Switzerland

European Payment Report 2023

intrum

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About the report

The European Payment Report describes the impact late payments have on the development and growth of European enterprises. With insights from more than 10,000 c-level executives, we explore how businesses are coping with economic disruption and how they are managing the liquidity crunch.

The report is based on a survey that was conducted simultaneously in 29 European countries between the end of November 2022 and March 2023. A total of 10,556 companies across 15 industries in Europe participated in the research. For Switzerland, 240 c-level executives participated in the survey.

The report is published in May 2023.

Through this comprehensive survey among European CEOs, CFOs and senior financial executives, Intrum generates awareness and debate among politicians and the media regarding how late or non-payments impact businesses of all sizes in Europe.

Intrum participates in seminars and meetings in Brussels to inform EU delegates of the situation and advise on the best approach for working towards a sound economy and secure payments in Europe. Since 2013, Intrum has, as a representative of the business community, spoken about the consequences of late payments to the European Union.

Intrum continues to participate in dialogue with the EU Commission on how to make the implementation of the Late Payment Directive as effective and forceful as possible. The Late Payment Directive, which recommends payment periods of no more than 60 days for businesses and 30 days for public authorities, is set to be reviewed in summer 2023.

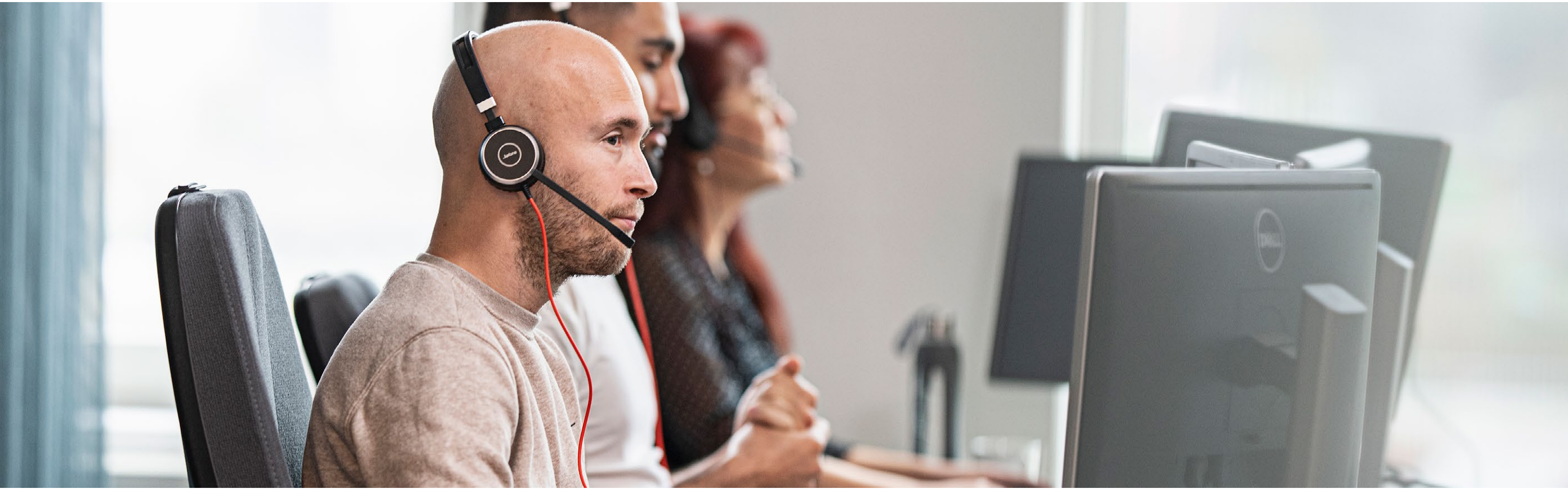
You can find more insights about trends and the issue of late payments at intrum.ch/EPR.

Key findings – executive summary

Inflation has remained much lower in Switzerland than in the rest of Europe, but a banking crisis which saw the government broker a takeover of Credit Suisse by UBS raised fears about financial stability. Nonetheless, the Swiss National Bank went ahead with a 50-point hike in interest rates in spring 2023[1].

These developments do not seem to have dented the confidence of Swiss businesses, with just 24% saying that issues with late payments from customers hinder their company's investment in strategic growth initiatives, compared to 36% on average. Swiss businesses are also much less worried about the risk of late payments from customers, with 28% saying that they thought this risk would reduce in the next 12 months, compared to 17% on average. And only 45% of Swiss businesses say that they expect rising inflation to have an impact on their clients paying on time over the next 12 months, compared to an average of 59%.

Swiss respondents were also more focused on sustainability than other Europeans, with 67% of Swiss businesses saying they have significantly accelerated efforts to become more sustainable as a business over the last year, compared to an average of 58%.



1) https://www.cnbc.com/2023/03/23/swiss-central-bank-hikes-interest-rates-by-50-basis-points-despite-credit-suisse-turmoil.html

Results

- → Risk strategy and growth outlook
- → Sustainability in focus
- → Payment times and behaviour
- → Tackling late payments
- → The late payment consequences

Risk strategy and growth outlook

High inflation across Europe is forcing businesses to prioritise cost-cutting at the expense of growth. We asked CFOs and senior financial executives about the 2023 business conditions and their economic outlook.

High inflation and rising interest rates are posing significant challenges to Europe's businesses, hitting revenues and weakening the bottom line. Many are struggling with onerous supply chain issues as well as higher costs due to inflation and slower economic growth. In Switzerland six in ten told us they expect supply chain issues and debtors in financial difficulties to have an impact on their customers paying on time and in full over the next 12 months.

Meanwhile, financially squeezed employees are increasingly demanding higher-than-normal pay increases as they focus on limiting the loss of purchasing power. By the end of this year, 32% of businesses expect they will have faced demands for pay rises from their staff. Significantly more than half (58%) of respondents say cash and financial debt management has never been more of a boardroom priority than it is today.

As a result of the challenges, businesses are being forced to sacrifice growth for efficiency. Although two in three companies want to grow the business in 2023, a far higher proportion (75%) says that cutting costs and improving efficiency is a top priority in today's commercial landscape. More than a third (35%) expect to take on debt to remain competitive.

Respondents aren't optimistic about changes in the near future, with 68 predicting it will be at least a year before inflation stabilises at two per cent or lower. 54% expect interest rates to rise so are being more cautious with their borrowing and spending plans.

These results are reflected in the trends published by the State Secretariat for Economic Affairs SECO. Consumer sentiment remains at a low level, and the situation on the labour market continues to be assessed positively but less optimistically than in the previous period. SECO forecasts that the Swiss economy will grow at a significantly below-average rate in 2023. Although the energy situation in Europe has somewhat normalised, it remains tense and inflationary pressure remains high internationally. The challenging international environment slowed down the cyclically sensitive sectors of industry, and exports of goods declined. On the other hand, domestic demand grew again.[1)]

54%

say they have shifted their focus away from growth and towards greater efficiencies and cost savings, in response to rising inflation and interest rates

85%

say their employees have already asked for a higher-than-normal pay rise or they expect them to ask for one soon

40%

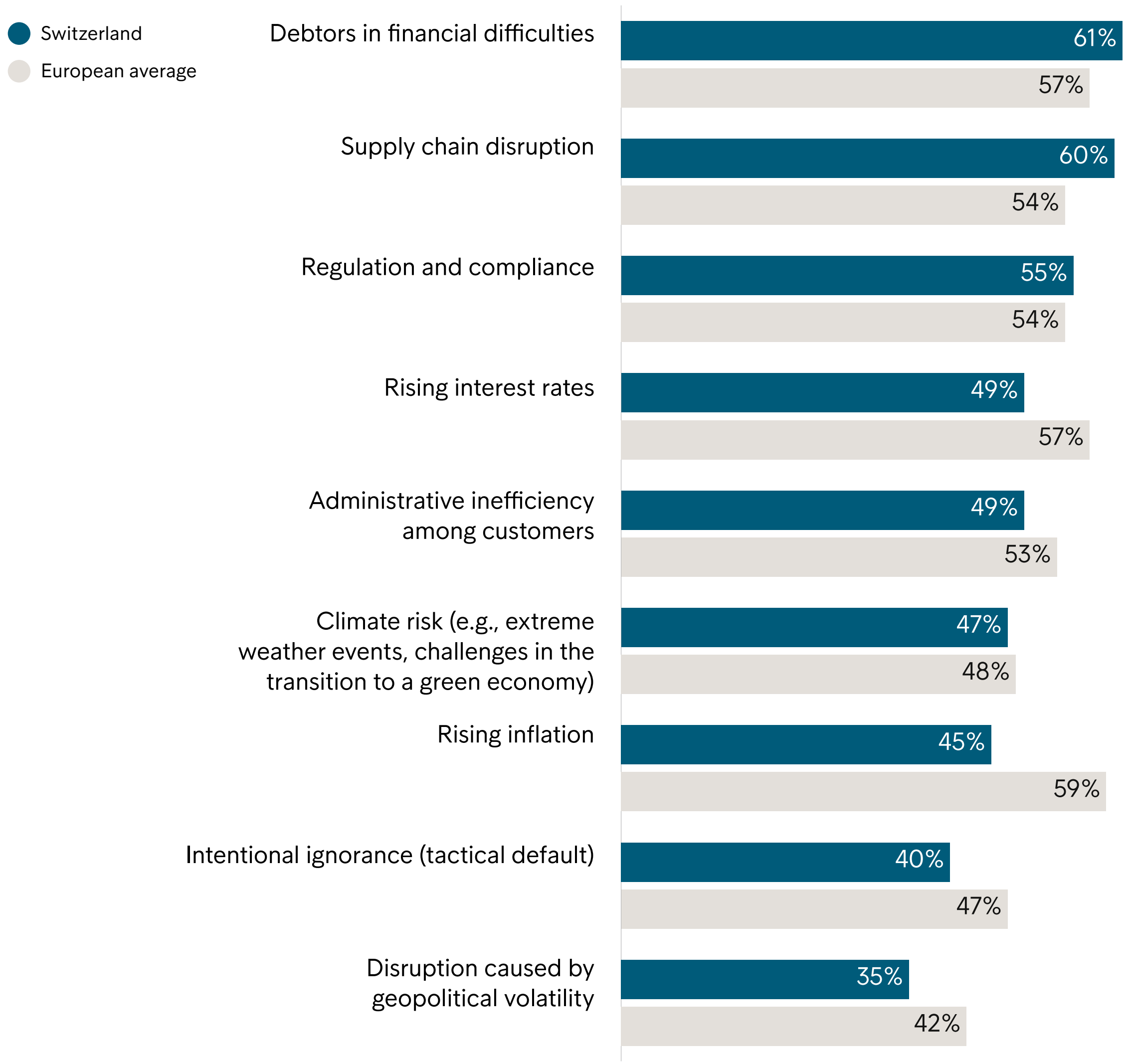
c-level executives are concerned that the economic downturn is creating more financial inequality, which will increase volatility

