

# PURSUING PAYMENTS

Aussie SMBs and the cost of doing business

**GoCardless**

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# Foreword



**Luke Fossett**

General Manager of ANZ  
GoCardless

Late payments. They have long been a scourge of the business community, especially for hard-working small- and medium-sized businesses (SMB), for whom positive cash flow has always been the fine line between thriving and going under.

As we live through the most significant cost-of-living – and cost-of-doing-business – crisis of the last decade, getting paid on time has never been more important. But talking about money is something that many Aussies still feel awkward about, creating profound personal and professional consequences.

To better understand the issue and to normalise the discomfort many of us feel about ‘the money chat’, we recently conducted research with 500+ Australian SMB decision-makers. The results are eye-opening:

- More than a quarter of Aussie SMBs estimate losing up to \$6,000 from late payments each year, with one in ten saying they lose between \$12,000 to \$30,000.
- Millennial and female business leaders feel less equipped and significantly more uncomfortable talking about late payments than their counterparts.
- Against the backdrop of a tough macroeconomic environment, 55% of all respondents are concerned the number of late payments will rise in the next year.

But there is hope. Our insights reveal an appetite amongst all groups to introduce new solutions to eliminate or reduce awkward conversations about late payments.

At GoCardless, we’ve spent the last decade helping businesses get paid on time, without the stress, headaches and expensive fees. As the world of payments continues to evolve, we can’t wait to show Aussie SMBs how to embrace – and resolve – these awkward conversations.



# The state of late payments and awkward conversations today

**42%**

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Our research reveals that 42% of Aussie SMB leaders say they feel uncomfortable chasing customers for late payments.

**29%**

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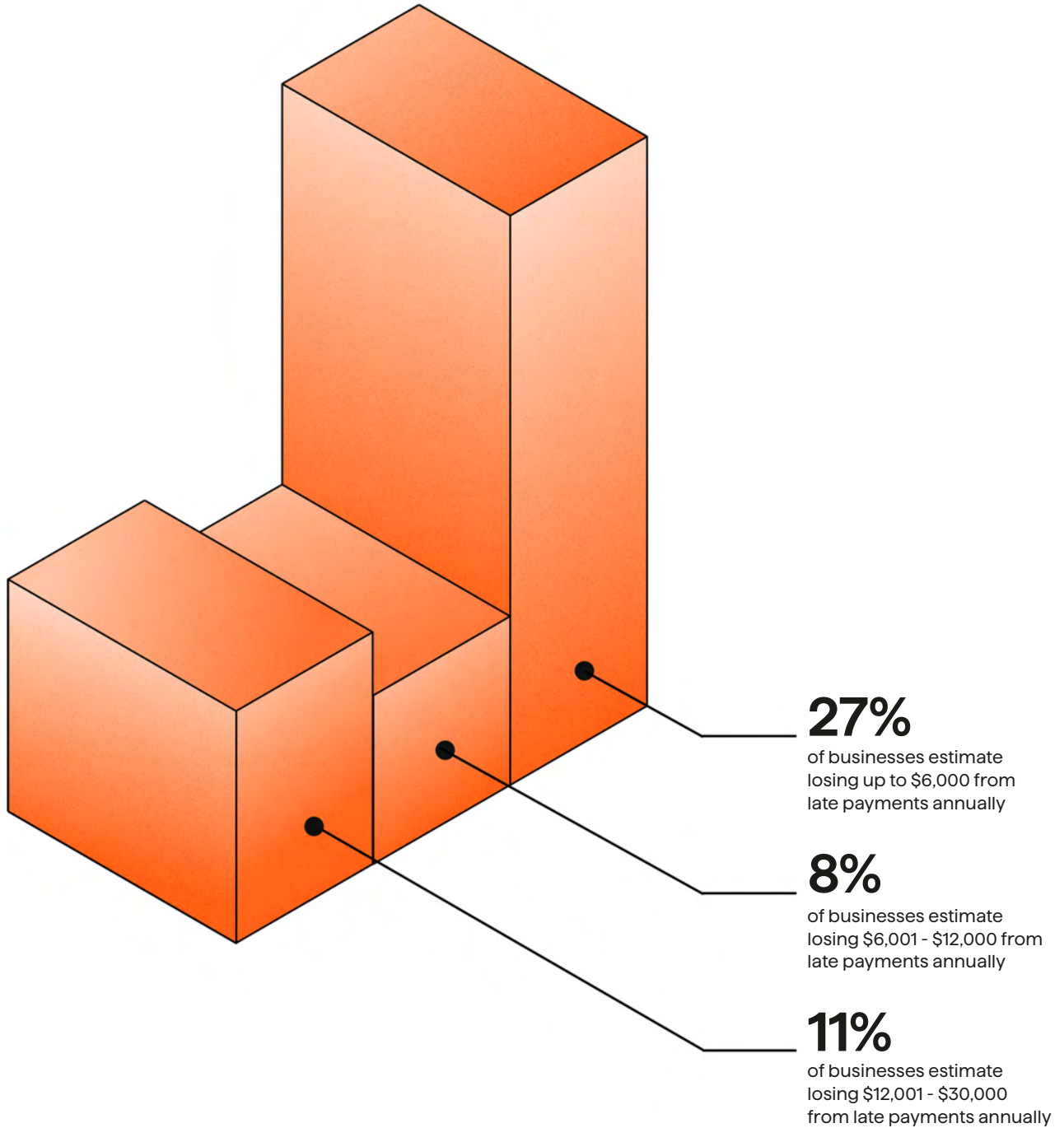
When asked why, the highest proportion (29%) say they're afraid of coming across as rude.

