

2023 FinTech Barometer:
**Economic uncertainty
highlights the
importance of proper
credit management**

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Introduction

The finance professional's role is dynamic, and the COVID-19 crisis has made it even more crucial in organisations, with an increasing involvement in (digital) strategy. Currently, the profession is once again facing a number of challenges. The turbulent economic situation is making organisations more cautious, resulting in fewer innovations and less investment. Organisations are more cautious when granting loans, for instance, and credit policies have been tightened. As a result, organisations are also facing payment delays, and this is reflected in the figures. In February 2023, the largest number of organisations went bankrupt since May 2020, according to Statistics Netherlands (The Dutch Central Bureau of Statistics).

Despite being in tougher economic times, money must keep rolling in. Finance professionals are working on this every day. They are confronted with various financial processes, they want to keep customers and colleagues happy and they do everything they can to advise the management team well in order to ultimately achieve the organisation's financial objectives. Perhaps even a bit more so in times of crisis. Especially for the finance professional managing accounts payable, it can be a challenging time. After all, the risk that payments to suppliers are delayed and payment deferrals have to be granted is only increasing. Credit management is therefore increasingly on edge, according to finance professionals (18%).

Onguard asked over three hundred Dutch CFOs, finance managers and finance staff how economic uncertainty is affecting their organisation's credit management and how they are coping with the challenges involved. The results are compiled in this research report - the 2023 FinTech Barometer.



Changes within the organisation

Due to tough economic times, organisations are facing several changes in finance. First of all, finance professionals are seeing a change among their customers. For instance, a quarter of finance professionals (25%) see more customers unable to pay their bills. In addition, 15% are seeing a drop in demand from clients. The economy is therefore having a direct impact on their business. In addition, finance professionals are also noticing changes in their own organisations. For instance, one in five organisations (19%) has had to cut internal budgets. Moreover, 17% have had to reorganise to cut costs. This is not a surprising percentage given all the mass layoffs that have recently dominated the news. Finally, the uncertain economic conditions are creating challenges in improving credit management for 18% of organisations. This requires a proactive attitude in managing credit risks, analysing trends and developing effective collection strategies. In doing so, finance professionals also need to ensure that their organisation complies with legal requirements.

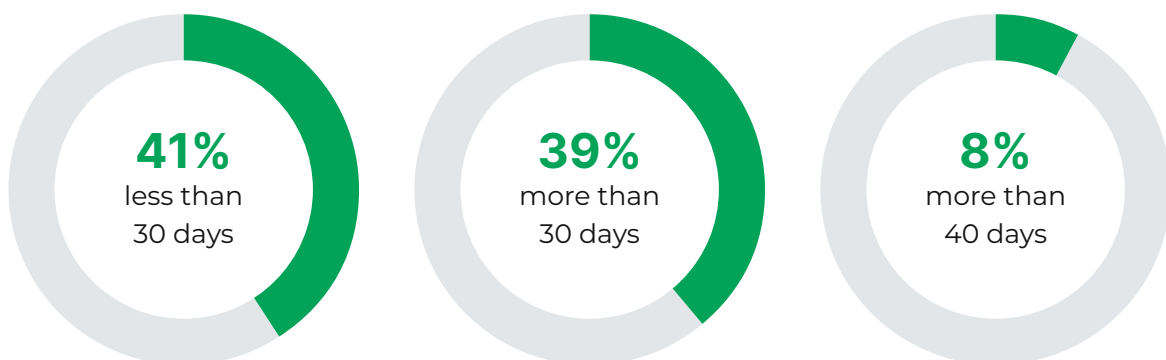
Impact on DSO

The biggest challenge finance professionals face in the near future is improving their Days Sales Outstanding (DSO). Of course, the DSO does not say everything, but a high figure will raise questions from management. For example, too high a DSO will force organisations to postpone investments until more money is available. Moreover, it may worsen relationships with suppliers or require them to take out loans to continue purchasing raw materials. In short, persistent liquidity problems can hold back organisational growth. A low DSO is therefore crucial.

