GOCARDLESS

PAYMENT INSIGHTS

How long does it take to get paid?

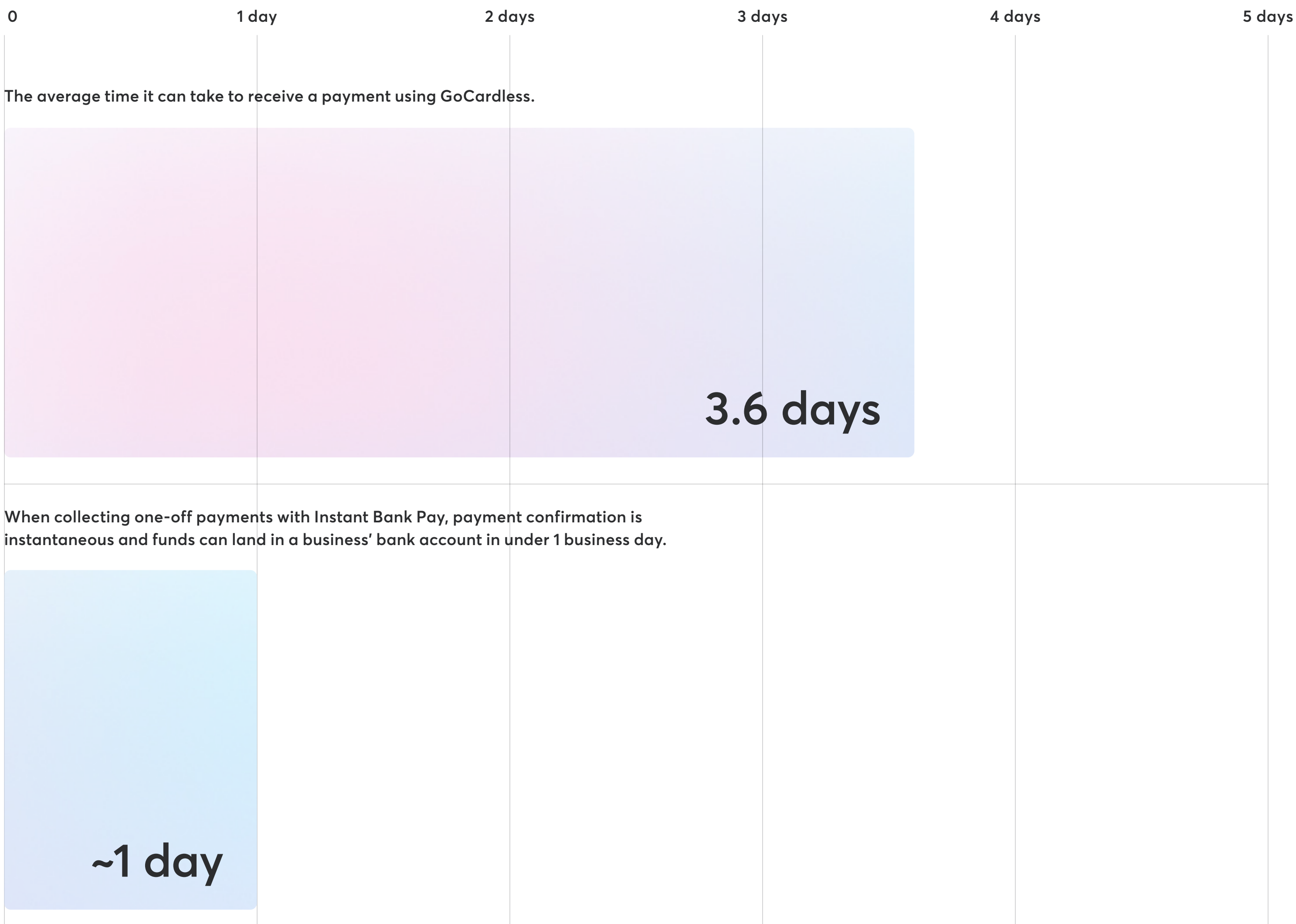
The global payment timings index 2021

Discover:

- How your business compares to industry payment timing benchmarks
- How much revenue payment timings are costing your business
- How it takes businesses using GoCardless an average 3.6 days to get paid

Contents

Executive summary



86%

Optimize your payment timings by up to 86% compared to an industry standard of 25 Days Sales Outstanding.

Foreword

Getting paid on time is essential for a healthy cash flow. But collecting payments swiftly can be challenging:

- Payment timings vary based on both the industry you operate in and your business size.
- Manual processes involved in collecting and recovering payments can impact how quickly you get paid.

Why is cash flow important?

Cash flow is critical to small and large businesses. It can be the difference between a business continuing to operate and closure, or impact the ability of a company to invest, grow and attract new funding.

If money goes uncollected from customers, it cannot be used to invest in and otherwise grow a business.

How long does it take to get paid?

We've worked with businesses collecting payments for over a decade. We understand the importance of getting paid promptly and successfully, and the impact this has on cash flow.

According to a Forrester study, GoCardless commissioned, for most businesses, regardless of payment method, it takes on average [20-30 days to collect a recurring payment] once it becomes receivable, also known as Days Sales Outstanding (DSO).

Businesses cannot afford to ignore the time it takes to get paid. There is a clear opportunity for businesses to optimize and capitalize on faster payment timings to benefit cash flow and business viability.