**27%**

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A similar proportion (27%) indicate they don't want to upset their customer.

Their reticence has a real impact  
on the bottom line.

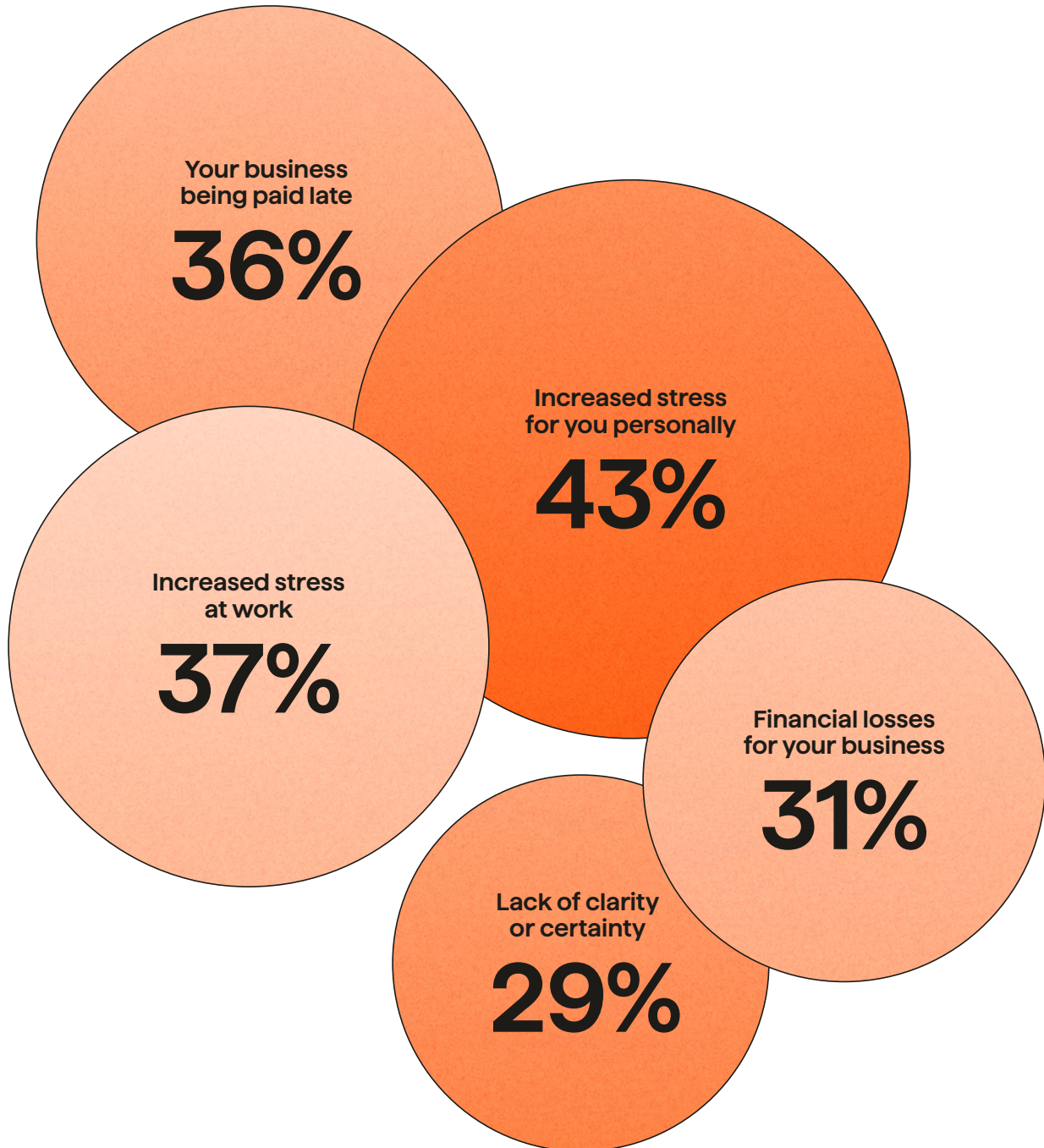




The cost of late payments is not just financial.  
Stress is an unfortunately common outcome.

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WHAT HAS BEEN THE RESULT OF AVOIDING CONVERSATIONS ABOUT MONEY  
WITH CUSTOMERS IN THE PAST 12 MONTHS?



# Talking 'bout my generation

We discovered that not every business leader experiences the same level of discomfort when chasing late payments. Millennials are experiencing the first major