Current DSO



DSO in 2022



Finance professionals do feel that the DSO will change in the coming year due to the uncertain economic situation. For instance, one-fifth (21%) think the DSO figure will increase. But for some, it is not so clear yet: 17% have no idea how the DSO will change next year.

Whichever way you look at it, the DSO affects business operations. Overdue payments can eventually cause liquidity problems. For instance, 11% of organisations report that a large number of outstanding payments causes internal problems around their entire order-to-cash process. A quarter (25%) are therefore focusing on the DSO more than ever before due to the current recession.



Why aren't customers paying?

Naturally, a high DSO stems from customers not paying (on time). There can be several reasons for this. The main reasons are cash flow issues (29%), financial uncertainty due to the recession (20%) and bureaucracy or administrative delays (19%).

- **29%** cash flow issues from customers
- **20%** financial uncertainties caused by the (approaching) recession
- **19%** bureaucratic / administrative delays
- **16%** inadequate proficiency in an essential function
- **14%** contractual issues
- **11%** contact persons leave
- **9%** incorrect invoices received or sent

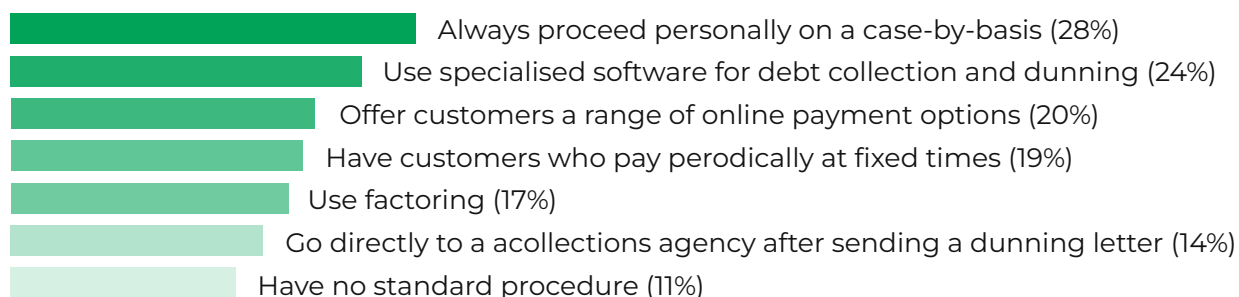
As an organisation, it is good to gain a better understanding of why customers do not pay on time. You may then be able to provide them with tools so that they do pay promptly.

Solutions for customers experiencing payment issues

In a time of economic instability, organisations need to be proactive when it comes to payments. Finance professionals fortunately have different ideas on how to ensure customers pay (faster). Of the total number, 28% attach importance to a personal approach and assess the situation on a case-by-case basis. In doing so, a quarter (25%) are expanding the standard range of payment options. Moreover, finance professionals also often fall back on software to give them a hand. Of the group surveyed, 24% use specialised software for collections and dunning. In addition, one in five (20%) offer their customers a variety of online payment options, so it does seem that many organisations have a number of solutions in place to ensure customers are able to pay their bills on time. Still, a quarter (25%) do not have any solutions in place, but these implementations are on the agenda.



Solutions for late payments



To ensure payment delays are reduced, finance professionals should work more closely with sales teams and account managers to identify potential problems at an early stage and take action when necessary.



How do you **improve** your **DSO**?