1) https://www.seco.admin.ch/seco/en/home/wirtschaftslage---wirtschaftspolitik/Wirtschaftslage/konjunkturprognosen.html

"Increased problems along the supply chain and rising labour costs are hitting the bottom line, forcing companies to devote time and resources to managing the liquidity crunch. Reliable cash flow and sound credit management will be key when it comes to navigating the increasingly uncertain global environment."

Thomas Hutter
Managing Director
Intrum Switzerland

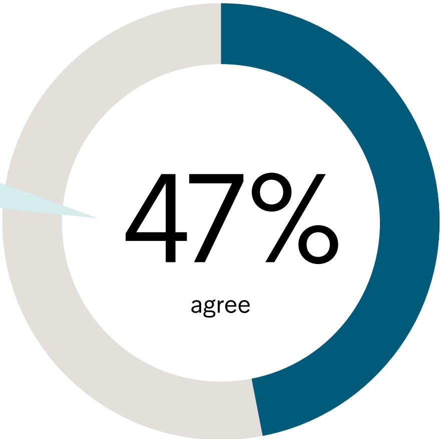
Which of the following challenges do you expect to have an impact on your customers paying on time and in full over the next 12 months?



Concerns about meeting increased wage demands

We are concerned about our ability to meet employee demand for higher wages

(European average: 53%)

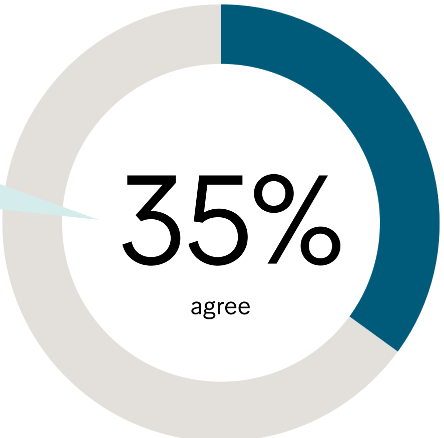


To what extent, if at all, are your employees demanding higher-than-normal pay rises to help manage the rising cost of living?

Businesses put cash and financial debt management on the agenda

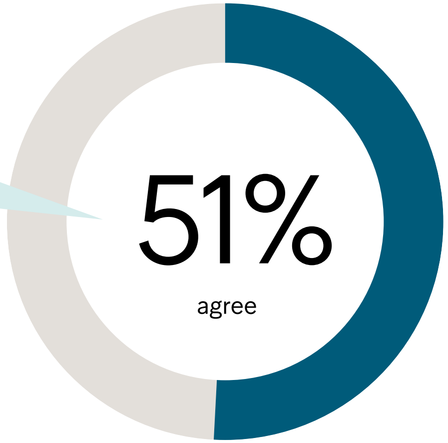
To remain competitive, I expect my business to take on more debt this year than normal

(European average: 38%)



In my entire career, cash and financial debt management has never been more of a boardroom priority than it is today

(European average: 49%)



47%

say inflation is restricting their ability to grow the business and seize new opportunities

(European average: 51%)

54%

say they expect interest rates to rise and continue rising, so they are becoming more cautious with borrowing and spending plans

(European average: 56%)

49%

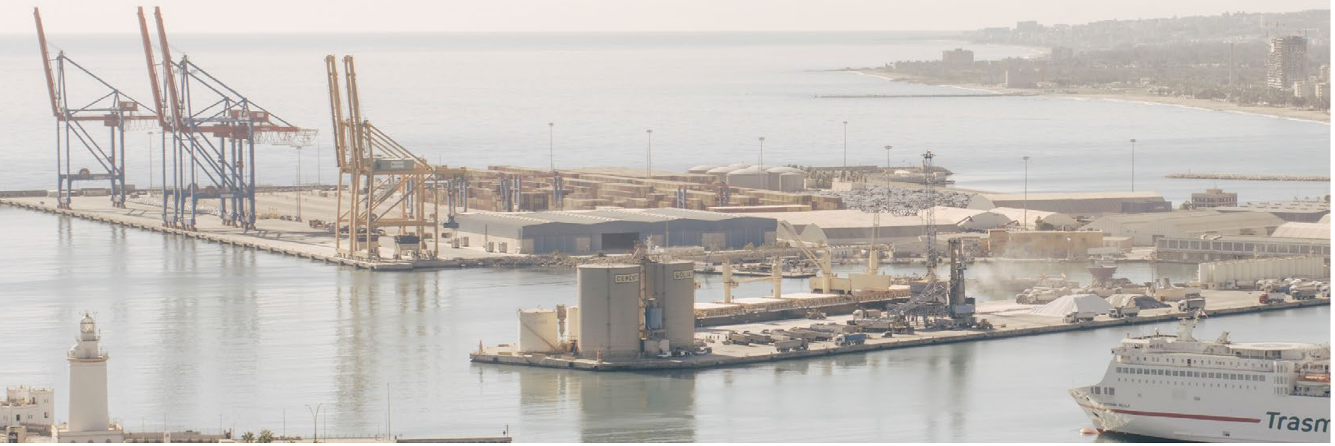
say the business challenge of high inflation and interest rates is raising the profile of cash management teams within their organisation

(European average: 48%)

51%

say they have been so focused on managing the economic risks to their business, such as inflation, that they have neglected initiatives that will make them more competitive as a company

(European average: 53%)