cost-of-doing-business crisis in their working lives. Tight budgets, squeezed customers and growing overheads are having a huge impact on the confidence of these business leaders.

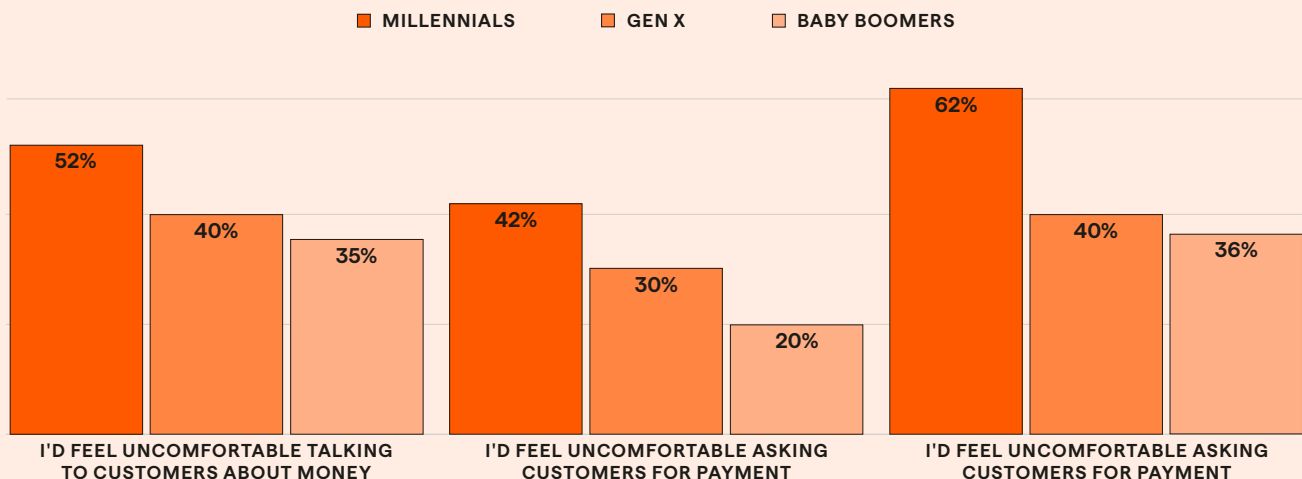
Across the board, Millennials are more likely to feel uncomfortable when it comes to having 'the money talk' compared to other generations. In addition, Millennials are willing to forgo a higher proportion of revenue to dodge this difficult discussion. Half (50%) of this generation is willing to 'let slide' up to 10% of their annual turnover in order to avoid an awkward conversation about

late payments. This contrasts with only 36% of Gen X and 34% of Baby Boomers.