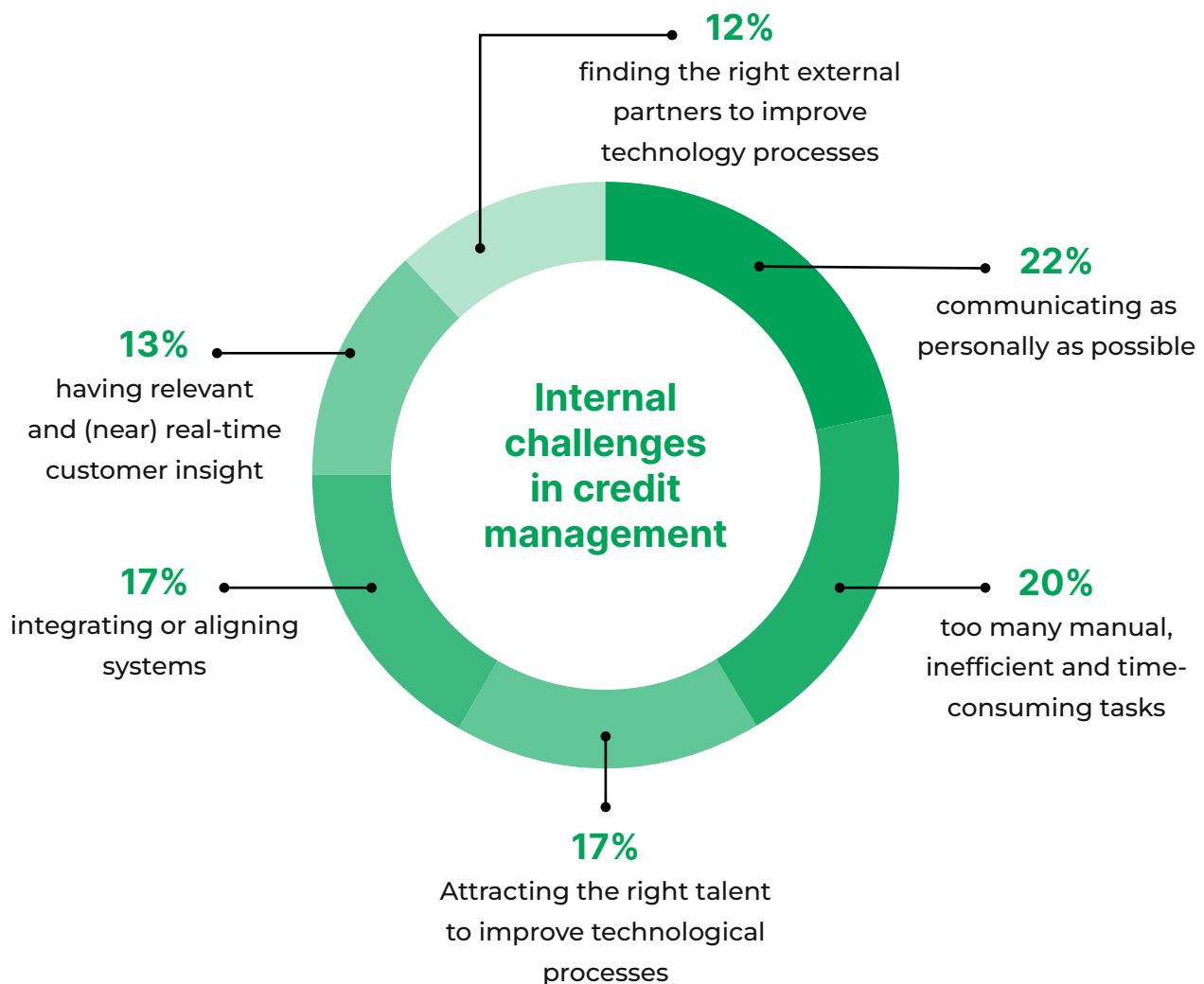
Do you see that your DSO is too high? If so, there are several things you can put in place to get this back on track. To do so, take a close look at the entire billing process.

1. Put payment terms clearly on paper so everyone knows where they stand. Include this as standard in contracts and always be transparent about it.
2. Communication is key: organisations should make it easy for customers to contact them. Additionally, ask customers which means of communication they prefer.
3. Optimise and automate. Use specialised credit management software that allows you to work more quicker and more efficiently. This puts you closer to the billing process. In fact, with this software, organisations can reduce the amount of time it takes to send and receive payments.
4. Act immediately on late payments. Has the payment deadline expired? Get in touch right away.

Of course, prevention is better than the cure, so don't wait to analyse your billing process if your DSO is already too high.

Internal challenges

A proper credit management process is the basis for a healthy organisation, yet internal challenges can arise. Finance professionals can therefore experience several obstacles. Above all, they want to communicate with customers as personally as possible (22%), but there is simply not always time or opportunity for this. In addition, they report having to perform too many manual, inefficient and time-consuming tasks (20%). Leaving such processes to software will then allow finance professionals more time to focus on the areas where they can really make a difference. In turn, this goes hand-in-hand with an individualised customer approach. Moreover, the current tight labour market makes it difficult to bring in the right talent to improve technological processes (17%).