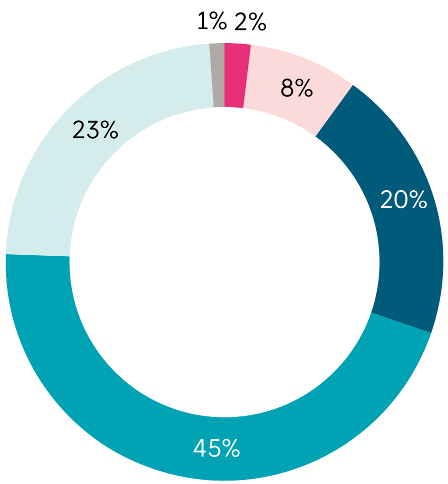


69%

believe inflation will last for a year or more

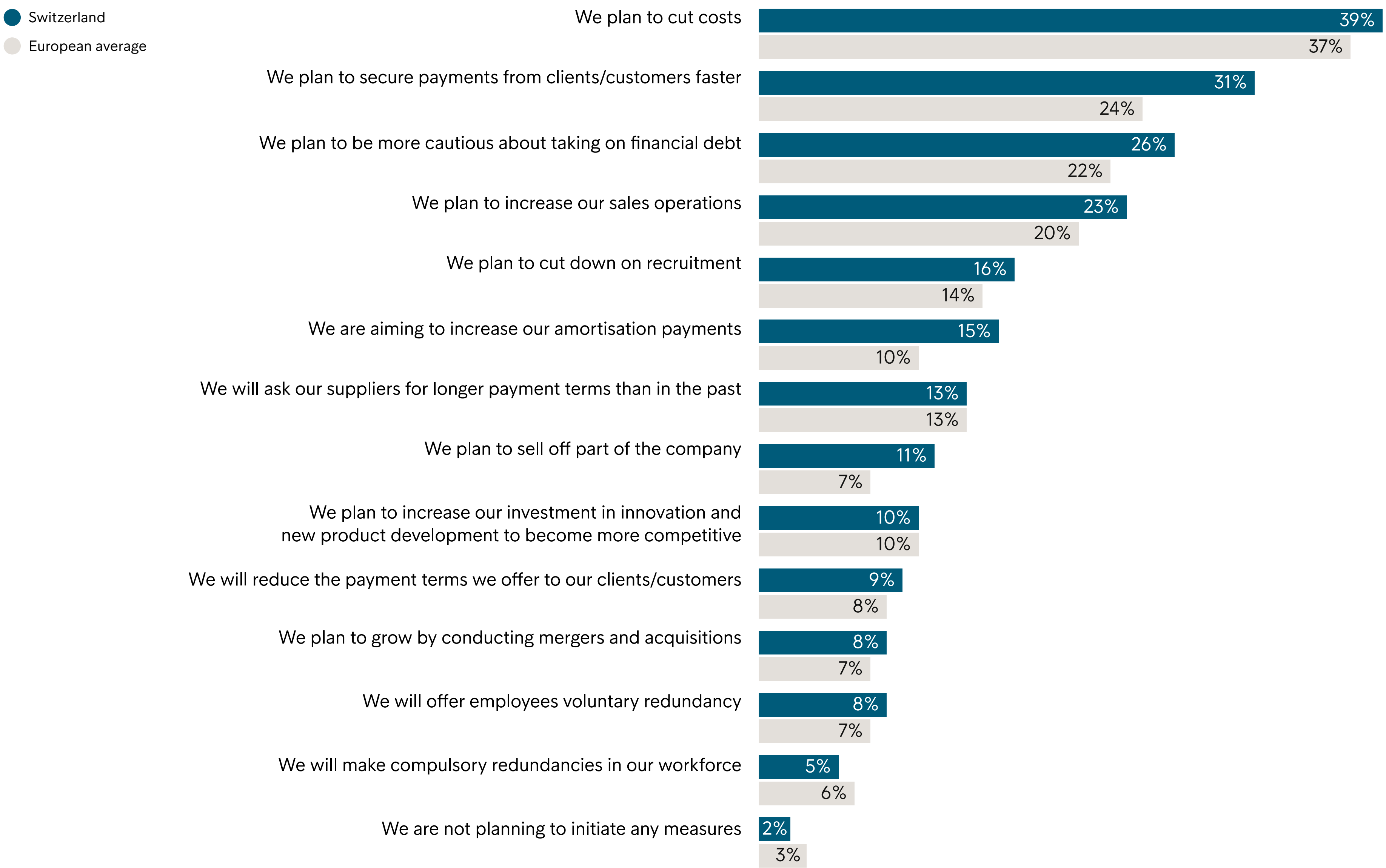
(European European average is 68%)

To your best estimate, how long do you think it will be until the average inflation rate in your country has stabilised at 2% or lower?



- Inflation has already stabilised at 2% or lower (0%)
- Less than three months
- Less than six months
- Between six months and a year
- Between a year and two years
- More than two years
- More than five years

Which, if any, of the following new measures do you expect your company to initiate during 2023 to manage economic disruption and/or downturn?



Focus on sustainability can secure future revenues

Businesses may be neglecting growth, but they are upholding their commitments to sustainability.

In the past year, two third of Swiss businesses have significantly accelerated their efforts to become more sustainable, despite the challenging economic backdrop.

While some companies have made high-profile decarbonisation pledges that they cannot easily cancel, others are aware of the importance of sustainability to customers. 43% believe they will rapidly lose customers if they are not seen to be taking environmental responsibilities seriously. These findings are reinforced by Intrum's 2022 European Consumer Payment Report, in which more than half (52%) those surveyed said they won't buy from a company they know is responsible for harming the environment.

A positive side effect of rising energy prices is that businesses have doubled down on their efforts to reduce energy use. In Switzerland, 60% say they have been reducing their energy usage to manage the cost of rising energy prices, but plan to keep it low in the future for environmental reasons.

European businesses are clearly increasing their focus on ESG (Environmental, Social and Governance) initiatives. Two of three respondents (67%) have significantly accelerated their efforts to improve their environmental performance over the last 12 months, driven by customer demand and climate risk.

However, when it comes to the social aspects of ESG, our findings present a more mixed picture, especially around payment practices and back-office efficiency. We expect businesses will need to look deeper into these issues over time to ensure they are fully ESG-compliant.

"Cost pressures may be undermining strategic growth plans, but businesses are generally maintaining their commitment to sustainability."

Jason Glanzmann
CMS Director
Intrum Switzerland

55%

say they are increasingly more aware of the social impact of their business

43%

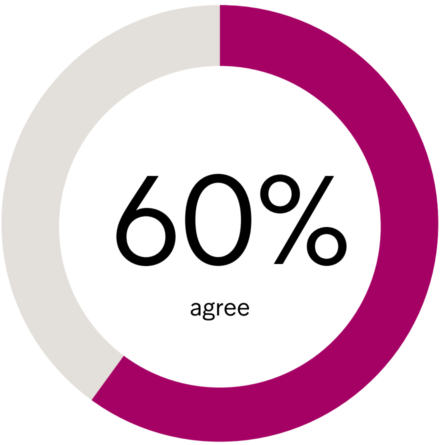
businesses are certain they will rapidly lose customers if they are not seen to be taking their environmental responsibilities seriously

55%

C-level executives say payment times should form part of a business' required sustainability reporting

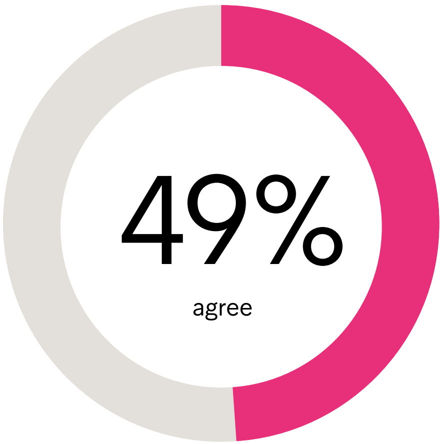
Sustainability on the agenda

We have been reducing our energy usage recently, to manage the cost of rising energy prices, but will keep usage low in the future to help limit our impact on the environment



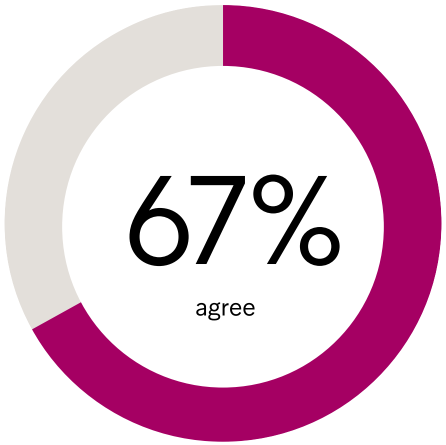
(European average: 54%)

In the past 12 months, we have become significantly more aware of climate risk and our need to make our business more resilient



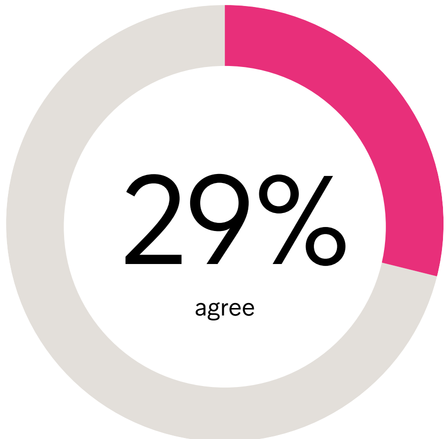
(European average: 51%)

Over the past 12 months, we have significantly accelerated our efforts to become more sustainable as a business



(European average: 58%)

Our clients/customers are increasingly holding us to account for our environmental performance and will not buy our services/products if they think we are harmful to the planet



(European average: 39%)

Payment times and behaviour

Operating pressures are impacting payment times and more businesses are paying their suppliers later than they should.

Across Europe, six in ten businesses are more worried than ever before about their customers' ability to pay. In Switzerland 38% of the businesses expect late payments to increase in the next 12 months, as their customers struggle to meet their obligations in today's economic environment.

Late payment is a problem that cascades through the supply chain, with 87% saying they have been asked to accept longer payment terms than they feel comfortable with over the past 12 months. Almost half (46%) say the payment terms they offer are actually harming them as a business.

Since 2021, when businesses were supported by emergency lockdown measures, companies have been paying their suppliers later and later. In Switzerland, the payment gap (the time between agreed terms and actual payment) has risen by one day each for consumers, businesses and the public sector.

In this year's survey, 34% of businesses say they are paying their suppliers later than they would accept from their own customers – this remained stable compared to last year's survey. Businesses feel out of control in this regard. More than a third (35%) say they would like to pay their suppliers faster but this is not currently feasible for their business.

There seems to be little optimism about this changing soon, with 35% saying their business is more likely to request longer payment terms or pay an invoice late than it was last year.