Duncan Barrigan,
Chief Product Officer,
GoCardless

About this report

We set about investigating the Forrester finding and created the global payment timings index to:

- Set a benchmark for payment collection timings across different sized businesses, payment methods, currencies, and business industries.
- Offer practical solutions to optimize the time it takes to get paid and improve your cash flow.

The GoCardless global payment timings index looked at cumulative payment collection data from over 65,000 GoCardless customers.

To create global benchmarks across various metrics related to payment timings we examined more than 40 million payments collected in Q1 of 2021 using bank debit (referred to as Direct Debit in the UK, Australia and New Zealand, SEPA Direct Debit in Europe and ACH Debit in the US) as the primary payment method. This report also features data from open banking powered one-off payments (using Instant Bank Pay) for further insights on payment timings.

To understand how big of an issue payment timings are for businesses, GoCardless conducted an external survey of 1,900 businesses across the UK, France, Germany, the US and Australia. This survey was carried out in December 2020 and asked participants about the number of days it takes for them to collect a payment once it becomes receivable across all their payment methods, depending on their business size and industry.

This index includes the following terms:

Average payment timings:

The average number of days it takes the money you're owed to be collected: from the day you charge your customer, or what we call charge date, until the day the money arrives in your bank account, the payout date (excluding payment terms).

Bank debit

An automated account-to-account payment method that allows merchants to pull payments directly from their customers' bank accounts.

This term is used in different ways around the world, for the purpose of this paper, we will use bank debit.

Instant bank pay

Is our open banking feature allowing customers to take one-off account-to-account payments.

Account-to-account

Means moving money automatically from one account to another.

GoCardless Payment Flow

Payment creation date

The day you create the schedule for payment collection

Customer charge date

The day you want to charge your customer — we take the money from their account

Payout submission date

The day we send you the payment

Payout date

The day the money lands in your account

The 8 different factors to consider when collecting payments

We call them the 8 payment dimensions. These dimensions can be used to assess your own payments operations or strategy, or any new payment technology you are considering.

From customer acquisition to payment operations and retaining customers. This holistic view demonstrates the impact of your payments function on your business.

This report focuses specifically on the seventh payment dimension – Cashflow, and how the dimensions preceding it impact your Cashflow.

We will answer:

- How long does it take to get paid?
- How can you improve your payment timings?

Cash flow vs Cashflow

In this report we will refer to two types of cash flow:

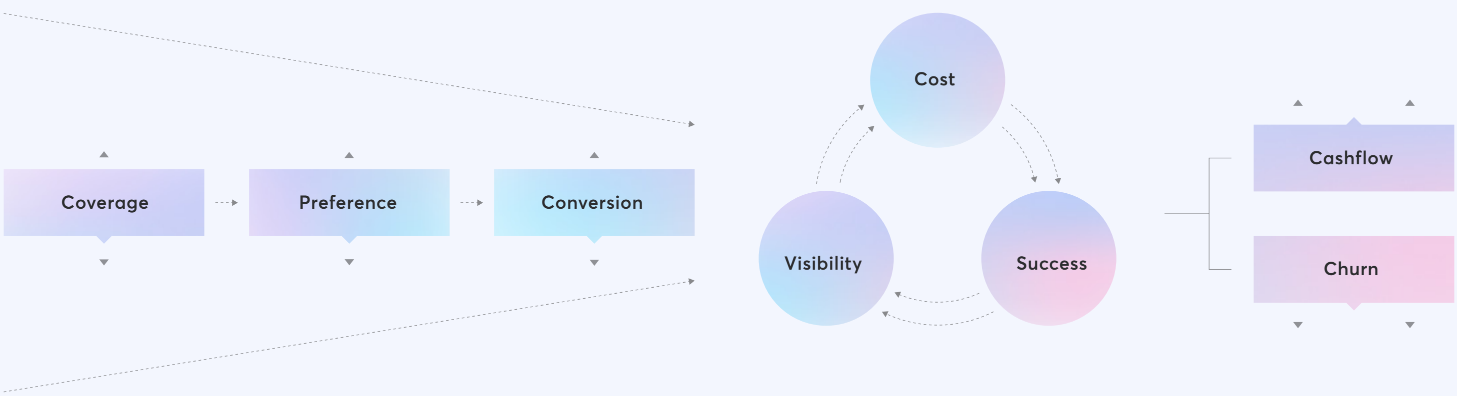
Cash flow

with a space — refers to the net amount of cash flowing in and out of a business.

Cashflow

without a space — refers to the seventh dimension in the 8 payment dimensions. Explicitly looking at the measure of how long it takes to settle a payment, once it becomes a receivable (aka, payment timing).

The 8 payment dimensions



1 Customer acquisition Increase the size of the funnel	2 Reccuring payment operations Spin the wheel faster	3 Impact Impact the outcome

Discover how each dimension plays a role in your payments function with our simple video guide.

The global view of payment timings

How does your business compare?

The global benchmark

From a Forrester study commissioned by GoCardless, we know that most businesses wait on average 20-30 days to receive payments across all payment methods. But this isn't the case for those using GoCardless.

Collecting payments doesn't have to be so slow

Our data showed that it takes on average 3.6 days for a business to receive a payment once it becomes receivable with bank debit.