Organisations can meet these challenges by investing in technologies and training, establishing better communication and cooperation between departments, developing clear procedures and improving data management.



Improving credit management processes

Credit management encounters several challenges, and these cannot be solved overnight. Firstly, they see a challenge in personalising communication with customers (18%). In addition, a lack of technology or automation means that work can be time-consuming and inefficient (17%). Finally, it is not easy to always have access to the right information to assess risks adequately (16%).

Challenges when improving credit management

- 29%** personalise communication with customers
- 20%** uncertain economic conditions
- 19%** lack of technology/automation
- 16%** having access to the right risk information
- 15%** working with external agencies such as collection agencies and bailiffs
- 15%** lack of support from employees and/or management
- 13%** improving DSO and increasing working capital

Innovating and transforming

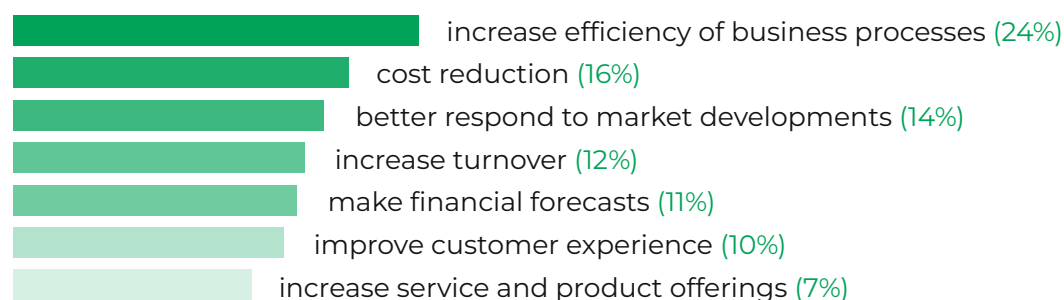
Finance professionals say that the lack of the right technologies makes performing credit management more difficult. Digital transformation and automation should therefore not be absent from organisations' strategies. Currently, 44% of finance professionals say they are using fintech to improve processes and customer services. They are fully engaged in the internal development of innovative financial software. Thereby, a majority of organisations (55%) report they are currently actively engaged in a digital transformation.

Working in a data-driven way

Organisations are additionally increasingly data-driven: 22% describe themselves as a fully data-driven organisation and for 45%, data currently supports their processes. Data-driven working can help organisations further in several areas. Finance professionals especially see that it can help increase the efficiency of business processes (24%), and additionally it also reduces costs (16%) while enabling organisations to better respond to market developments (14%).



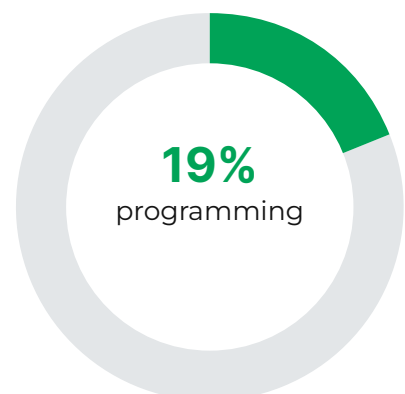
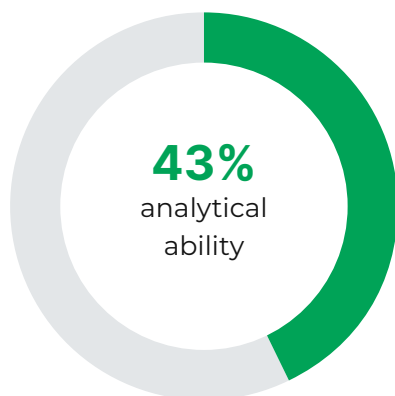
Goals of working in a data-driven way



Changes for finance professionals

Changing circumstances also require finance professionals to change. They need to keep improving and working on their skills. For instance, finance professionals see analytical skills becoming increasingly important (43%), as they of course need to be able to analyse complex data sets, interpret financial information and use their insights to advise on or make strategic decisions. In addition, communication skills are also becoming increasingly important (34%). Finance professionals need to be able to communicate complex financial information in a clear way. Effective communication skills are essential for building trust and fostering collaborations both internally and with customers.