61%

are more concerned than ever before about their customers' ability to pay on time

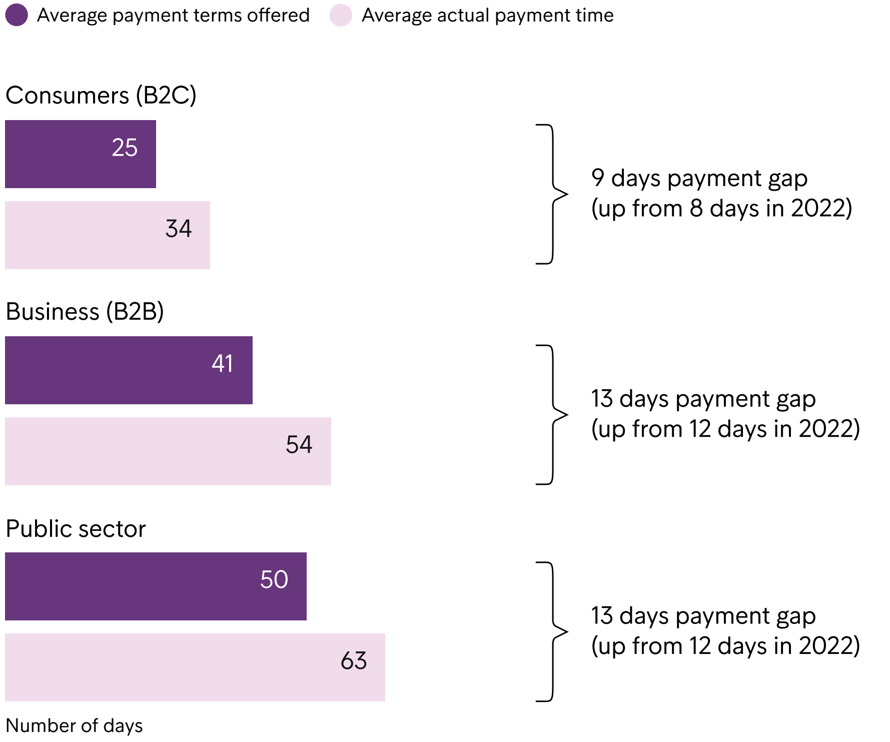
53%

admit that, due to inflation, they are finding it increasingly difficult to pay their suppliers on time

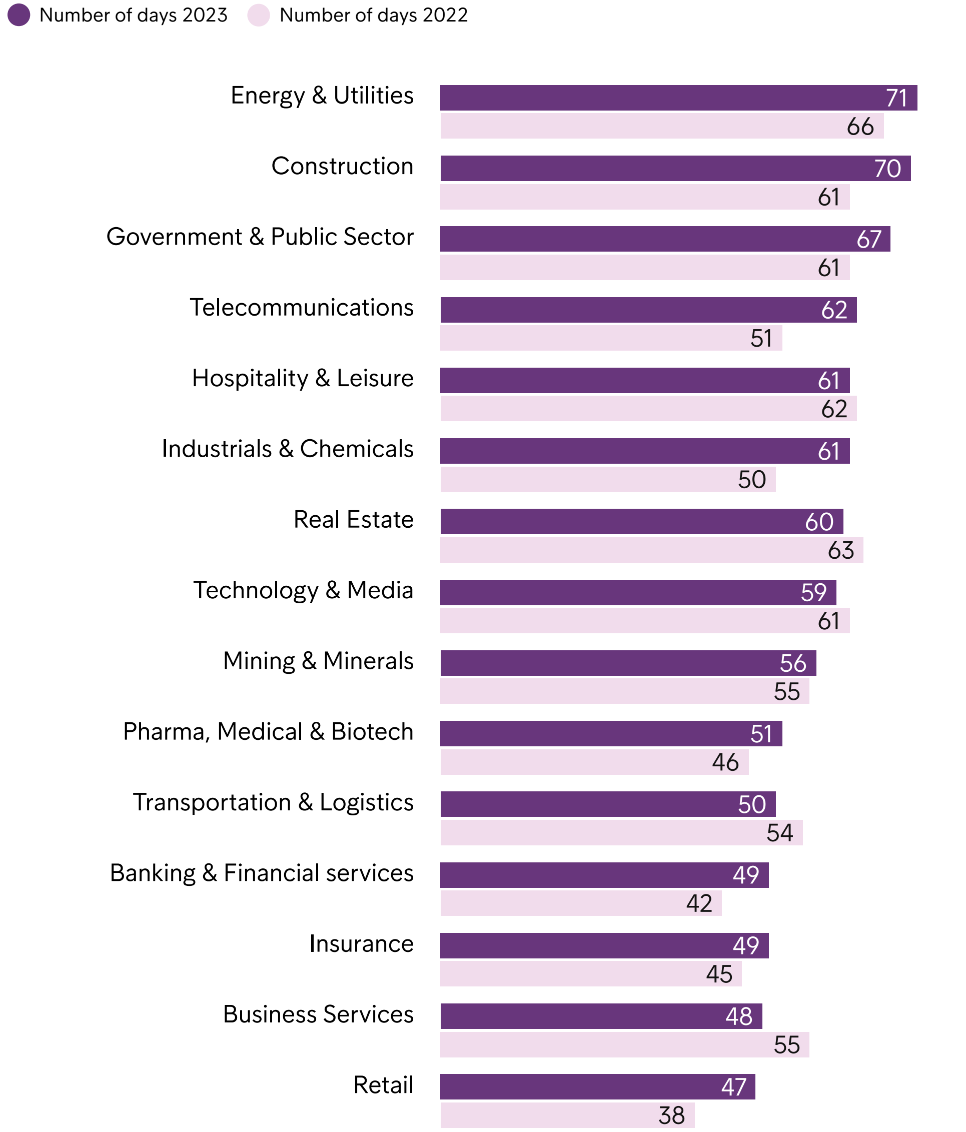
35%

are today more likely to request longer payment terms from suppliers

Gap in payment terms offered and actual payment duration



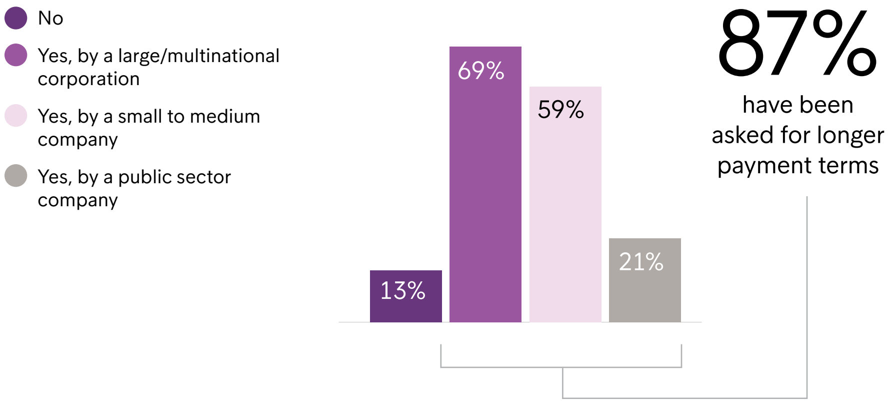
What is the average time taken by your customers in each of the following industries to make their payments?



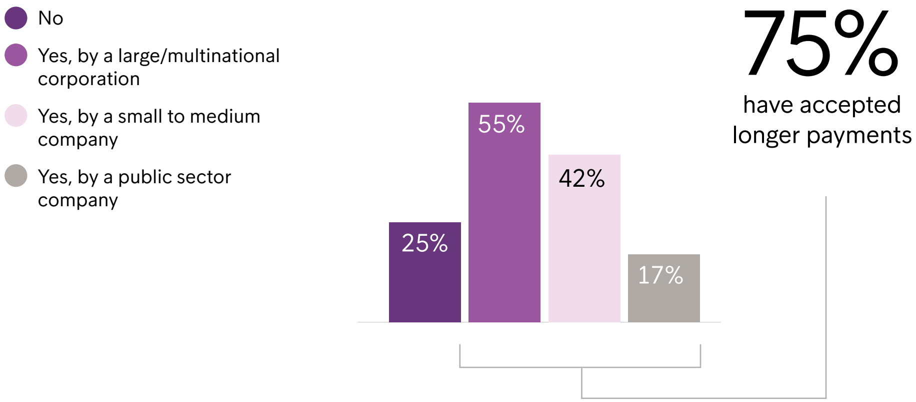
"Financial problems and high interest rates are making it harder than ever for businesses to pay each other on time. This creates a problem that cascades through the supply chain as companies feel they have no choice but to ask for more time and to accept payment terms that are damaging to their business."

Anna Zabrodzka-Averianov
Senior Economist
Intrum AB

Have you been ***asked*** to accept longer payments than you feel comfortable with over the past 12 months?



Have you ***accepted*** longer payments than you feel comfortable with over the past 12 months?