For businesses collecting one-off payments with Instant Bank Pay, payment confirmation is instantaneous and funds can land in the merchant's bank account in under a business day.

- By optimizing the time to get paid, many businesses stand to benefit from:
- A healthier cash flow
- Lower credit risks
- The freedom to invest in growth
- A more predictable revenue stream

3.6 days

the global benchmark to receive a payment

How business size impacts payment timings

Businesses of every size need to consider how cash flow impacts their company

Small businesses

Cash flow is critical for daily operations:

Healthy cash flow means your business will flourish day-to-day and allow you to focus on what is important.

Poor cash flow can have serious negative consequences, slowing down normal functions or even result in closure. Money that is stuck can be paralyzing and could impact your personal life.

Medium-large enterprise companies

Cash flow is a gatekeeper for investment and business growth:

Healthy cash flow frees up funds and enables you to focus on long-term investments and expansion plans.

Poor cash flow inhibits business growth and investment in expansion projects. Money that is stuck, is money you can't use and might cost you extra in fees.

How do payment timings differ by business size?

The consequences of cash flow vary for different sized businesses, but payment timings for GoCardless customers are quite consistent across every business.

Our data shows that the smallest and the largest businesses have the fastest payment timings at 2.8 and 2.7 days respectively. Meanwhile, the middle ranging business sizes were only slightly slower at 3.1 days.

Even though the difference in timings is minimal, smaller businesses may have faster payment timings because they have a smaller volume of transactions. Collecting payments quickly is crucial to that day-to-day functioning for small businesses and therefore a high priority.

Meanwhile, the largest businesses may have faster payment timings because they have the resources to follow-up and chase failed or overdue payments. Either through human intervention or through sophisticated automated tools that retry payments on optimal dates.

How much does slow payment collection cost your business?

Revenue paid and not trapped in receivables can be used to invest in your business and ultimately bring in more revenue - this is *capital growth*.

Meanwhile, funds trapped in receivables are not only unavailable for a business use but the revenue made from investing these resources is lost too — we call this *the lost capital growth**.

*Based on a basic interest rate of 5%

Business grouped by annual revenue:

<£1 million	(<$1.4 million)
£1 – 10 million	($1.4 – 14 million)
£10 – 250 million	($14 – 350 million)
£250+ million	($350+ million)

For small businesses with <£1 million (<$1.4 million) annual revenue:

Based on: Forrester's average

A Days Sales Outstanding (DSO):	25 days
An average transaction value:	$100
An average amount:	10,000 annual payments
Money trapped in receivables:	$68,493
Lost capital growth:	$3,425

With GoCardless' 3.6 days of payment timings

Excess receivables would drop 86% to:	$9,589
Lost capital growth would drop to::	$479

Improved working capital: $61,849

For enterprise businesses with £250+ million (£350+ million) annual revenue:

Based on: Forrester's average

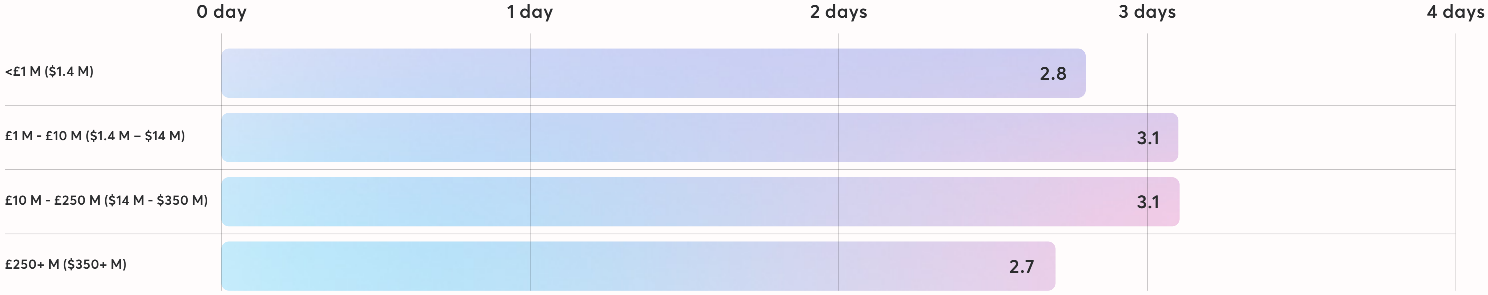
A Days Sales Outstanding (DSO):	25 days
An average transaction value:	$2,500
An average amount:	150,000 annual payments
Money trapped in receivables:	$25,684,931
Lost capital growth:	$1,284,246

