



SME cash flow crisis report

January 2017

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1

executive summary

Australia's two million small and medium size enterprises (SMEs) are drowning in a sea of unpaid customer bills, with **\$76 billion** in outstanding invoices at any one time crippling their ability to grow.

On average, each Australian business is owed more than \$38,000, with corporate customer excuses ranging from 'lost in the system', 'in dispute' to 'being reviewed internally' or 'being processed offshore'.

The Invoice Market's SME cash flow crisis report has important implications for all Australians. Small businesses are the engine room of the national economy, employing seven million Australian workers, or 70% of the entire workforce. As such, they are the incubators of our national prosperity.

However, cash flow is so dire for 38% of Australian SMEs that owners have to dip into their personal savings to manage their company cash flow, which impacts their ability to pay their housing and other living expenses.

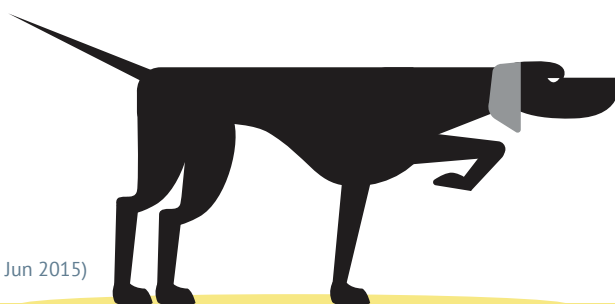
This in turn creates a disincentive to hire new staff, and makes it harder to pay existing workers.



While Australians are renowned for their laid-back attitude, this report shows that small businesses, rather than big corporates, are the tardiest in paying their bills to other SMEs. This growing culture is producing a self-inflicted cash flow crisis, which is often cited as one of the key reasons 50% of companies go out of business in the first three years¹.

Key findings of this report include:

- Almost half a million Australian SMEs would employ more people if they could improve their cash flow position. In doing so, unemployment would be largely eliminated in this country.
- Culturally Australian SMEs are prepared to break their word with suppliers to assist their own business.
- Schools have the lowest rate of delinquent debts of any industry in the country, suggesting that teachers are significantly more commercial, and better at managing their debtors, than other industries. Other winners include the health sector and banking.
- Companies in IT, Electricity and Mining suffer the longest wait before their bills are paid.
- Four in five SMEs ask to be paid within one month, but three-quarters do not get paid until up to a month beyond the agreed terms, and an unlucky 3% have to wait more than three months after the due date.
- Contrary to popular belief that big business and multi-nationals treat small business poorly, 85% of debtors to Australian SMEs are actually other SMEs.
- More than 40% of SMEs typically have more than 11 invoices outstanding, collectively worth an average \$38,000. Extended across the economy, this amounts to a \$76 billion 'cash flow handbreak'.



1. 81650 Counts of Australian Businesses, including Entries and Exits, Jun 2011 to Jun 2015)

2 australian SMEs at a glance

According to the Australian Bureau of Statistics, half of all businesses go out of business in the first three years of operation². And according to the Australian Securities and Investment Commission (ASIC), poor cash flow is cited as a factor in **40%** of business failures³.

Table 1⁴

Survival rates of companies in the first three years of operation

	Survival rate %
Health Care and Social Assistance	65
Financial and Insurance Services	64
Rental, Hiring and Real Estate Services	60
Agriculture, Forestry and Fishing	56
Electricity, Gas, Water and Waste Services	55
Mining	53
Manufacturing	52
Other Services	51
Professional, Scientific and Technical Services	51
Accommodation and Food Services	50
Arts and Recreation Services	50
Education and Training	49
Wholesale Trade	49
Retail Trade	49
Construction	47
Transport, Postal and Warehousing	47
Information Media and Telecommunications	47
Administrative and Support Services	43
Public Administration and Safety	43
Average	50

2. 81650 Counts of Australian Businesses, including Entries and Exits, Jun 2011 to Jun 2015

3. <http://asic.gov.au/about-asic/media-centre/find-a-media-release/2015-releases/15-337mr-asic-reports-on-corporate-insolvencies-2014-15/>

4. 81650 Counts of Australian Businesses, including Entries and Exits, Jun 2011 to Jun 2015

This survey has revealed the top excuses by customers for failing to pay invoices on time, with 'insufficient funds' nominated as the second most popular reason.

Table 2
Top excuses for failing to pay invoices on time

Not processed	23%
Insufficient funds	21%
Lost in the system / stuck in a bottleneck	17%
Being reviewed internally	12%
Not approved	7%
Other	7%
No purchase order	5%
In dispute	5%
Being processed offshore	4%
Total	100%

Although there is still the perception that large companies bully smaller ones, the worst offenders for delayed payments to SMEs are actually other SMEs, which creates a vicious cycle of debt within the 'small end of town'.

Only 12% of SME debtors are large corporates and a relatively small 3% are multinationals, indicating Australia's cash flow crisis is domestically created.

Table 3
Who are your main debtors?

Small size companies	49%
Medium size companies	36%
Large size companies	12%
Multinationals	3%
Total (rounded)	100%

2.1 length of agreed payment terms

Four in five Australian SMEs dictate payment terms of 30 days or less, with nine per cent nominating 30-60 days and 1% up to 90 days. Extraordinarily, 5% don't nominate any payment period at all.

Table 4
Payment terms

Less than 30 days	82.5%
30-60 days	9.1%
60-90 days	1.2%
Other	1.7%
No time period	5.3%
Total (rounded)	100%

2.2 length of delay

While the agreed payment terms may be sufficient to successfully run a business, unfortunately most clients fail to pay on time.

This creates a cash flow crisis for small businesses that impacts their ability to grow, employ new staff and make quality strategic business decisions.