47%

say they have accepted longer payment terms than they are comfortable with, as they did not want to damage client/customer relationships

(European average: 53%)

50%

say that over the past year, they have needed to accept longer payment terms to avoid the risk of of their client/customer going bankrupt

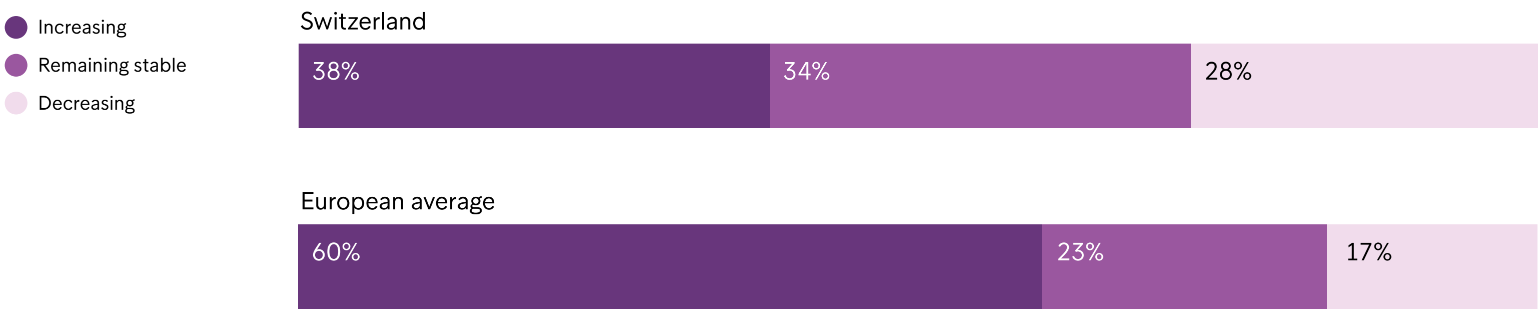
(European average: 47%)

46%

say that the payment terms they currently offer to customers are too generous and are harming them as businesses

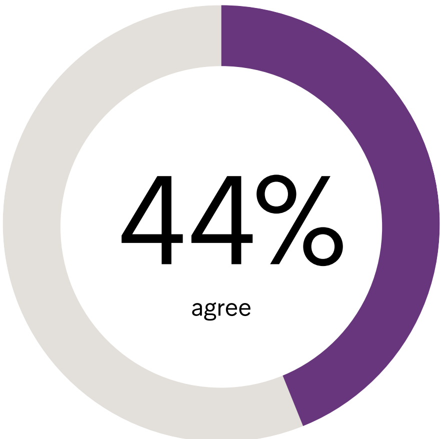
(European average: 46%)

To what extent do you see the risk of late/non-payments from your company's debtors developing over the next 12 months?



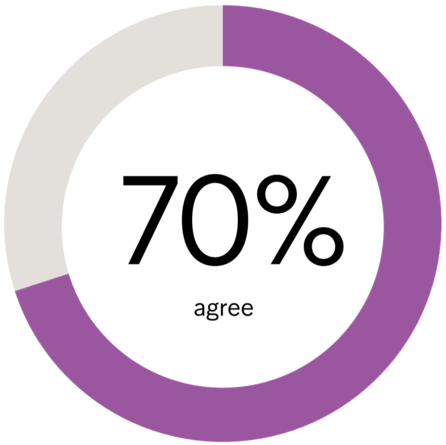
Do you agree with the following statement?

Our routines and processes are not as strong as they need to be to ensure financial sustainability despite economic uncertainty



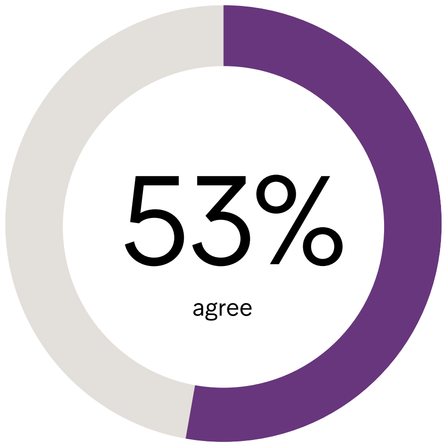
(European average: 50%)

Payments paid on time are critical to building and maintaining trust with our suppliers and partners



(European average: 65%)

Due to inflation, we are finding it increasingly difficult to pay our suppliers on time



(European average: 56%)

Tackling late payment

CFOs and senior financial executives are feeling the impact on payment delays on the bottom line, but many businesses lack the technology and in-house expertise needed to improve the situation. Instead, they are forced to spend more time and resources on the problem.

Unsurprisingly, businesses are struggling to handle rising levels of late payment and are being forced to spend more time and resources on the problem. Not all of them feel equipped.

The top priorities for Swiss businesses are strengthening liquidity, cutting costs and reducing credit risks – including improving late payments. Of the 71% who said they are taking steps to reduce credit risk and improve late payment, focusing on early arrears is by far the most popular approach – 64% said they were doing so. In addition, businesses are working with debt collection agencies, investing in new technology and forming strategic partnership to tackle the issue.

However, many are being held back by outdated systems and a lack of skills in this area. Almost half (45%) say they urgently need to upgrade their technology platforms to help them manage debt more effectively but are reluctant to invest in today's uncertain operating environment. The same number (45%) would like to improve their management of late payments, however find it difficult due to a lack of skills and in-house resources.

Difficulties are also raising the profile of cash and debt management teams in organisations as colleagues recognise the important role they are playing.

There is a correlation between those who have a code of ethics in place and those paying their own suppliers on time, despite the challenges they are facing. In Switzerland 33% have a code of ethics in place slightly up from 30% in 2022.

71%

say reducing credit risks and improving late payments/managing exposure to non-performing loans are strategic priorities in 2023

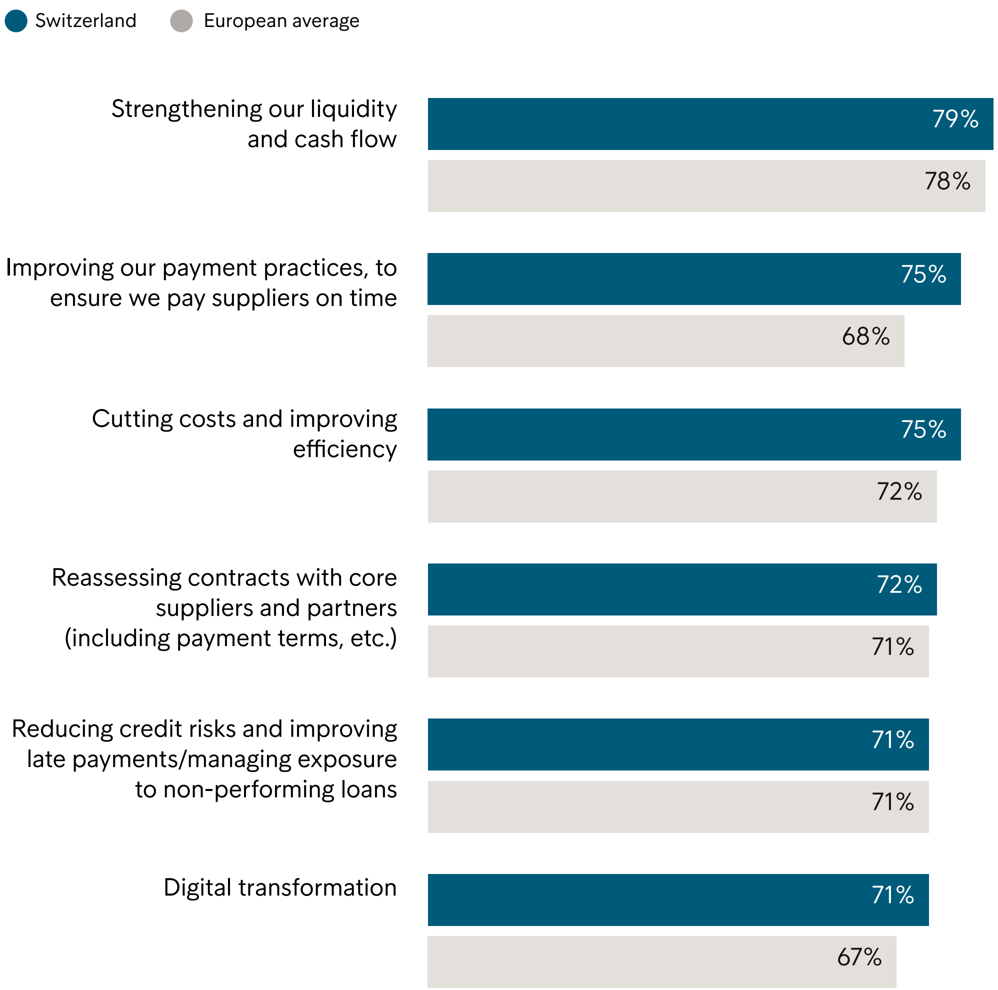
45%

would like to improve their management of late payments, but find it difficult due to a lack of skills and resources in-house

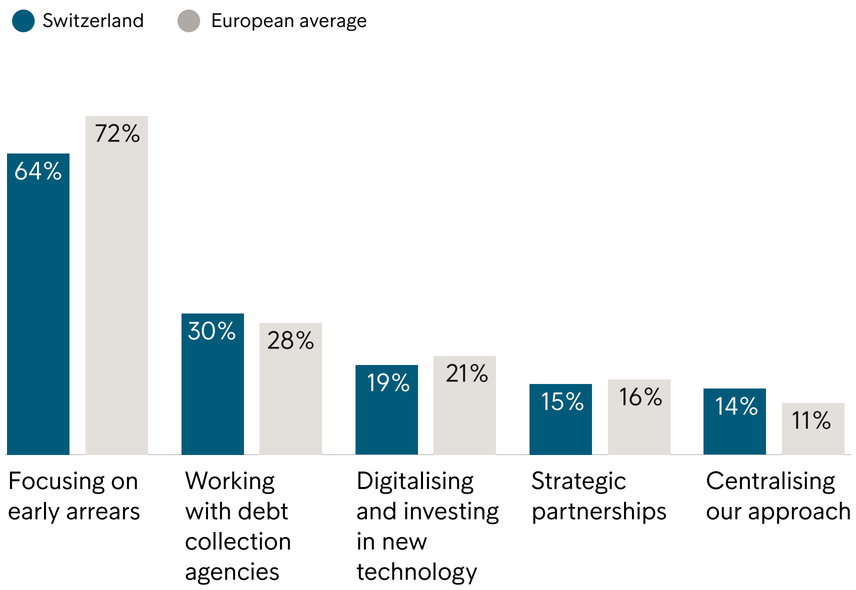
33%

say they have a code of ethics in place designed to encourage prompt payment culture

Which of the following initiatives is a strategic priority for your business in 2023?