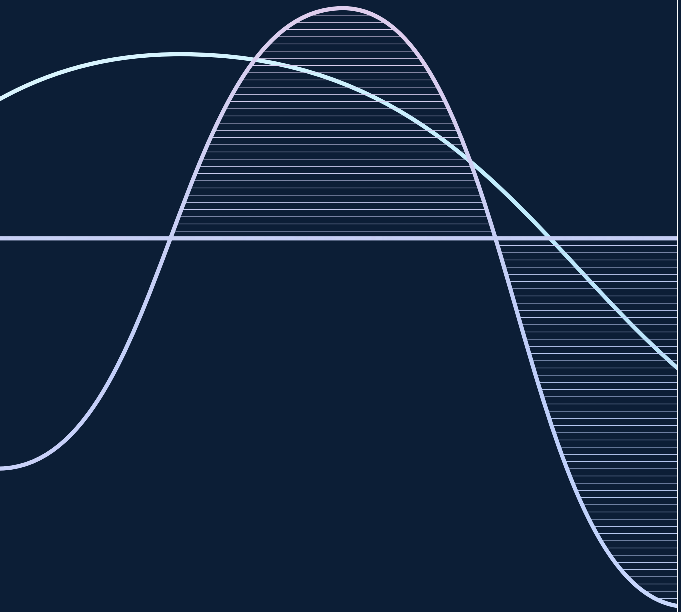
With GoCardless' 3.6 days of payment timings

Excess receivables would drop 86% to:	$3,595,890
Lost capital growth would drop to::	$179,795

Improved working capital: $23,193,493

Average payment timings by business size





“

In addition to falling revenues, longer payment times also compounded the cash flow stress faced by small businesses during the pandemic.

During the early months of the pandemic, the average time between a small business issuing an invoice and when a customer paid said invoice grew across the UK, Australia and New Zealand.

According to our Pandemic Insights report, the increase was especially sharp in the UK, where it increased by an average of 6.4 days between February and May. Taking an average of 37.2 days for small businesses to receive payment for sales they had made.

GoCardless and Xero

Businesses using Xero can connect to GoCardless to collect payments via bank debit.

Learn more

Ben Johnson
Director of Financial Partnerships
Xero

Fast payment timings benefit small businesses

The global pandemic had a far-reaching negative impact on businesses. According to Good Business Pays in collaboration with the Centre for Economics and Business Research (CEBR), in the two years before the pandemic, [large businesses were making progress in reducing their average payment timings]

This trend reversed during the pandemic, with the average payment timing growing one day from 36.4 days to 37.4 days. Meanwhile, between 2019 and 2020, 15% of invoices were paid more than 60 days later, an increase of 8%.

However, the negative impact from the pandemic could be reduced if businesses focus on reducing the time it takes to get paid. The research also highlighted the wider impact this has had both for small businesses in Britain and the British economy. If invoices were paid instantly, on the day they were submitted, small business revenue across the UK would increase by £40bn – £60bn annually.

Different industries see varying payment timings

Financial services collect payments the fastest

Regardless of what industry your business is in, payment timings for the different verticals fell within a range of 2.7 – 3.3 days.

Financial services had the fastest payment timings, taking just 2.7 days to collect payments. One reason could be that financial services companies have had to be agile and adaptive to new technologies and changing demands from customers.

Meanwhile, well-established industries like energy companies, have a different customer base. They may use different operating principles that could impact the speed at which they can collect payments.

Other things to consider that could affect how you collect payments include whether a business operates asis B2B or B2C. Consumer and business payment terms are often different and preferred payment methods vary. Different payment methods often mean very different payment timings.

Your business model, whether you operate as a subscription, installment or invoice-based business, can impact how long it takes to collect payments. For example, monthly payments instead of annual payments, make revenue more predictable and less risky.

Financial services

Refers to businesses that involve the investment, lending, insurance and management of money and assets.

Information technology

Refers to businesses that provide software as a service (SaaS), these are often B2B.