Skills for future finance professionals





Continuous development and innovation

Economic uncertainty affects the work of finance professionals. After all, they are directly affected by the financial consequences of the crisis within credit management. They will therefore have to pull out all the stops to ensure that payments are continually made on time. Preventing the risk of increasing DSOs and defaults requires faster actions, detailed data analysis and an optimal combination of digital tools and human judgement. This demands changes from the finance professional. They need to be even more flexible, innovative and progressive, which requires them to continue developing their skills and expertise to navigate the challenging economic landscape.

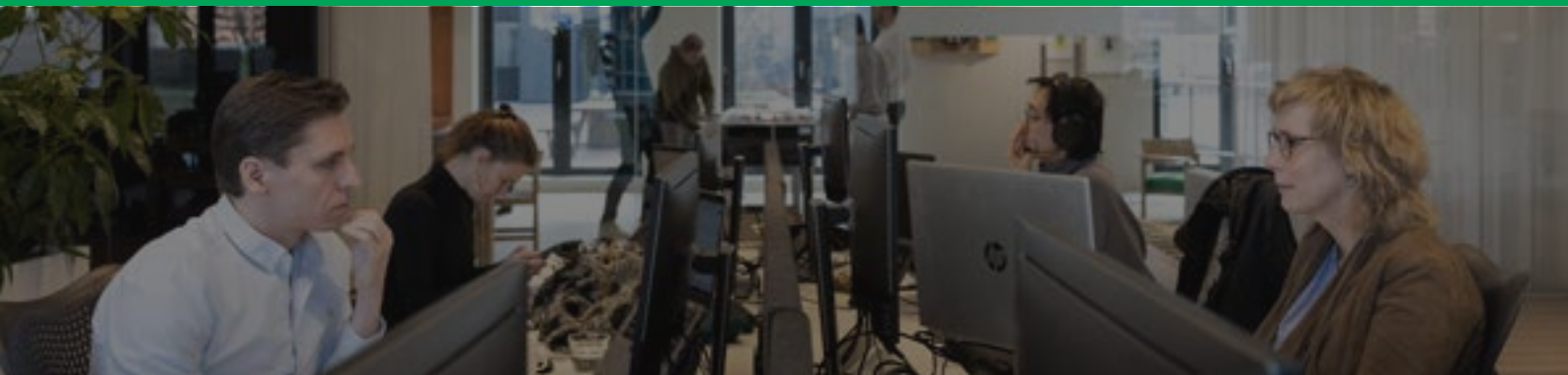
At the same time, the current uncertain economic situation also opens doors. It is a great opportunity to better streamline and digitise processes to become even more efficient. Financial software, data analysis tools and other technologies can be critical in making informed decisions in this climate.

About the research

Each year, Onguard surveys how Dutch finance professionals view current trends and developments: economic uncertainty and credit management. The survey is called the FinTech Barometer and is conducted for the sixth time this year. The survey involved 311 respondents working as CFOs, in finance management or as finance professionals.

Want to know more?

Do you have questions about this solution or how you can optimise your credit management process within your organisation? Please contact us via +44 (0)20 396 683 24 or email contact@onguard.com. We're happy to help you.

[Send us an email](#)


About Onguard

Onguard's mission is to make companies financially healthy. We help you get paid, and get paid quicker, because better cash flow leads to improved profitability. Our credit management solutions combine internal and external data to get a thorough understanding of debtor payment behaviour. This lets you identify, assess and control financial risks and create smarter and more considerate communication around unsettled invoices. Which in turn leads to faster payments, fewer write-offs and lower customer churn.

Onguard is a Visma company with more than 30 years experience in facilitating optimised working capital through smart credit management. Bottom line, we provide quality time with your customers by handling the day-to-day operations.