However, the research indicates that Millennials are solutions-oriented. Among those who believe they are more likely to have conversations about late payments this year, Millennials are up to twice as likely than Gen X and Baby Boomers to say that they've found an effective way to chase late payments, at 42% compared to 20% and 23%, respectively.

Millennials and Gen X – the two youngest generations surveyed – are also more likely than Baby Boomers to say they would be interested in introducing technology to get paid more quickly, at 85% and 68% respectively, compared to 51%.

LEVELS OF COMFORT CHASING MONEY BY GENERATION (% AGREE)



# The gender payments gap

It's no secret that in the world of business, women still face more barriers to success than men do. Our survey indicates that collecting their hard-earned money may be another obstacle that women find harder to overcome.

- Nearly three in 10 (29%) women say they'd feel uncomfortable asking customers for payment, compared to 26% of men
- 46% of women, in contrast to 40% of men, say they would feel uncomfortable chasing customers for late payments.

When exploring why they want to avoid discussing money with customers, both men (25%) and women (29%) are wary of upsetting their customers. Similar proportions of women (29%) and

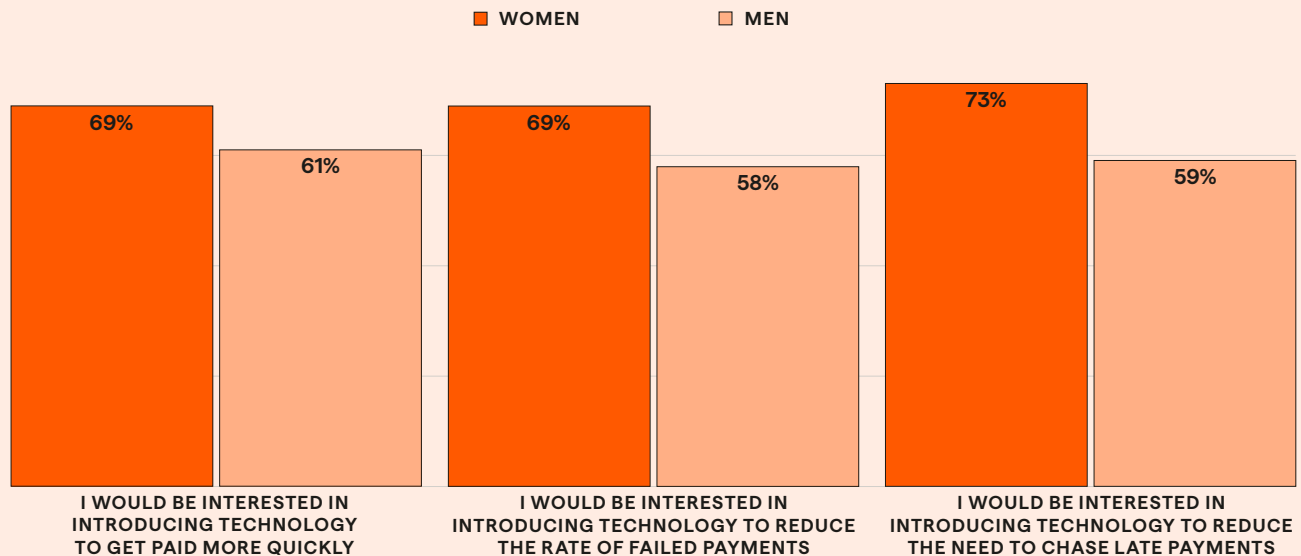
men (28%) are concerned about being perceived as rude.

However, there is a marked difference in the level of comfort when it comes to bringing up late payments in the first place:

- 12% of women say they wouldn't know how to broach the topic, compared to just 5% of men.
- 24% of women find the conversation simply too awkward or uncomfortable, compared to 14% of men.

Similar to our findings around Millennials embracing tech to navigate awkward money scenarios, women are more likely than men to be interested in introducing technology to solve their problems.