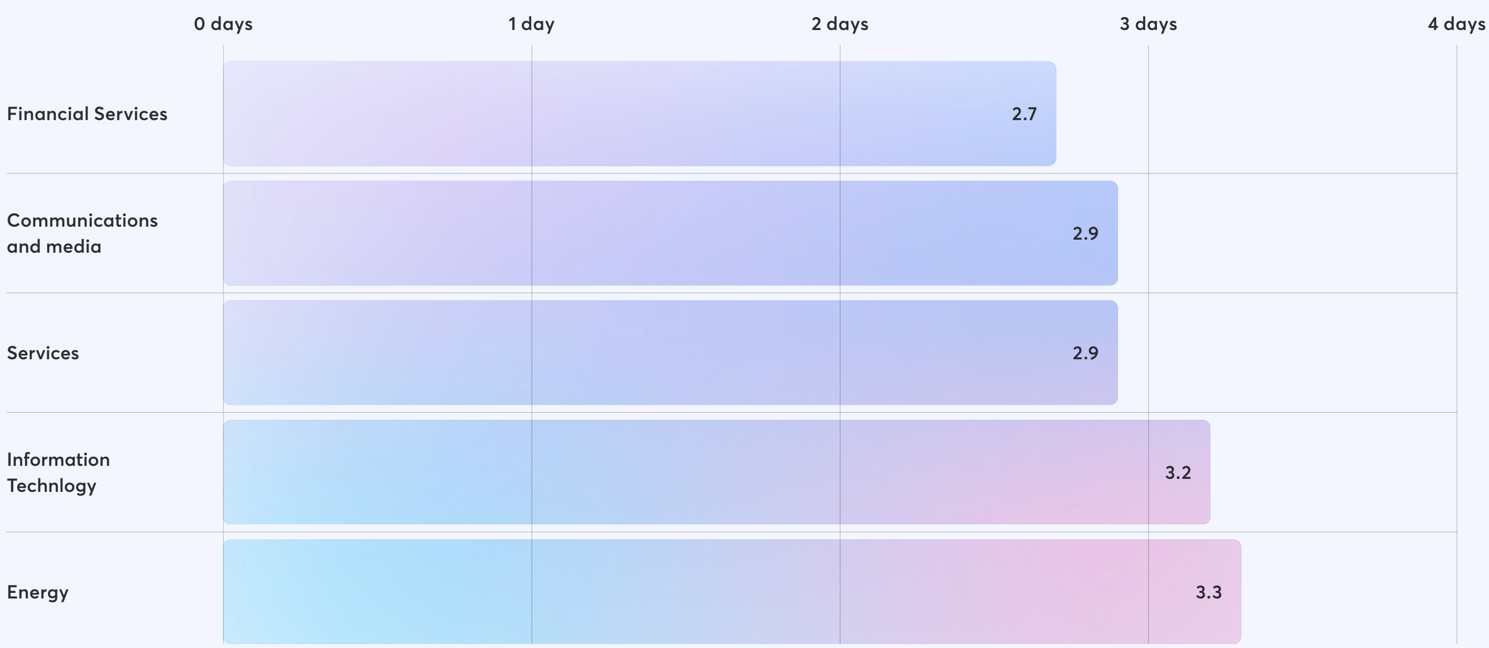
Energy

Refers to B2C energy companies.

Services

Refers to other businesses and subscription-based services.

Some verticals collect payments in as little as 2.7 days



Payment timings are impacted by type of industry regardless of transaction value

You might expect different Average Transaction Values (ATV) to influence how long it takes to get paid.

We hypothesized that larger value payments could take longer to collect precisely because their value is greater and perhaps therefore more likely to fail. In turn, we thought smaller payments may take less time to collect because they have a smaller monetary value per transaction and are therefore more likely to succeed.

Interestingly, from our data, we see that there isn't much variation in the time it takes for different sized transactions to be paid. The biggest difference is around a day, regardless of whether an ATV is £100 ($140) or more than £1000 ($1400). What dictates that change appears to be linked more to the industry a business sits in, than the ATV.

To get a better understanding of the role of ATV, we divided the data into sub-verticals. Payment timings vary depending on the product or service the transaction is for, or the nature of the payment itself.

For consumers, transactions that are widely considered essential, like rent or debt repayments, compared to those considered a luxury or nice-to-have, like spas, have different payment timings.

For many verticals payment timings also changed depending on the ATV grouping. This could be due to the fact that most smaller transactions at a gym for example, would be from individual consumers. Meanwhile, larger transactions at a gym might be from businesses buying employee memberships.

This trend could be the same for other industries, smaller ATVs tend to be consumer subscriptions and the larger payments are from businesses. This could explain the difference in payment timings for each ATV group.

For example:

Real Estate and Lending & Financing businesses:
Some of the fastest payment timings

These businesses consistently have some of the fastest payment timings regardless of payment size as the consequences of not paying rent or loans are far more significant for both consumers and businesses alike.

Spas & Treatments:
Slower payment timings

Spas or other B2C subscriptions, have less significant consequences if paid late, meaning consumers might place a lower priority on paying these compared to rent payments.

Accountancy businesses:
Slower payment timings

B2B businesses like accounting often have slower payment timings. This could be because the internal processes involved for businesses to pay suppliers is more complex or in order to better manage cash flow, businesses opt to make late payments.

ATV	<£100 (<$140)
Days	**Subverticals**
2.5	Pensions
2.6	Security
2.8	Financial Exchanges & Securities
3.1	Sports
	Real Estate Agents
3.2	Automobile & Parts
	Tourist Attractions
	Brokerage
3.3	Textiles, Apparel & Leisure Goods
	Central Government
	Nurseries
3.5	Household Goods
	Travel Agent
	Accountancy
3.6	Other
	Publishing
	Care Services
3.7	Diversified
	Pharmacy
	Construction Materials
	Food Related
	Air Freight & Logistics
	Colleges and Universities
	Advertising
	Hardware, Storage & Peripherals
	Home
3.8	Broadcasting
	Holding Companies
	Hotels & Accomodation
3.9	Telecom
4.0	Personal Services
	Road & Rail
	Banks
4.1	IT Services
	Business Services
	Beverages
4.2	Charities
	Gyms
4.3	Spas & Treatments
	Marine
	Private Healthcare
4.5	Metals & Mining
4.7	Water Utilities
5.0	Cinema & Theatre
5.1	Parking & Tolls
	Lending & Financing
5.3	Professional Bodies & Associations
5.8	Dentists
	Electrical Equipment
6.7	Membership Organisations

ATV	£101-1000 ($141-$1400)
Days	**Subverticals**
2.7	Lending & Financing
2.8	Sports
	Financial Exchanges & Securities
3.1	Central Government
	Parking & Tolls
	Construction & Engineering
	Broadcasting
	Gyms
	Water Utilities
3.2	IT Services
	Nurseries
	Other
3.3	Brokerage
	Air Freight & Logistics
	Real Estate Agents
3.4	Telecom
	Charities
	Colleges and Universities
	Professional Bodies & Associations
	Accountancy
3.5	Private Healthcare
	Tobacco
	Diversified
	Hotels & Accomodation
	Beverages
3.6	Publishing
	Home
	Business Services
	Personal Services
	Membership Organisations
	Security
	Metals & Mining
3.7	Pensions
	Food Related
	Banks
	Cinema & Theatre
	Care Services
	Textiles, Apparel & Leisure Goods
3.8	Pharmacy
	Spas & Treatments
	Construction Materials
3.9	Household Goods
	Automobile & Parts
4.3	Hardware, Storage & Peripherals
4.4	Advertising
4.5	Energy Provider
4.9	Travel Agent
	Marine
5.1	Electrical Equipment
5.4	Road & Rail
5.7	Holding Companies
16:9	Dentists

