

Slow payers leading to hot collars

Mark Fenton-Jones

“Take a deep breath,” seems to be the advice for small businesses frustrated at customers who fail to pay up on time.

Mobile payment provider Mint Wireless asked Sensis to survey the financial management experiences of 1800 small- to medium-sized enterprises.

Almost one in five lost their temper with a customer over slow payment, although the lack of historical data meant it was not possible to determine if this was the norm or a worsening symptom of the drop in business.

Mint’s survey followed the worrying news from Dun & Bradstreet in late January that businesses were under pressure

as a blow-out in trade payment days hit business cash flow.

Businesses averaged 56.5 days to settle accounts in the December 2008 quarter, the highest level recorded since 2001 and an increase of four days over a 12-month period, according to D&B’s quarterly trade payments analysis.

Meanwhile, in Mint’s survey of financial temper tantrums, NSW and Victoria won the aggression stakes. In both states, 22 per cent of SMEs confessed to having gone spare with slow-paying clients. Only 12 per cent in Western Australia admitted losing control with debtors, though this is likely to change as the impact of lay-offs in the resources sector is felt.

Separate research from D&B noted that almost 6000 Australian firms failed during 2008. Those firms that were smaller (five to 19 employees) and younger (new to 4-years old), and also those based in WA and those in the mining industry, had the most significant rises.

“For smaller organisations, it can only take a few customers lagging with payment to cause cash flow headaches and place stress on the ongoing viability of the business,” Mint Wireless chief executive Alex Teoh says.

Working capital – the amount of cash tied up in accounts receivable, inventory and accounts payable – will be the leading issue for many businesses in the months ahead as they fight

deteriorating market conditions, business turnaround specialist Michael Fingland of Vantage Performance says.

“Any improvement in working capital is beneficial, whether the funds are used to pay down debt, fund capital expenditure, satisfy seasonal cash requirements or further invest in research and development,” Mr Fingland said.

However, with D&B finding that the number of companies rated at a high risk of financial distress in 2009 rose 12 per cent in February from a year ago and 26 per cent on 2007, the chances of more angry voices on the phone line is a distinct possibility. D&B also reported a 40 per cent increase in debt referrals in January and February.