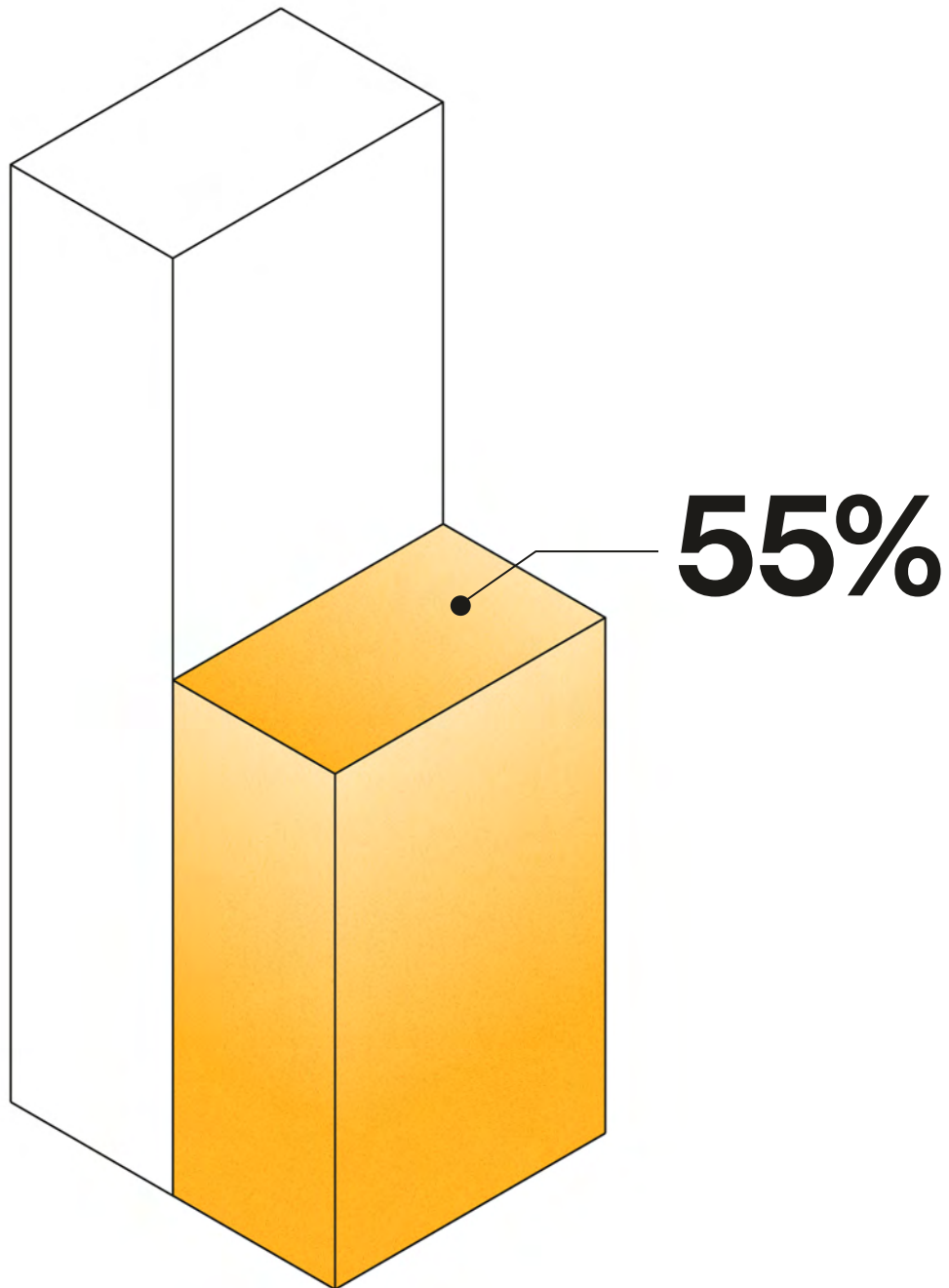
## INTEREST IN INTRODUCING TECHNOLOGY PAYMENT SOLUTIONS BY GENDER (% INTERESTED)





# The outlook: will it get worse before it gets better?

In these challenging macroeconomic times, it's no surprise that our research reveals a gloomy outlook. Over half (55%) of Australian business owners and decision-makers are concerned that the number of late-paying customers will increase over the next 12 months due to the rise in the cost of living.



The tough external environment is forcing the conversation for some: Almost six in ten (58%) business leaders say that they are more likely to have a conversation with customers about late payments now, compared to last year.