You said that you were taking steps to reduce credit risks and improve late payments/manage exposure to non-performing loans; which of the following are you doing?



45%

say they urgently need to upgrade their technology platforms to help manage debt more effectively, but they are reluctant to invest in today's uncertain operating environment

(European average: 44%)

45%

say they would like to improve management of late payments, but they find this difficult due to a lack of skills and in-house resources

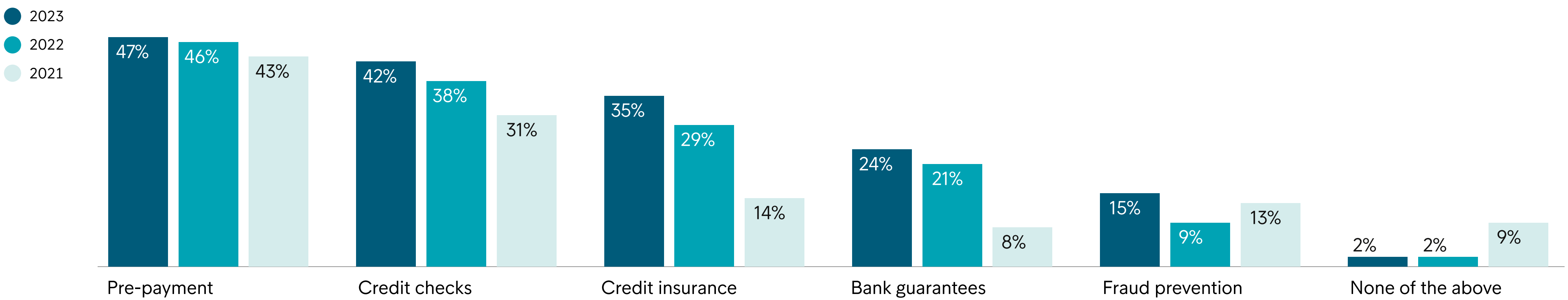
(European average: 51%)

45%

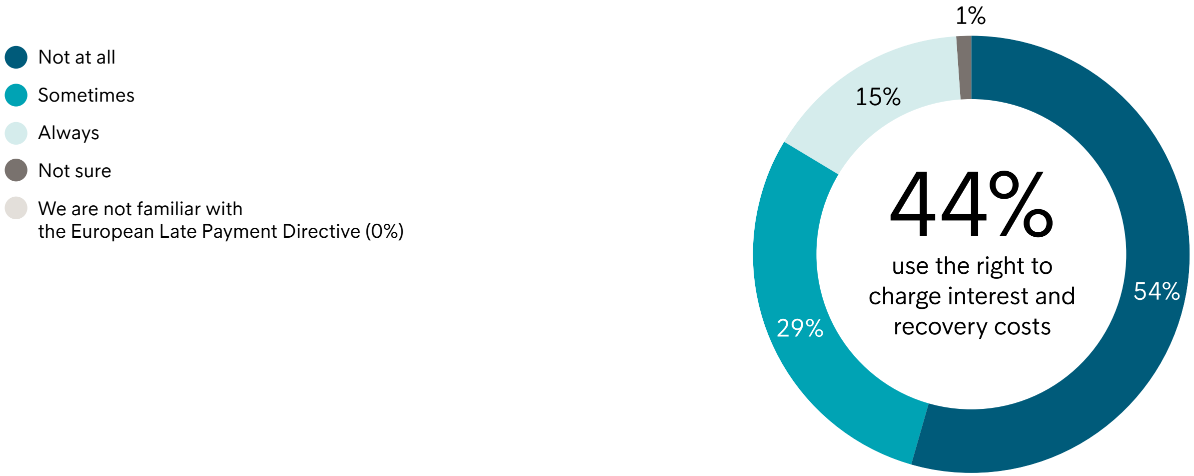
say their finance and administration systems are seriously outdated and prevent them from being as agile as they need to be

(European average: 47%)

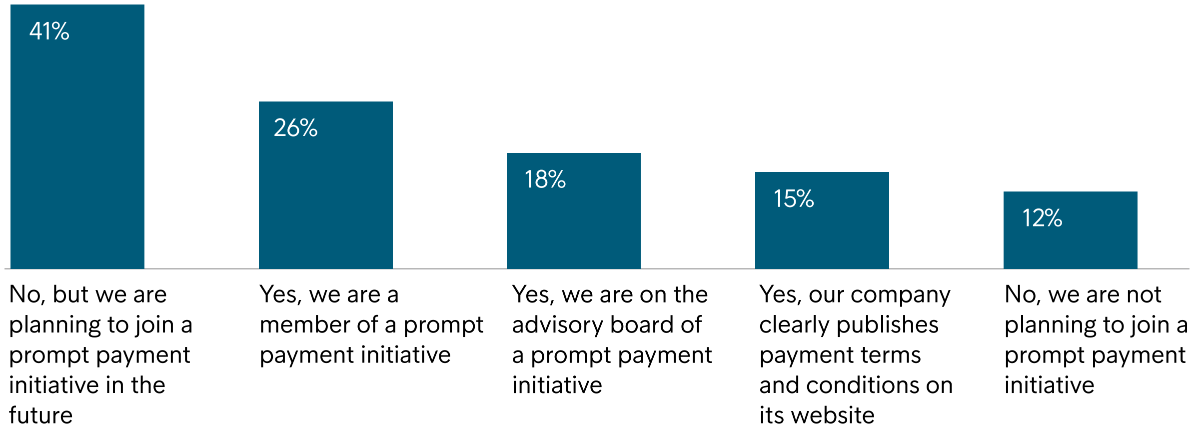
What precautions does your company undertake to protect against late payment?



Under the European Late Payment Directive, you are automatically entitled to interest for late payment and €40 minimum as compensation for recovery costs. To what extent do you use it?



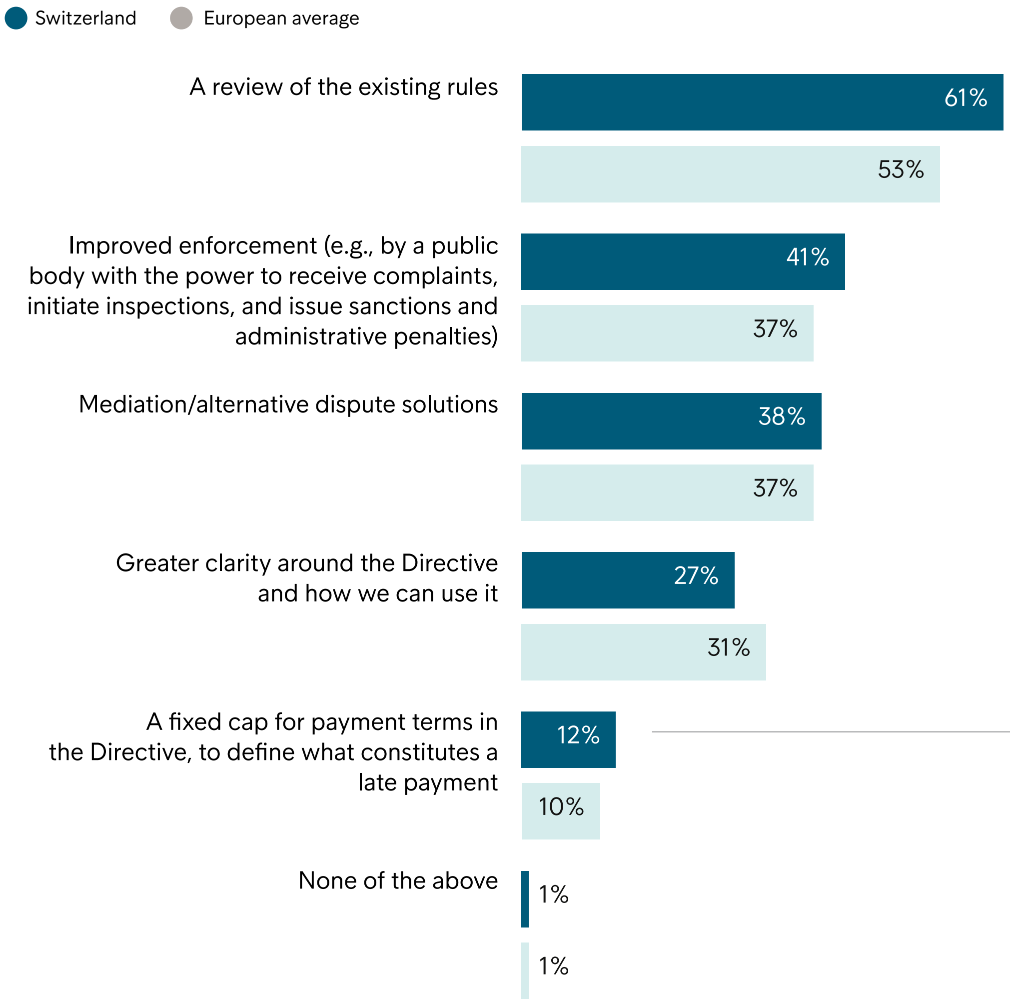
Is your company currently involved in a voluntary initiative among other corporations to help solve the problem of late payment or long payment terms?