While 75% of businesses have to wait up to a month beyond their agreed terms, 21% have to chase payment for up to two months beyond their due date.

A further 2% have to wait a whopping three months past the due date and an unlucky 1% longer than that.

Table 5**How late are payments made compared to payment terms?**

Always get paid on time	0%
1-13 days	37%
14-30 days	39%
31-45 days	15%
46-60 days	6%
61-90 days	2%
More than 90 days	1%
Total (rounded)	100%

One of the most striking findings of this report is that while late payments cost companies money, it is the hidden cost in time that is the most revealing.

On average, 46% of companies have to ask twice or three times for their bills to be paid by errant corporate customers.

Extraordinarily, in 3% of cases companies are forced to demand payment five or more times. This suggests that culturally Australian businesses are prepared to break their word with suppliers to assist their own business.

This raises questions about how long peer-to-peer business relationships can last before they begin breaking down.

The trend helps explain why Australia's two million SMEs have on average \$38,000 in outstanding invoices waiting to be paid.

Collectively, this is \$76 billion in frozen liquidity that is stalling the economy at any one time.

Table 6**Number of times client needs to be reminded to pay their bills**

Once	38%
Twice	39%
Three times	17%
Four times	3%
Five or more times	3%
Total (rounded)	100%

2.3 high level industry comparison

On an industry by industry basis, schools and health care have the lowest rate of delinquent debts of any industries in the country, suggesting that teachers and doctors are significantly more commercial, and better at managing their debtors, than other industries.

In comparison, the worst performing sectors are the IT industry and utilities such as Electricity and Water which only have 63% and 59% of their bills paid within a month of when they are due.

Table 7

Percentage of payments made within 30 days of when they are due

Education and training	94%
Health care and social assistance	86%
Banking & Financial Services	80%
Accounting	79%
Other services	79%
Agriculture	76%
Construction	76%
Professional, scientific and technical services	75%
Hospitality and tourism	75%
Real estate services	74%
Manufacturing	72%
Advertising, Arts & Media	71%
Transport & Logistics	66%
Mining	64%
Electricity, gas, water and waste services	63%
Information & Communication technology	59%
Average	76%

2.4 state by state comparison

On a national basis, the larger states also were over-represented with larger SMEs.

Nationally 15% of the surveyed companies had annual revenue between \$5-\$10 million. However in NSW this rose to 20% and in Victoria it climbed to 18%.

By comparison, while half of all SMEs nationally had annual turnover of less than \$1 million, 63% of those in Tasmania and 59% of those in Western Australia fell into this category.

Western Australia is the standout state for laggard payments, with 8% of all invoices paid more than two months late, against a national average of 3%.

At the other end of the scale, South Australian businesses fare best in the nation with 78% of all payments made within 30 days of their due date, compared to a national average of 76%.

2.5 future trends

Despite the \$76 billion cash flow problem in the Australian economy, the crisis appears to be getting worse.

One third of all businesses have asked for payment terms to be extended in the last 12 months, suggesting the cash flow crisis affecting some companies is being extended to other sectors.

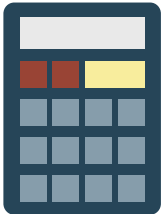
The critical question will be whether the trend continues in 2017.

Table 8

Percentage of customers who have asked for terms to be extended in the last 12 months

Yes	36%
No	64%
Total (rounded)	100%

3 industry breakdown



3.1 accounting

- Accountants perform marginally better than the rest of the economy when it comes to chasing debts, with **15%** owed more than **\$50,000**, compared with 24% for other industries.
- **17%** of accountants have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- This suggests they are managing their debtors in a similar way to other industries.
- However, **43%** of their customers have sought to extend their payment terms in the last 12 months, suggesting cash flow is a growing problem for the accounting sector.
- Accountants say that almost **93%** of all those who owe them money are small or medium sized operators, with only **7%** from large Australian or multinational firms.
- Again this suggests that failure by one operator to pay another is having a compound effect through the accounting profession.
- Notwithstanding the problems of chasing debts, **34%** are paid after being reminded once. The national average for all industries is **38%**.
- In **4%** of cases, corporate clients need to be remind ‘five or more times’ to pay their bills.
- Extraordinarily, **42%** of accountants don’t have any strategies in place to improve their cash flow.



3.2 advertising, arts & media

- Media, artistic and advertising companies perform marginally better than the rest of the economy when it comes to chasing debts, with **21%** owed more than **\$50,000**, compared with **24%** for other industries.
- **26%** of businesses have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- This suggests the ‘creative sectors’ are better at managing their debtors than other industries.
- However, **37%** of their customers have sought to extend their payment terms in the last 12 months, suggesting cash flow is a growing problem for the creative industries.
- Advertising, arts and media firms have **90%** of their customers as small or medium sized companies, with only **10%** from large Australian or multinational firms.
- Again this suggests that failure by one operator to pay another is having a compound effect through these creative communities.
- Notwithstanding the problems of chasing debts, **32%** are paid after being reminded once. The national average for all industries is **38%**.
- In **8%** of cases, customers have to be reminded four times to pay their bills.
- Extraordinarily, **42%** of advertising, arts & media companies don’t have any strategies in place to improve their cash flow.



3.3 agriculture

- Agriculture employs about **477,000** Australians and has annual sales of about \$85 billion⁵.
- Agriculture performs marginally better than the rest of the economy when it comes to chasing debts, with **17%** of farmers owed more than **\$50,000**, compared with **24%** for other industries.
- **21%** of farms have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- This suggests that farmers are managing their debtors in a better way than other industries.
- However, more than a quarter of all suppliers have sought to extend their payment terms in the last 12 months, suggesting cash flow is a growing problem in rural areas.
- Farmers say that almost **95%** of all those who owe them money are small or medium sized operators, with only **5%** from large Australian or multinational firms.
- Again this suggests that failure by one operator in the bush to pay another is having a compound effect through regional communities.
- Notwithstanding the problems of chasing debts, farmers are the only industry where a majority of invoices (**65%**) are paid after being reminded once. The national average for all industries is **38%**.
- In **10%** of cases, farmers have to remind those who owe them money ‘five or more times’.
- Extraordinarily, **45%** of operators in the agriculture sector don’t have any strategies in place to improve their cash flow.