ATV	£1000+ ($1400+)
Days	**Subverticals**
2.5	Lending & Financing
2.9	Cinema & Theatre
3.0	Hotels & Accomodation
	Telecom
3.1	Real Estate Agents
	Household Goods
3.2	Nurseries
	Marine
	Broadcasting
	Travel Agent
	Colleges and Universities
3.3	Membership Organisations
	Holding Companies
	Construction Materials
	Electrical Equipment
	Air Freight & Logistics
	Spas & Treatments
	Care Services
3.4	IT Services
	Beverages
	Banks
3.5	Road & Rail
	Other
	Personal Services
	Publishing
3.6	Dentists
	Security
	Professional Bodies & Associations
	Pharmacy
	Business Services
	Hardware, Storage & Peripherals
	Charities
3.7	Diversified
3.8	Accountancy
3.9	Pensions
4.0	Private Healthcare
	Home
	Financial Exchanges & Securities
4.1	Textiles, Apparel & Leisure Goods
4.2	Gyms
4.4	Brokerage
4.5	Food Related
5.0	Advertising
5.2	Automobile & Parts
9.3	Water Utilities
12.4	Central Government

As a high-growth business, we had high targets to improve our cash position. But our DSO (Days Sales Outstanding, or the average time it takes customers to pay an invoice) was between 45 and 50 days. There was a lot of chasing.

Even as CFO, I was spending one to two days a month calling customers, chasing outstanding payments.

With GoCardless and Xero, invoices and payments received are automatically reconciled, which means the team only needs to do top level checks. It reduces manual errors, and frees people up to work on other tasks. As a result, the finance team spends far less time on invoicing.

Now with GoCardless, our DSO is down to 30 days, which as we have 30-day payment terms, means most invoices are being paid on time. Having visibility on which payments will be coming in and when is massively important for our planning, and allows us to see if any are likely to cause us issues and need some proactive input.

