and company size. It also allows 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=2,603 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:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: Q3 2020.

Sample overview – Total interviews = 2,603

Country	Interviews	%
Austria	200	8%
Belgium	200	8%
Denmark	200	8%
France	200	8%
Germany	200	8%
Greece	200	8%
Ireland	201	8%
Italy	200	8%
Spain	201	8%
Sweden	200	8%
Switzerland	200	8%
The Netherlands	200	8%
United Kingdom	201	8%

Business sector (total Western Europe)	Interviews	%
Manufacturing	851	32.7
Wholesale trade	661	25.4
Retail trade/Distribution	569	21.9
Services	522	20.1

Business size (total Western Europe)	Interviews	%
Micro enterprises	599	23.0
SME – Small enterprises	775	29.8
SME – Medium enterprises	615	23.6
Large enterprises	614	23.6

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Statistical appendix

Find detailed charts and figures in the Statistical Appendix for Western Europe. This is part of the November 2020 Payment Practices Barometer of Atradius, available at

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