3.4 banking & financial services

- According to the Australian Parliament, banking and financial services employs about **400,000** people⁶.
- Financial services companies perform marginally worse than the rest of the economy when it comes to chasing debts, with **29%** owed more than **\$50,000**, compared with **24%** for other industries.
- **26%** of financial services companies have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- This suggests that, surprisingly, financial services companies are struggling to manage their creditors as well as other industries.
- A majority of customers (**52%**) have sought to extend their payment terms in the last 12 months, suggesting cash flow is a growing problem for financial services companies.
- Financial services business owners say that **74%** of all those who owe them money are small or medium sized operators, with only **26%** from large Australian or multinational firms.
- Notwithstanding the problems of chasing debts, **34%** are paid after being reminded once. The national average for all industries is **38%**.
- In **6%** of cases, financial services companies have to remind their customers four times to pay their bills.
- Extraordinarily, **40%** of financial services companies don’t have any strategies in place to improve their cash flow.

5. Aust Bureau of Statistics – 8155.0 Australian Industry 2014-15

6. www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2014/February/Employment-by-industry-2012-13 5



3.5 construction

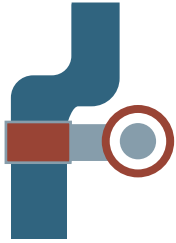
- According to the Australian Bureau of Statistics, construction employs **1,038,000** people, with annual sales of **\$382 billion**⁷.
- Building companies perform marginally worse than the rest of the economy when it comes to chasing debts, with 30% owed more than **\$50,000**, compared with **24%** for other industries.
- **11%** of builders have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- This suggests that builders are struggling to manage their debtors as well as other industries.
- However, **36%** of all customers have sought to extend their payment terms in the last 12 months, suggesting cash flow is a growing problem for builders.
- Builders say that almost **80%** of all those who owe them money are small or medium sized operators, with only **20%** from large Australian or multinational firms.
- Again this suggests that failure by one small operator to pay another is having a compound effect throughout the construction sector.
- Notwithstanding the problems of chasing debts, **46%** are paid after being reminded once. The national average for all industries is **38%**.
- In **4%** of cases, builders have to remind those who owe them money ‘five or more times’.
- Extraordinarily, **48%** of those in the construction industry don’t have any strategies in place to improve their cash flow.



3.6 education & training

- According to the Australian Bureau of Statistics, the education and training (private) sector employs **399,000** people, with annual sales of **\$21 billion**⁸.
- Schools have the lowest rate of delinquent debts of any industry in the country, suggesting that teachers are significantly more commercial, and better at managing their debtors, than other industries.
- Only **19%** of schools and colleges have unpaid sales of more than **\$50,000**, compared to **24%** of companies in other industries.
- And **6%** of schools and colleges have more than 20 outstanding invoices owed to them – compared with **18%** of companies for the rest of the country.
- However, **31%** of customers have sought to extend their payment terms in the last 12 months, suggesting cash flow is an emerging problem for schools and training organisations.
- Educators say that **96%** of all those businesses who owe them money are small or medium sized, with only **4%** from large Australian or multinational firms.
- Again this suggests that failure by one operator to pay another is having a compound effect through the education system.
- Notwithstanding the problems of chasing debts, **33%** of invoices are paid after being reminded once. The national average for all industries is **38%**.
- In **10%** of cases, educators have to remind those who owe them money ‘five or more times’.
- Extraordinarily, **52%** of those companies in the education and training sector don’t have any strategies in place to improve their cash flow.

7. Aust Bureau of Statistics – 8155.0 Australian Industry 2014-15; 8 Aust Bureau of Statistics – 8155.0 Australian Industry 2014-15



3.7 electricity, gas, water & waste services

- According to the Australian Bureau of Statistics, electricity, gas, water and waste services employs **112,000** people and has annual sales of **\$113 billion**⁹.
- Utility providers perform marginally better than the rest of the economy when it comes to chasing debts, with **19%** owed more than **\$50,000**, compared with **24%** for other industries.
- **25%** of utility businesses have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- However, owing to their size, the sheer volume of customers would explain this outcome.
- **38%** of all suppliers have sought to extend their payment terms in the last 12 months, suggesting cash flow remains a problem for utilities.
- Utility operators say that almost **94%** of all those who owe them money are small or medium sized operators, with only **6%** from large Australian or multinational firms.
- Again this suggests that failure by one small operator to pay another is having a compound effect through the electricity, gas, water and waste sectors.
- Notwithstanding the problems of chasing debts, one quarter are paid after being reminded once. The national average for all industries is **38%**.
- In **31%** of cases, utility companies have to remind those who owe them money three times. It is the only sector that does not have to chase suppliers a fourth or fifth occasion, reflecting their market power relative to other industries that may be more fragmented.
- Extraordinarily, **50%** of electricity, gas, water and waste services companies don't have any strategies in place to improve their cash flow.