Sam Caulton
Chief Financial Officer
Re-Leased

Re-Leased

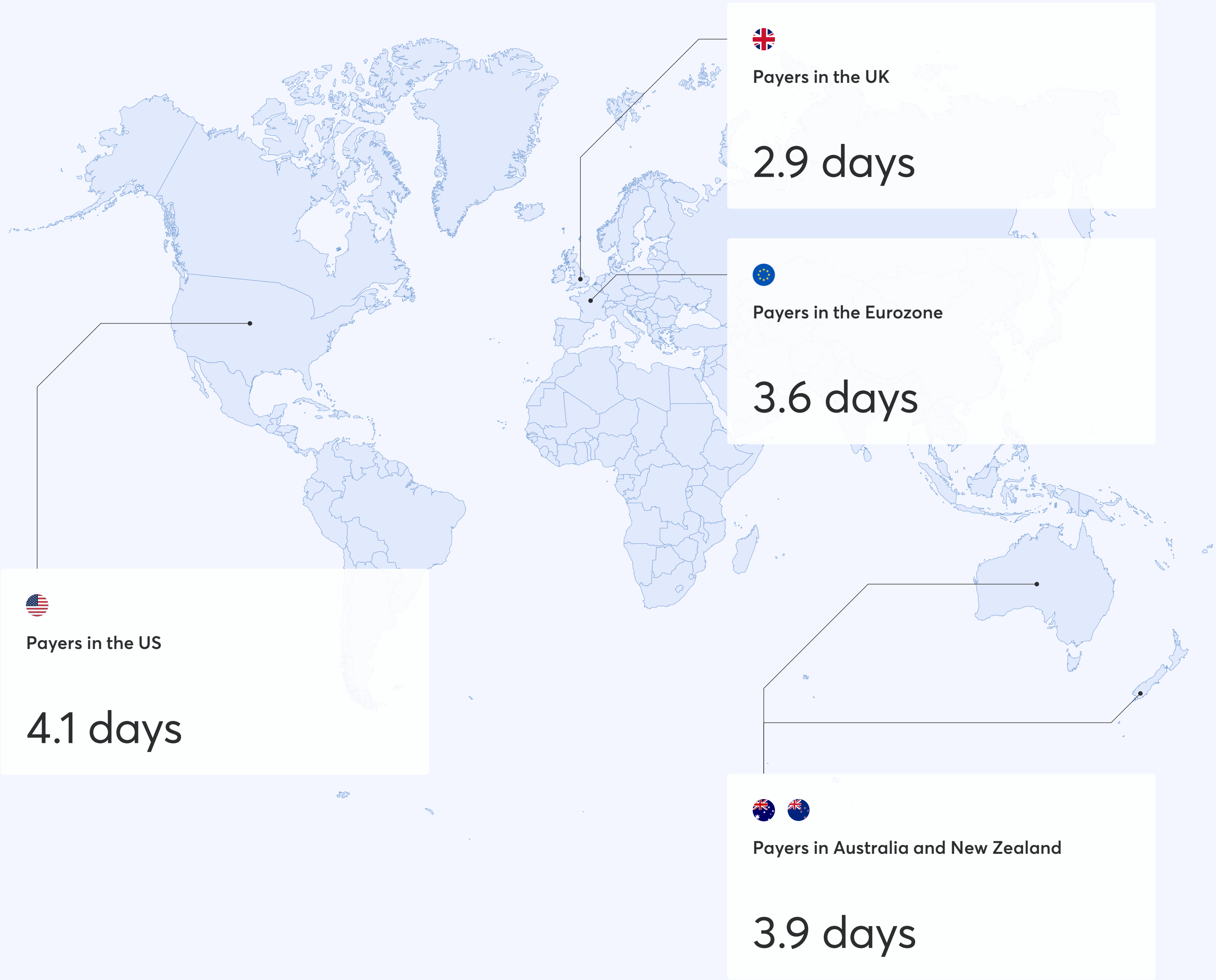
GoCardless and Re-Leased

Businesses using Xero can connect to GoCardless to collect payments via bank debit.

Learn more

Does location impact payment timings?

Each currency has its own scheme with its own regulations. We've compared the payment timings across these different regions to identify how location impacts payment timings.



Which payment methods are fastest?

Different payment methods impact the time it takes to get paid

How long it takes for your business to collect recurring payments is influenced by the mix of payment methods you choose to offer and whether they fall into the account-to-account category or not.

Pull-based payments consistently have faster payment timings than push-based methods, precisely because you have more control of collecting pull-based payments.

Our research shows that account-to-account based payment methods (like bank debit via GoCardless) have faster payment timings at 3.6 days compared to physical methods (like checks) that take 22.1 days.

Collecting payments regularly with manual bank transfers, the traditional push-based method, takes 19.3 days, because businesses have to rely on payers to pay on time. Bank transfers offer poorer visibility of payment failures, increasing payment timings and the risk of bad debt. For international payments, manual bank transfers carry an even greater risk that includes higher FX costs and even longer payment timings.

New methods, like [Instant Bank Pay], solve this problem by making requesting payments easier, as the payer simply has to click 'pay' with no need to enter lengthy card details.

Payment methods fall into two main categories:

Account-to-account

Moving money automatically from one account to another, like bank debit and bank transfers.

Non account-to-account

Payments that rely on third party mechanisms, like cards or digital wallets.

Within account-to-account methods there are two different payment types:

Push-based payments*

like bank transfers — rely on customers to send payments to you, giving you less control over when payments are received.

Pull-based payments

like bank debit — give you the power to request a payment from a customer and give more control over when payments are collected.

**NB: Now with open banking technology it's possible to do API-triggered push-based payments, like Instant Bank Pay - giving you greater control and better integration than a manual push-based payment. Payment confirmation is instantaneous when the payer accepts.*

Bank Transfers and Checks see slow payment timings

“

Everyone wants to get paid quickly and easily. But for organizations collecting recurring payments, the process is often complicated, time-consuming and can even result in lost revenue.

Businesses should aim to automate Quote-to-Cash to reliably, easily and quickly collect payments on invoice due dates. This means they can eliminate late payments, reduce associated costs and improve cash flow. Access to real-time, integrated data, enables your businesses to minimize collection delays and improve forecasting.

Michael Aaron
Product Management
Salesforce

salesforce

GoCardless and Salesforce

Businesses using Salesforce Billing can connect to GoCardless to collect payments via bank debit.

Learn more

The overarching takeaway

The global payment timings index highlights the importance of optimizing payment timings and the significant impact payment timings can have on cash flow.

Slow payment timings can have serious consequences for your business. Whether you're a small business and poor cash flow causes problems for the day to day running of your business. Or a large business' growth and therefore competitiveness is impeded by poor cash flow.

Optimizing payment collection and choosing the right solution can significantly impact your payment timings. For example, a change from 25 days (the average timing identified by Forrester) to just 3.6 days, for businesses of all sizes, could reduce the revenue stuck in receivables by 86% over the course of a year.

Regardless of your business size or the value of the transactions you regularly collect, it's important to consider which payment methods you offer, the currencies you offer them in and your payment recovery strategy to maximize cash flow and profitability.

Reducing the time to get paid is in the best interest of every business, as best practice for operational efficiency and to give your business the most opportunity for growth and development.

What you can do to improve your payment timings

There are different things you can do to improve your payment timings and optimize your cash flow. We have put together a checklist and a list of best practices to address the problems preventing you from getting paid on time.

End-to-end visibility

- [ ] Do you have visibility on collections, failures, retries and payment success?

Ease of use for customers

- [ ] Have you optimized your payment flow?
- [ ] Can customers input the minimum information necessary?
- [ ] Do you offer and promote pull-based payments?
- [ ] Can a customer complete a payment with minimal clicks?
- [ ] Is your payment journey integrated, with automatically populated fields and automatic reconciliation?

Visibility of payments operations

- [ ] Do you know how much admin time you spend on collecting and retrying failed payments?

Payment recovery

- [ ] Do you have automated processes in place?
- [ ] Could you improve your automated or manual processes?