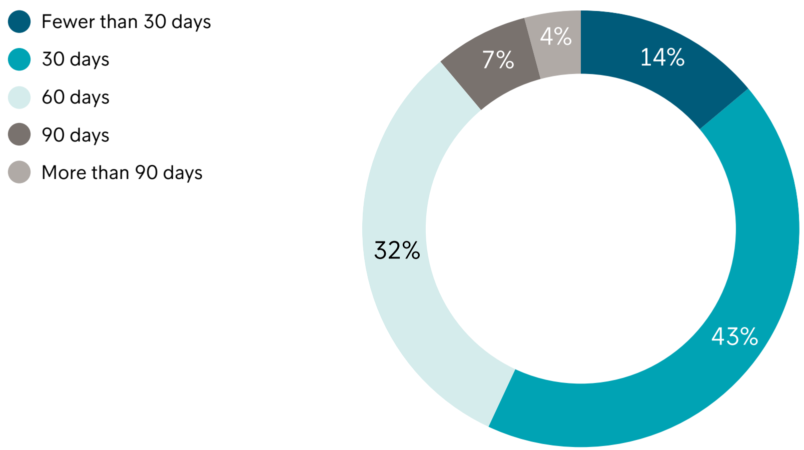
"Businesses are stuck between the desire to cut costs and the need to invest in technology and skills to effectively reduce late payments. Most are doing the right thing in focusing on early arrears. This will help avoid bigger losses and improve payments while maintaining customer relationships. However, many feel ill-equipped to tackle payment problems and are using outdated systems."

Martin Honegger
Sales & Business Development Director
Intrum Switzerland

Which of the following, if any, would make you use the European Late Payment Directive more frequently than you do currently?



You said you would like to see a cap for payment terms fixed in law. How many days do you think the cap should be fixed for suppliers?



The late payment consequences

As customers ask for longer payment terms, or try to renegotiate prices, businesses are dedicating more time and effort to secure revenue.

Chasing late payments is a time-consuming process for businesses. More than half of Swiss respondents (56%) say they are finding it increasingly difficult to agree with customers on payment terms that are mutually beneficial, leading to protracted negotiations.

At the same time, 52% say they are handling a growing number of requests from customers to postpone the issuing of invoices. All this adds up to a heavy time and resources burden. On average, Europe's businesses are spending 10.4 hours a week chasing late payment, equating to 74 days a year (base: average working day in Europe 7.28 hours). In Switzerland, companies spend 9.1 hours a week – 59 days a year (base: 8 hours working day in Switzerland).

Despite this, credit losses have not yet risen significantly, with only 23% saying their credit losses rose from 2021 to 2022. However, five in ten say late payments are problematic for their business.

One of the main impacts late payments have is on company growth – 21% said this was an issue for them.

If they were paid faster, companies say they could pay their own suppliers faster, expand their products and services, improve sustainability and implement their digital strategy. The more efficient that businesses become when chasing down payments, the faster they can unlock these benefits. In a difficult economic environment, it pays to be good at collections or to work with partners who are.

23%

say their credit losses have increased in the past year. 31% say they remained stable

52%

say they are handling a growing number of requests from customers to postpone the issuing of invoices

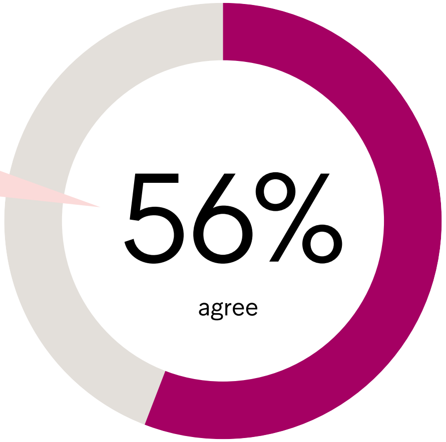
59

days a year spent chasing payments on average

Challenges to align on payment terms

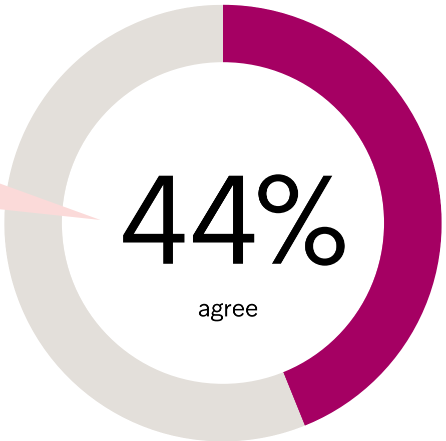
In today's business environment, we are finding it increasingly difficult to agree on payment terms that are fair for us as well as our clients/customers

(European average: 53%)

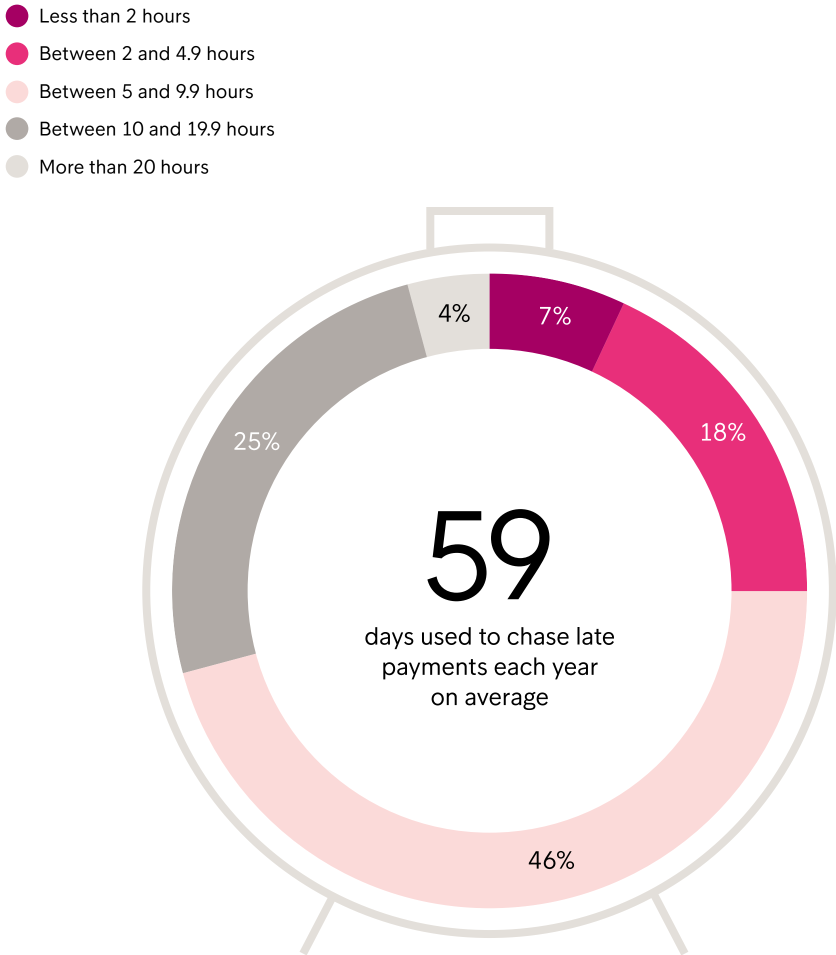


Clients/customers are increasingly asking us to change key elements of the contract retrospectively, to postpone payment or obtain a price discount

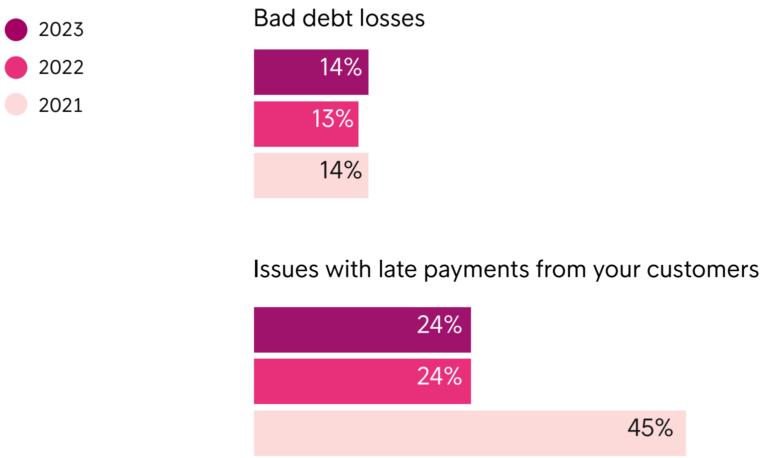
(European average: 48%)