3.8 health care & social assistance

- According to the Australian Bureau of Statistics, the health care and social assistance sectors employs **1,079,000** people, with annual sales of **\$84 billion**¹⁰.
- Doctors, hospitals and charities have the second lowest rate of delinquent debts of any industry in the country, after education. This suggests that doctors are significantly more commercial, and better at managing their debtors, than other industries.
- **22%** of health providers have more than **\$50,000** owed to them, compared with **24%** for other industries.
- Likewise, **17%** of health businesses have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- However, **22%** of business customers have sought to extend their payment terms in the last 12 months, suggesting cash flow is a growing problem for the health sector.
- Health care and social assistance professionals say that **92%** of all those who owe them money are small or medium sized operators, with only **8%** from large Australian or multinational firms.
- Again this suggests that failure by one small operator to pay another is having a compound effect through the health and caring communities.
- Notwithstanding the problems of chasing debts, one quarter of invoices are paid after being reminded once. The national average for all industries is **38%**.
- In **3%** of cases, corporate customers have to be reminded 'five or more times' to pay their bills.
- Extraordinarily, **47%** of health care & social assistance operators don't have any strategies in place to improve their cash flow.

9. Aust Bureau of Statistics – 8155.0 Australian Industry 2014-15; 10. Aust Bureau of Statistics – 8155.0 Australian Industry 2014-15



3.9 hospitality & tourism

- According to the Australian Bureau of Statistics, accommodation and food services employs **963,000** people and has annual sales of **\$92 billion**¹¹.
- Tourism operators perform marginally better than the rest of the economy when it comes to chasing debts, with **23%** of hotels, resorts and other hospitality providers owed more than **\$50,000**, compared with **24%** for other industries.
- 25% of hospitality and tourism businesses have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- However, **45%** of all customers have sought to extend their payment terms in the last 12 months, suggesting cash flow is a growing problem for the lucrative tourism sector.
- Hospitality and tourism providers say that **95%** of those who owe them money are small or medium sized operators, with only **5%** from large Australian or multinational firms.
- Again this suggests that failure by one small operator to pay another is having a compound effect throughout the hospitality sector.
- Notwithstanding the problems of chasing debts, a quarter are paid after being reminded once. The national average for all industries is **38%**.
- In **3%** of cases, tourism and hospitality providers have to remind those who owe them money to pay ‘five or more times’.
- Extraordinarily, **45%** of hospitality and tourism operators don’t have any strategies in place to improve their cash flow.



3.10 information & communication technology

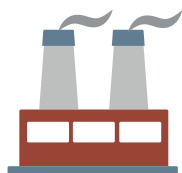
- IT companies are significantly worse than the rest of the economy when it comes to chasing debts, with 39% having more than **\$50,000** owed to them, compared with **24%** for other industries.
- **22%** of IT businesses have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- This could partly be explained by the relatively large size of many IT companies, with a commensurate rise in customer numbers.
- However, **44%** of all customers have sought to extend their payment terms in the last 12 months, suggesting cash flow is a growing problem for the IT sector.
- IT companies say that four in five companies who owe them money are small or medium sized operators, with only **19%** from large Australian or multinational firms.
- Again this suggests that failure by one small operator to pay another is having a compound effect through the IT sector.
- Notwithstanding the problems of chasing debts, **34%** of bills are paid after being reminded once. The national average for all industries is **38%**.
- In **3%** of cases, customers have to be reminded to pay their bills ‘five or more times’.
- Extraordinarily, **41%** of IT companies don’t have any strategies in place to improve their cash flow.

11. Aust Bureau of Statistics – 8155.0 Australian Industry 2014-15



3.11 mining

- According to the Australian Bureau of Statistics, mining employs **173,000** people and has annual sales of **\$211 billion**¹².
- Miners are the worst performing SME sector in Australia for chasing debts, with **57%** of resources companies owed more than **\$50,000**, compared with **24%** for other industries.
- However, this may be explained by the heavy capital nature of the industry, with large inventories and supply chains required to operate.
- **36%** of mining businesses have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- However, **57%** of all suppliers have sought to extend their payment terms in the last 12 months, the most of any industry in Australia.
- This suggests that as mining boom continues to fade, customers within the resources sector are struggling to adjust.
- Miners say that **79%** of all those who owe them money are small or medium sized operators, with only **21%** from large Australian or multinational firms.
- Again this suggests that failure by one small operator to pay another is having a compound effect throughout the resources sector.
- Notwithstanding the problems of chasing debts, **29%** of debts are paid after being reminded once. The national average for all industries is **38%**.
- In **7%** of cases, miners have to remind customers to pay their bills four times.
- Extraordinarily, **50%** of mining companies don't have any strategies in place to improve their cash flow.



3.12 manufacturing

- According to the Australian Bureau of Statistics manufacturing employs **850,000** people, and has annual sales of **\$377 billion**¹³.
- Manufacturers dealing with tight profit margins and fierce international competition are better than the rest of the economy when it comes to chasing debts, with **18%** owed more than **\$50,000**, compared with **24%** for other industries.
- **20%** of manufacturing businesses have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- This may be explained by the heavy capital nature of the industry, with large inventories and supply chains.
- However, **44%** of all customers have sought to extend their payment terms in the last 12 months, suggesting cash flow is a growing problem for the manufacturing sector.
- Manufacturers say that four in five of all those who owe them money are small or medium sized operators, with only **20%** from large Australian or multinational firms.
- Again this suggests that failure by one small operator to pay another is having a compound effect throughout the manufacturing sector.
- Notwithstanding the problems of chasing debts, a third of invoices are paid after being reminded once. The national average for all industries is **38%**.
- In **4%** of cases, manufacturers have to remind clients to pay them 'five or more times'.
- Extraordinarily, **37%** of manufacturers don't have any strategies in place to improve their cash flow.