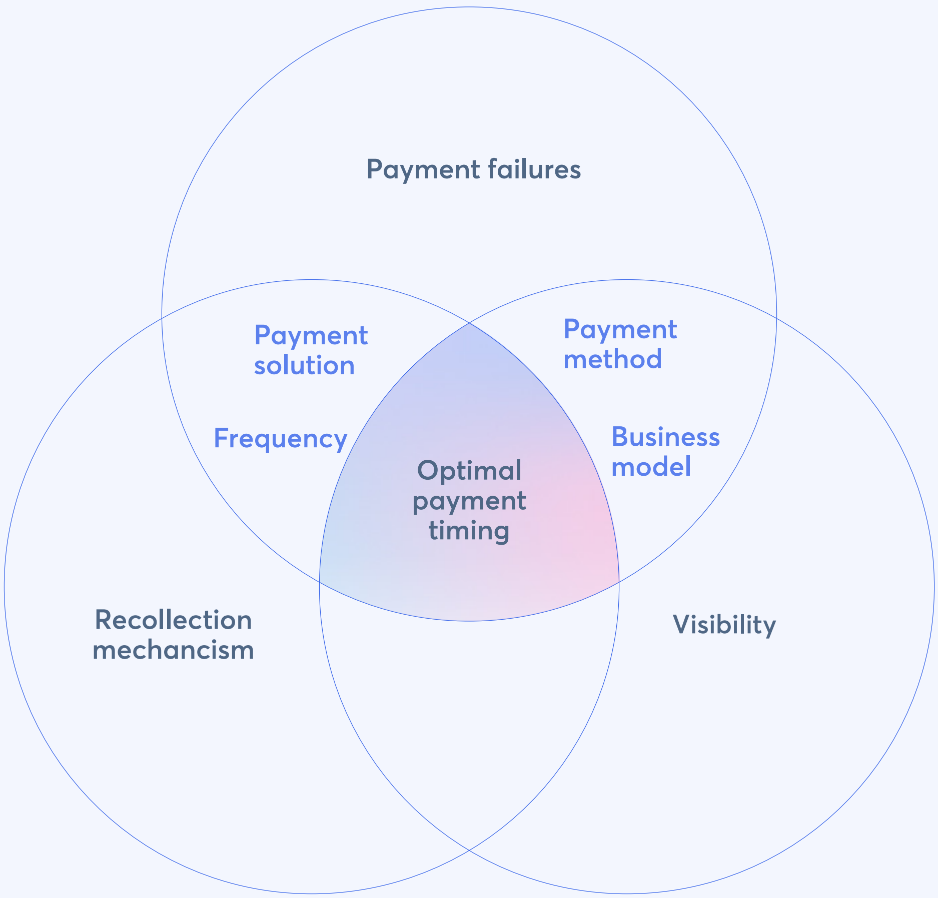
If your payment timings are slow...

- [ ] Do you understand where your current set-up falls short?
- [ ] Have you optimized your payment strategy?

Once you have completed this checklist you can begin to map out the gaps in your payment process and plan how to plug those holes. Below we have laid out a set of best practices based on your business size.

What you can do to improve your payment timings

Key considerations for optimal payment timings



When optimizing your payment timings, you'll need to consider each aspect of your payment process. From the visibility of your costs to how you retry failed payments. All these factors will impact your overall payment timings and cash flow.

What you can do to improve your payment timing

<table>
<tr><th>Small businesses</th><th>Medium-large enterprise businesses</th></tr>
<tr><td colspan="2">Make sure you have a well-developed and solid payment strategy in place and set goals for how you want to improve. Establish a cadence for iterating and improving your payment process.</td></tr>
<tr><td colspan="2">Choosing the right payment solution and the right mix of payment methods can improve your success rates and in turn your payment timings.</td></tr>
<tr><td>Make sure you have systems that integrate and speak with one another, to decrease the possibility of mistakes and pitfalls along the way.</td><td>Invest in hiring a team and/or implement technology that can take care of the day-to-day running of your payments process. This will increase your opportunity to identify gaps faster and focus on higher-value work.</td></tr>
<tr><td colspan="2">Consider your business model. Could you change the frequency of your payments? An automated monthly subscription instead of annual and manual invoicing could help avoid human errors, failures and create a more stable cash flow.</td></tr>
</table>

Using GoCardless to improve your time to get paid

Results businesses see from GoCardless:

Get paid sooner

Collect payments from your customers faster. Reduce the time to receive payouts by 47%, with GoCardless according to research by IDC.

Expand internationally

Accept payments from 30+ countries and in customers' preferred currencies. Access 44% more markets with bank debit.

Lower operational costs

The cost of collecting payments goes beyond transaction costs. An IDC White Paper shows that GoCardless lowers the overall cost of taking payments by 56%.

> A 67% reduction in debtor days (or Day Sales Outstanding) since moving to GoCardless. The whole accounting process is faster and we've eliminated billing errors. Plus it's now much easier for new customers to sign up to Direct Debit which means we have fewer customers paying us by bank transfer – all of which has helped our cash flow.

—

Chris Swanson
Data Analyst and Insight Manager,
intY

Appendix

Q1 2021 payment timing data includes all payments submitted between 1 January 2021 and 31 March 2021.

Global payment timings across different industries