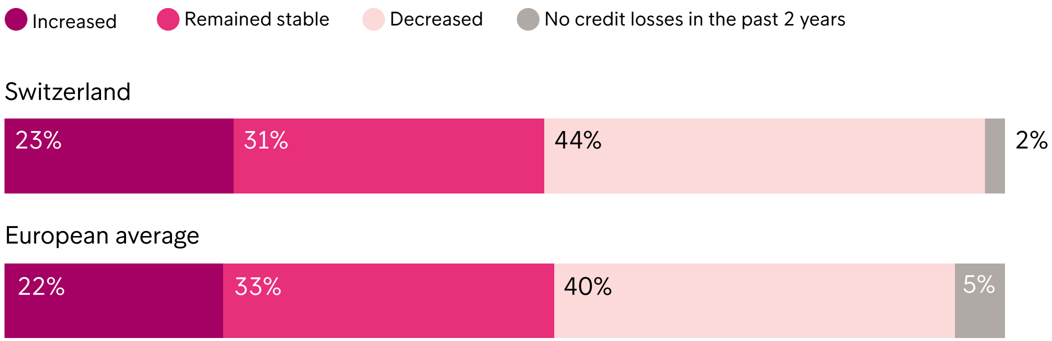
To your best estimate, how many hours on average does your business spend each week chasing clients/customers for payment (such as sending reminders and making phone calls, etc.)?



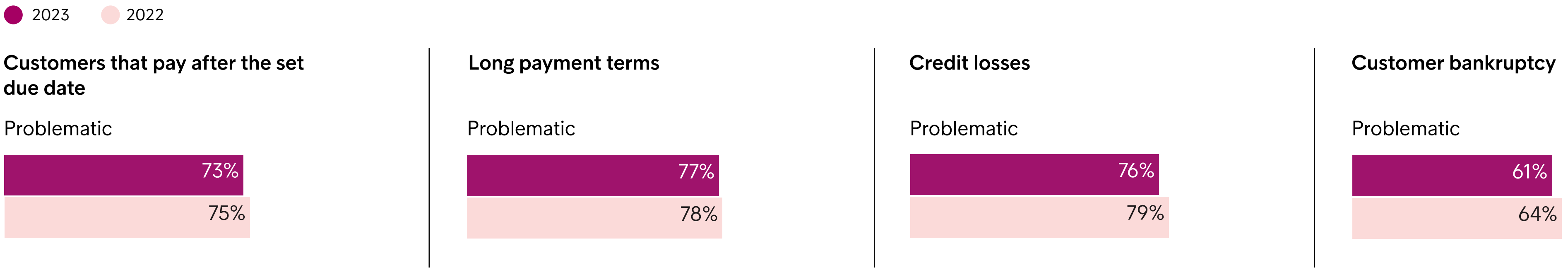
Over the past 12 months, to what extent have the following factors hindered your company's investment in strategic growth initiatives?



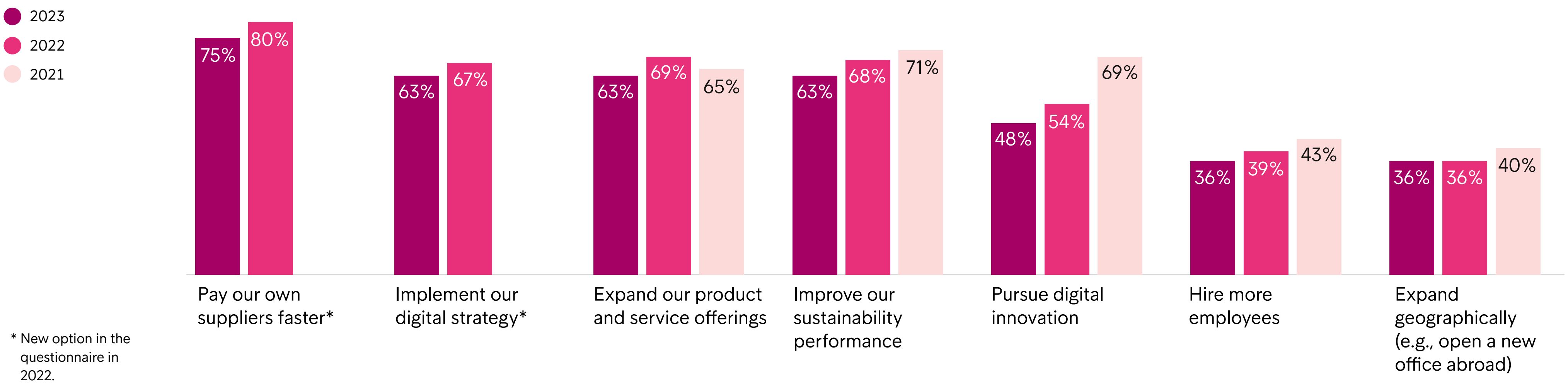
Have your credit losses increased, decreased, or remained stable in 2022 compared to 2021?



How problematic are the following areas when it comes to customer payments?



Would faster payments from your customers enable your company to increase its investment in the following areas?

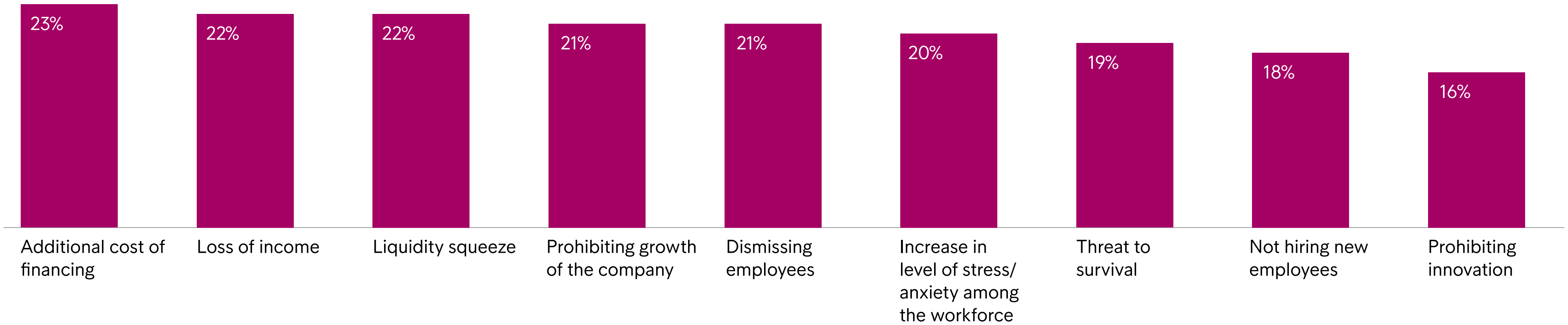


* New option in the questionnaire in 2022.

"Chasing late payments is a time drain – on average Swiss businesses spend 59 days a year to make sure they get paid. Boosting collections efficiency would mean they can focus on their core business, unlocking the benefits of growth and improving sustainability. A further knock-on effect is that they could pay their own suppliers quicker, creating a virtuous payments circle."

Thomas Hutter
Managing Director
Intrum Switzerland

Respondents say late payment from clients/customers has a significant impact on the following business areas:



About the survey

The report is based on an external survey of 10,556 companies in Europe. In Switzerland, 240 participated in the survey. The survey was conducted simultaneously in 29 European countries between end of November 2022 and March 2023.

The research was conducted through telephone interviews and online survey participation (web questionnaire). The questionnaire was translated into the respective national language.

The target group for the survey includes senior subject matter experts within finance departments, in addition to c-level executives. The data has been analysed at pan-European and individual country level and by company size.

The research was conducted by Longitude, a specialist provider of thought leadership and research services. Market Expertise has supported field work in all 29 markets (Austria, Belgium, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, The Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland and the United Kingdom).

Download the full pan-European report containing information about all markets at intrum.ch/epr

Please note that, due to rounding, the numbers presented throughout this report may not add up to exactly 100 per cent.

The structure of the sample for Switzerland

Number of respondents in survey: 240

Role of respondents:

Chief Executive Officer	14%
Chief Financial Officer	6%
Head of Corporate Treasury	2%
Chief Operating Officer	10%
Head of Credit Risk	4%
Director of Finance	21%
Director of Corporate Treasury	4%
Financial Controller	6%
Head of Accounting	9%
Vice-President of Finance	10%
Senior Finance Manager	4%
Senior Finance Executive	5%
Credit Manager	2%
Finance Executive	4%

Company size:

0 to 249 employees	65%
250 to 2,499 employees	25%
More than 2,500 employees	10%

Industry sectors:

Banking & Financial services	7%
Business Services	4%
Retail	15%
Construction	5%
Energy & Utilities	5%
Government & Public Sector	5%
Hospitality & Leisure	3%
Industrials & Chemicals	13%
Insurance	9%
Mining & Minerals	3%
Pharma, Medical & Biotech	9%
Real Estate	7%
Technology & Media	5%
Telecommunications	4%
Transportation & Logistics	8%

Definitions

Company size:

SME: companies with less than 249 employees

Large corporations: companies with 250 employees or more

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