12. Aust Bureau of Statistics – 8155.0 Australian Industry 2014-15; 13. Aust Bureau of Statistics – 8155.0 Australian Industry 2014-15



3.13 professional, scientific & technical services

- According to the Australian Bureau of Statistics, professional, scientific and technical services employs **964,000** people, with annual sales of **\$194 billion**¹⁴.
- Professional white collar service industries are worse than the rest of the economy when it comes to chasing debts, with **26%** of companies owed more than **\$50,000**, compared with **24%** for other industries.
- Only **9%** of businesses have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- However, almost a third of all customers have sought to vary their payment terms in the last 12 months, suggesting cash flow remains a problem for white collar professionals.
- Almost **87%** of all those who owe them money are small or medium sized operators, with only **13%** from large Australian or multinational firms.
- Again this suggests that failure by one operator to pay another is having a compound effect throughout the professional, scientific and technical services communities.
- Notwithstanding the problems of chasing debts, **40%** of bills are paid after customers are reminded once. The national average for all industries is **38%**.
- In **1%** of cases, customers have to be reminded ‘five or more times’.
- Extraordinarily, half of all professional services firms don’t have any strategies in place to improve their cash flow.



3.14 real estate services

- According to the Australian Bureau of Statistics, rental, hiring and real estate services employ **403,000** people, with annual sales of **\$121 billion**¹⁵.
- Real estate agents are significantly worse than the rest of the economy when it comes to chasing debts, with **37%** owed more than **\$50,000**, compared with **24%** for other industries.
- Agents rely on inconsistent cash flow, owing to a small number of property sales per month, so chasing up outstanding bills should be a priority.
- **29%** of real estate businesses have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- This is puzzling, as many real estate agents are relatively small businesses, and reinforces the notion that the sector can improve its management of its debtors.
- This comes at a time when a quarter of customers have sought to extend their payment terms in the last 12 months.
- Real estate service operators say that almost **69%** of all those who owe them money are small or medium sized operators, with only **31%** from large Australian or multinational firms.
- Again this suggests that failure by one small operator to pay another is having a compound effect throughout the property sector.
- Notwithstanding the problems of chasing debts, **46%** of bills are paid after customers are reminded once. The national average for all industries is **38%**.
- In a whopping **6%** of cases, agents have to remind those who owe them money to pay ‘five or more times’.
- Extraordinarily, **31%** of those in the real estate services sector don’t have any strategies in place to improve their cash flow.

14. Aust Bureau of Statistics – 8155.0 Australian Industry 2014-15; 15. Aust Bureau of Statistics – 8155.0 Australian Industry 2014-15



3.15 transport & logistics

- According to the Australian Bureau of Statistics, the transport, postal and warehousing sectors employ **574,000** people with annual sales of **\$154 billion**.
- Trucking and logistics companies are worse than the rest of the economy when it comes to chasing debts, with **32%** owed more than **\$50,000**, compared with **24%** for other industries.
- **25%** of transport and logistics businesses have more than 20 outstanding invoices owed to them – compared with **18%** for the rest of the country.
- Given the fragmented nature of the sector, this result suggests they are failing to manage their debtors as well as other industries.
- This comes at a time when **41%** of corporate customers have sought to extend their payment terms in the last 12 months, suggesting cash flow remains a problem in the transport sector.
- Operators say that **77%** of all those who owe them money are small or medium sized operators, with only **23%** from large Australian or multinational firms.
- Again this suggests that failure by one operator to pay another is having a compound effect throughout the transport and logistics supply chain.
- Notwithstanding the problems of chasing debts, **36%** of customers need to be reminded once before paying. The national average for all industries is **38%**.
- In **2%** of cases, they need to be reminded 'five or more times'.
- Extraordinarily, **42%** of transport and logistics companies don't have any strategies in place to improve their cash flow.

4 consequences

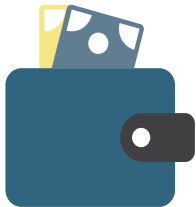
Top 5 Pain Points caused by late payments:



#1 pain point: **ability to pay invoices**



#2 pain point: **stress levels**



#3 pain point: **personal finances**



#4 pain point: **ability to pay staff wages**



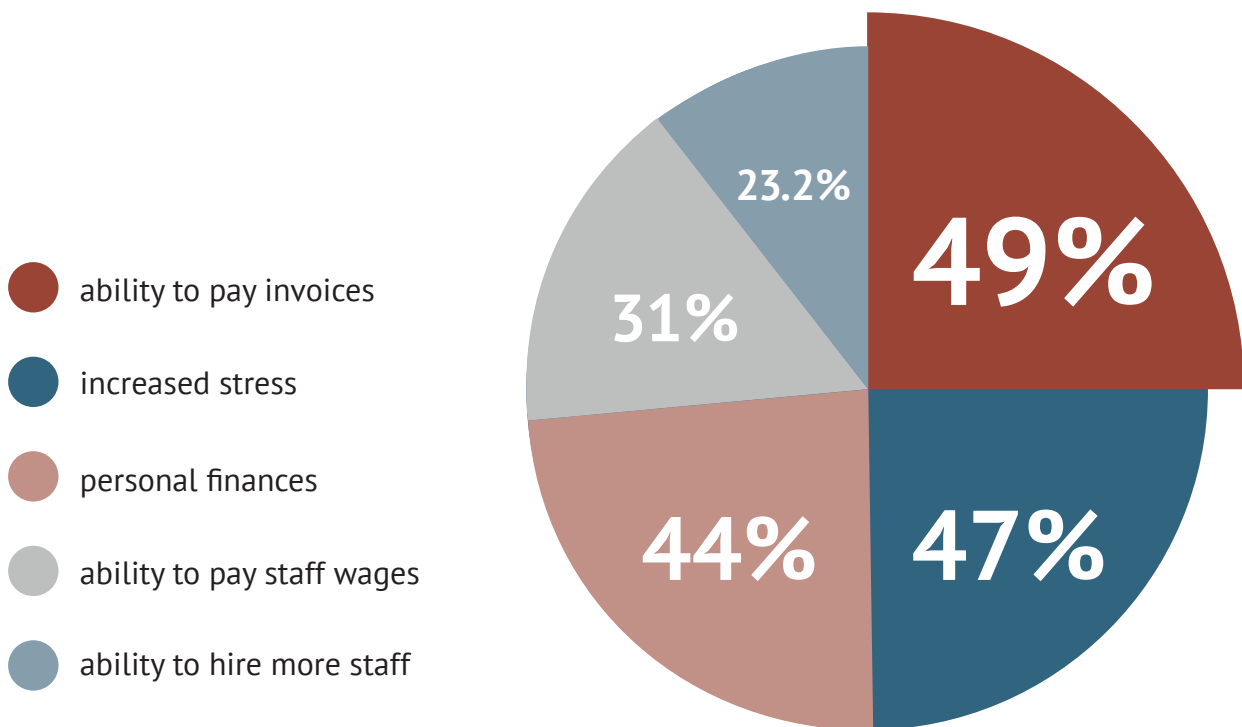
#5 pain point: **ability to hire more staff**

Outstanding invoices don't just cause late payments, they have a detrimental knock-on effect, with almost half of all owners (44%) confirming it affects their ability to pay their personal bills such as rent, mortgage, food, clothing, entertainment and other living expenses.

Almost half of Australian SMEs (49%) say waiting to be paid by customers prevents them from being able to pay their own suppliers.

A third of businesses (31%) say waiting for customers to pay their bills is having a negative impact on their ability to pay their own employees, while almost a quarter (23.2%) say it impacts their capacity to employ more staff.

It is little wonder then that almost half (47%) of all business owners say waiting to be paid for outstanding invoices increases their stress levels.



5 conclusions

What this report shows is that Australia's two million small and medium sized enterprises are drowning in a sea of unpaid customer bills, with **\$76 billion** in outstanding invoices at any one time crippling their ability to grow.

On average, each Australian business is owed more than \$38,000.

This creates unnecessary stress and impinges on owners' personal lifestyles and their ability to grow their businesses.

Alarmingly, almost half of all SMEs have no strategies in place to protect themselves from late payments, which are contributing to this growing crisis.

It doesn't have to be this way.

If SMEs can free up their cash flow, it will not only help their own enterprises, but it will have profound benefits for national economic growth and job creation.

For example, the country's unemployment rate currently stands at 5.6%¹⁶, with 714,000 people out of work.

This report shows that 23% of Australian businesses, or 464,000 companies, would employ more people if they could improve their cash flow position.

Therefore, unemployment could be effectively eliminated in Australia, taking pressure off federal public spending and ushering in a new era of national productivity growth.

This in turn would take pressure off the Australian Government budget and put the country on the path to a more sustainable fiscal future.

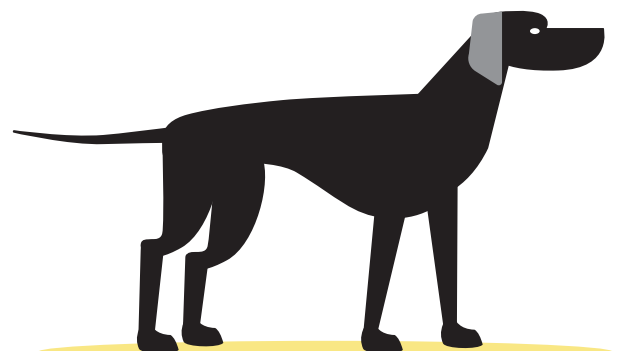


16. <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>

6 methodology

The Invoice Market commissioned research company Pure Profile in November 2016 to seek a nationally representative sample of **800 companies** defined as a small or medium sized enterprise with a normal annual gross revenue of less than \$10 million.

Responses were grouped into the Australian Bureau of Statistics classifications of Accounting, Advertising Arts & Media, Agriculture, Banking & Financial Services, Construction, Education & training, Electricity, Gas, Water & Waste Services; Health Care & Social Assistance; Hospitality & Tourism, Information & Communication Technology; Mining; Manufacturing; Professional, Scientific & Technical Services; Real Estate Services; Transport & Logistics; and Other.



appendix: full survey results

Table 10

What is your business's normal gross annual revenue?

	Less than \$1 million	\$1 million – Under \$5 million	\$5 - \$10 million	Total
Accounting	47%	47%	6%	100%
Advertising, Arts & Media	58%	34%	8%	100%
Agriculture	59%	35%	7%	100%
Banking & Financial Services	42%	29%	29%	100%
Construction	44%	41%	15%	100%
Education and training	65%	21%	15%	100%
Electricity, gas, water and waste services	56%	31%	13%	100%
Health care and social assistance	33%	39%	28%	100%
Hospitality and tourism	50%	40%	10%	100%
Information & Communication technology	40.7%	35.6%	23.7%	100%
Mining	36%	21%	43%	100%
Manufacturing	28%	59%	13%	100%
Professional, scientific & technical services	53%	38%	9%	100%
Real estate services	43%	37%	20%	100%
Transport & Logistics	34%	46%	21%	100%
Other services	66%	24%	11%	100%
Average	49%	36%	15%	100%

Table 11

What are the stated payment terms for your business?

	Under 30 days	30-60 days	60+ days	No stated terms	Other	Total (rounded)
Accounting	72%	9%	2%	2%	0%	100%
Advertising, Arts & Media	58%	11%	0%	5%	0%	100%
Agriculture	62%	0%	3%	17%	0%	100%
Banking & Financial Services	69%	6%	0%	11%	0%	100%
Construction	61%	6%	0%	1%	4%	100%
Education and training	60%	4%	2%	4%	4%	100%
Electricity, gas, water and waste services	63%	19%	0%	0%	0%	100%
Health care and social assistance	72%	8%	0%	3%	3%	100%
Hospitality and tourism	65%	8%	3%	3%	3%	100%
Information & Communication technology	75%	14%	2%	2%	2%	100%
Mining	36%	50%	0%	0%	0%	100%
Manufacturing	76%	7%	6%	4%	0%	100%
Professional, scientific & technical services	78%	4%	1%	5%	1%	100%
Real estate services	54%	23%	0%	6%	3%	100%
Transport & Logistics	73%	18%	2%	2%	0%	100%
Other services	62%	5%	1%	11%	3%	100%
Average	66%	9%	1%	5%	2%	100%

Table 12

On average, how many days AFTER your stated payment terms do you get paid?

	I always get paid on time	Under 30 days	30-60 days	60+ days	Total
Accounting	0%	79%	17%	4%	100%
Advertising, Arts & Media	0%	71%	29%	0%	100%
Agriculture	0%	76%	17%	7%	100%
Banking & Financial Services	0%	80%	20%	0%	100%
Construction	0%	76%	23%	1%	100%
Education and training	0%	94%	4%	2%	100%
Electricity, gas, water and waste services	0%	63%	38%	0%	100%
Health care and social assistance	0%	86%	11%	3%	100%
Hospitality and tourism	0%	75%	25%	0%	100%
Information & Communication technology	0%	59%	32%	8%	100%
Mining	0%	64%	36%	0%	100%
Manufacturing	0%	72%	22%	6%	100%
Professional, scientific & technical services	0%	75%	22%	3%	100%
Real estate services	0%	74%	20%	6%	100%
Transport & Logistics	0%	66%	30%	5%	100%
Other services	0%	79%	19%	1%	100%
Average	0%	76%	22%	3%	100%

Table 13

What is the primary reason given by your debtors for invoices remaining outstanding?

	Not approved	No purchase order	Lost in the system / stuck in a bottleneck	Not processed	In dispute	Being reviewed internally (rounded)	Being processed offshore	Insufficient funds	Other	Total
Accounting	8%	6%	6%	15%	8%	4%	6%	47%	2%	100%
Advertising, Arts & Media	8%	3%	13%	29%	8%	26%	0%	8%	5%	100%
Agriculture	7%	10%	7%	17%	0%	3%	7%	31%	17%	100%
Banking & Financial Services	9%	6%	14%	29%	6%	11%	0%	23%	3%	100%
Construction	13%	3%	23%	24%	3%	10%	6%	14%	6%	100%
Education and training	4%	4%	21%	19%	8%	15%	6%	21%	2%	100%
Electricity, gas, water and waste services	13%	0%	19%	31%	0%	6%	0%	19%	13%	100%
Health care and social assistance	6%	3%	14%	28%	3%	17%	3%	22%	6%	100%
Hospitality and tourism	8%	10%	28%	23%	5%	10%	3%	13%	3%	100%
Information & Communication technology	7%	2%	22%	24%	7%	17%	5%	15%	2%	100%
Mining	14%	0%	7%	36%	21%	0%	7%	7%	7%	100%
Manufacturing	7%	13%	11%	20%	2%	20%	7%	15%	4%	100%
Professional, scientific & technical services	5%	4%	18%	22%	0%	13%	1%	28%	8%	100%
Real estate services	11%	3%	11%	9%	14%	14%	6%	23%	8%	100%
Transport & Logistics	7%	9%	16%	18%	11%	9%	5%	18%	7%	100%
Other services	2%	3%	19%	26%	1%	9%	5%	21%		100%
Average	7%	5%	17%	23%	5%	12%	4%	21%	7%	100%

Table 14**How many invoices do you typically have outstanding?**

	Under 20 invoices	More than 20 invoices	Total
Accounting	83%	17%	100%
Advertising, Arts & Media	74%	26%	100%
Agriculture	79%	21%	100%
Banking & Financial Services	74%	26%	100%
Construction	89%	11%	100%
Education and training	94%	6%	100%
Electricity, gas, water and waste services	75%	25%	100%
Health care and social assistance	83%	17%	100%
Hospitality and tourism	75%	25%	100%
Information & Communication technology	78%	22%	100%
Mining	64%	36%	100%
Manufacturing	80%	20%	100%
Professional, scientific & technical services	91%	9%	100%
Real estate services	71%	29%	100%
Transport & Logistics	75%	25%	100%
Other services	87%	13%	100%
Average	82%	18%	100%

Table 15**What is the value, on average, of all your outstanding invoices?**

	Less than \$50,000	\$50,000-\$99,999	\$100,000-\$150,000	More than \$150,000	Total
Accounting	85%	8%	8%	0%	100%
Advertising, Arts & Media	79%	8%	11%	3%	100%
Agriculture	83%	10%	3%	3%	100%
Banking & Financial Services	71%	20%	9%	0%	100%
Construction	70%	15%	10%	5%	100%
Education and training	81%	13%	6%	0%	100%
Electricity, gas, water and waste services	81%	6%	6%	6%	100%
Health care and social assistance	78%	8%	6%	8%	100%
Hospitality and tourism	78%	10%	10%	3%	100%
Information & Communication technology	61%	15%	10%	14%	100%
Mining	43%	0%	57%	0%	100%
Manufacturing	81%	7%	6%	6%	100%
Professional, scientific & technical services	74%	16%	7%	4%	100%
Real estate services	63%	11%	14%	11%	100%
Transport & Logistics	68%	18%	5%	9%	100%
Other services	85%	5%	5%	5%	100%
Average	76%	11%	8%	5%	100%

Table 16

Have your debtors extended their payment terms in the last 12 months?

	Yes	No	Total
Accounting	43%	57%	100%
Advertising, Arts & Media	37%	63%	100%
Agriculture	28%	72%	100%
Banking & Financial Services	51%	49%	100%
Construction	36%	64%	100%
Education and training	31%	69%	100%
Electricity, gas, water and waste services	38%	63%	100%
Health care and social assistance	22%	78%	100%
Hospitality and tourism	45%	55%	100%
Information & Communication technology	44%	56%	100%
Mining	57%	43%	100%
Manufacturing	44%	56%	100%
Professional, scientific & technical services	30%	70%	100%
Real estate services	26%	74%	100%
Transport & Logistics	41%	59%	100%
Other services	31%	69%	100%
Average	36%	64%	100%

Table 16

Who are your main debtors?

	Small size companies	Medium size companies	Large size companies	Multinationals	Total
Accounting	55%	38%	6%	2%	100%
Advertising, Arts & Media	34%	55%	11%	0%	100%
Agriculture	59%	34%	3%	3%	100%
Banking & Financial Services	34%	40%	23%	3%	100%
Construction	53%	26%	16%	5%	100%
Education and training	77%	19%	4%	0%	100%
Electricity, gas, water and waste services	50%	44%	6%	0%	100%
Health care and social assistance	61%	31%	8%	0%	100%
Hospitality and tourism	63%	33%	5%	0%	100%
Information & Communication technology	36%	46%	17%	2%	100%
Mining	14%	64%	21%	0%	100%
Manufacturing	30%	50%	13%	7%	100%
Professional, scientific & technical services	47%	39%	9%	4%	100%
Real estate services	57%	11%	17%	14%	100%
Transport & Logistics	30%	48%	14%	9%	100%
Other services	54%	32%	13%	1%	100%
Average	49%	36%	12%	3%	100%

Table 18

How many times on average do you have to ask for your invoices to be paid?

	Once	Twice	Three times	Four times	Five or more times	Total (rounded)
Accounting	34%	51%	8%	4%	4%	100%
Advertising, Arts & Media	32%	39%	21%	8%	0%	100%
Agriculture	66%	21%	3%	0%	10%	100%
Banking & Financial Services	34%	31%	29%	6%	0%	100%
Construction	46%	33%	14%	4%	4%	100%
Education and training	33%	38%	17%	2%	10%	100%
Electricity, gas, water and waste services	25%	44%	31%	0%	0%	100%
Health care and social assistance	25%	53%	19%	0%	3%	100%
Hospitality and tourism	25%	43%	28%	3%	3%	100%
Information & Communication technology	34%	36%	22%	5%	3%	100%
Mining	29%	29%	36%	7%	0%	100%
Manufacturing	33%	41%	19%	4%	4%	100%
Professional, scientific & technical services	39%	41%	18%	0%	1%	100%
Real estate services	46%	23%	14%	11%	6%	100%
Transport & Logistics	36%	41%	18%	2%	2%	100%
Other services	44%	43%	12%	1%	0%	100%
Average	38%	39%	17%	3%	3%	100%

Table 19

What strategies does your business use to protect itself from late payments?

	We do not have any strategies in place	Invoice funding	Credit insurance	Bank loan	Dip into personal savings	Other	Total
Accounting	42%	23%	13%	9%	8%	6%	100%
Advertising, Arts & Media	42%	18%	16%	11%	11%	3%	100%
Agriculture	45%	17%	7%	3%	17%	10%	100%
Banking & Financial Services	40%	34%	9%	11%	6%	0%	100%
Construction	48%	13%	9%	6%	21%	4%	100%
Education and training	52%	15%	15%	6%	10%	2%	100%
Electricity, gas, water and waste services	50%	19%	13%	0%	19%	0%	100%
Health care and social assistance	47%	22%	6%	11%	3%	11%	100%
Hospitality and tourism	45%	18%	15%	10%	10%	3%	100%
Information & Communication technology	41%	25%	24%	3%	5%	2%	100%
Mining	50%	21%	21%	7%	0%	0%	100%
Manufacturing	37%	22%	17%	13%	7%	4%	100%
Professional, scientific & technical services	50%	17%	8%	5%	13%	7%	100%
Real estate services	31%	20%	34%	6%	0%	9%	100%
Transport & Logistics	43%	18%	20%	11%	7%	0%	100%
Other services	53%	13%	6%	7%	14%	7%	100%
Average	46%	18%	13%	8%	11%	5%	100%

Table 20

When there are invoices outstanding, does it affect you:

	Personal finances	Ability to pay your business invoices	Ability to pay staff wages	Ability to hire more staff	Stress levels	All of the above	None of the above
Accounting	43%	47%	51%	28%	43%	19%	15%
Advertising, Arts & Media	47%	47%	29%	21%	47%	13%	18%
Agriculture	41%	52%	21%	21%	55%	10%	17%
Banking & Financial Services	37%	57%	20%	9%	37%	6%	14%
Construction	61%	60%	43%	35%	58%	30%	5%
Education and training	33%	33%	21%	17%	56%	6%	15%
Electricity, gas, water and waste services	69%	50%	31%	25%	56%	19%	19%
Health care and social assistance	31%	39%	14%	11%	36%	6%	31%
Hospitality and tourism	50%	45%	40%	30%	50%	25%	20%
Information & Communication technology	39%	56%	43%	27%	49%	12%	10%
Mining	21%	21%	57%	29%	29%	7%	21%
Manufacturing	33%	61%	30%	28%	50%	19%	15%
Professional, scientific & technical services	43%	49%	30%	21%	47%	13%	20%
Real estate services	46%	46%	34%	29%	40%	20%	14%
Transport & Logistics	36%	55%	32%	30%	48%	14%	14%
Other services	47%	44%	23%	17%	44%	9%	21%
Average	44%	49%	31%	23%	47%	14%	16%