The top reason for breaking the silence, selected by 55% of respondents, is the need to cover rising operating costs. Interestingly, many business leaders have also discovered their fear of upsetting customers may be unfounded.

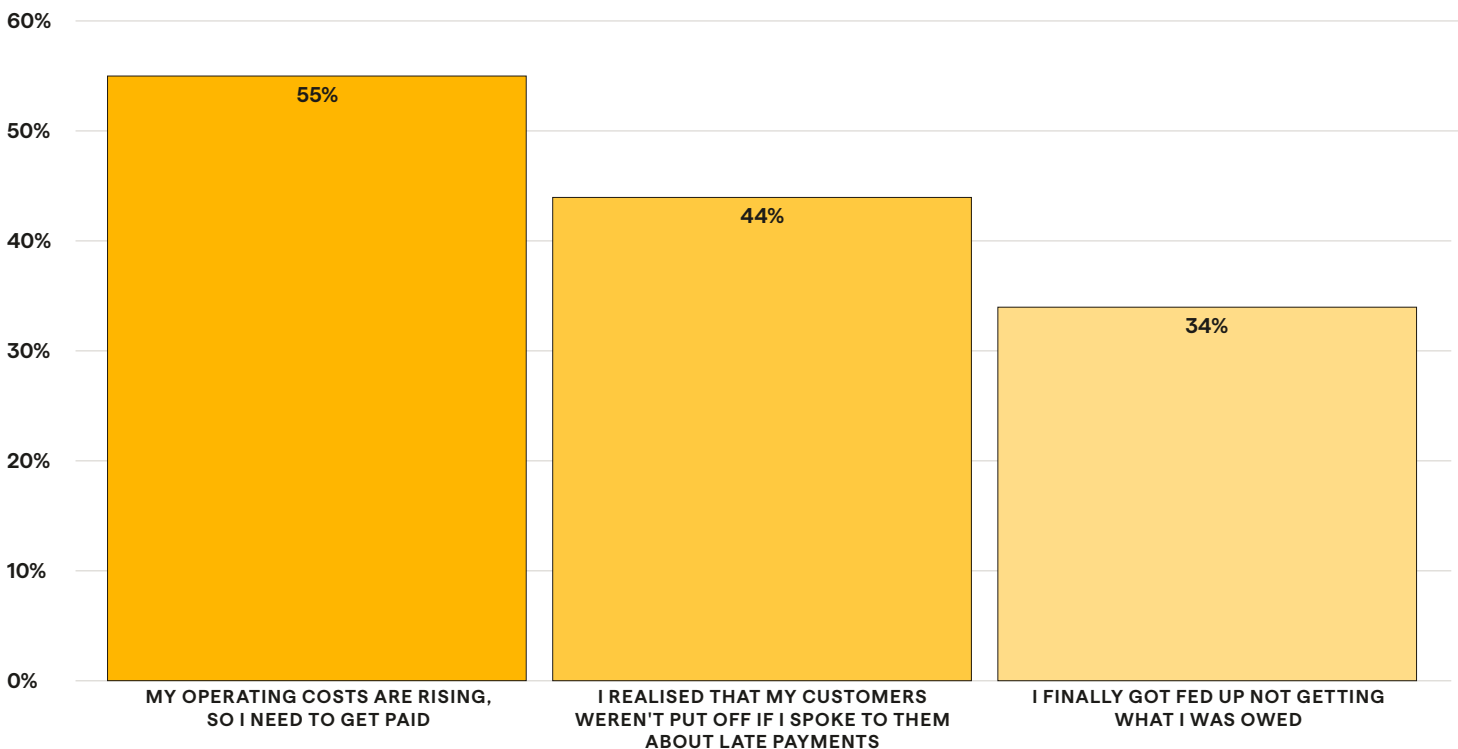
As businesses grapple with a tight budget, their top priority is to collect payments on time, every time. This is especially true as they become increasingly vigilant of additional challenges on the horizon.

After a year of fraud scares and network outages, more than eight in 10 (84%) SMB leaders say their top 'payment nightmare' is losing a significant amount of money to scams.

This was followed by 75% saying 'spending more time on admin' would be the stuff of their bad dreams, while 72% each chose 'chasing late payments from multiple customers at once' and 'having my payment system go down during a peak period'.

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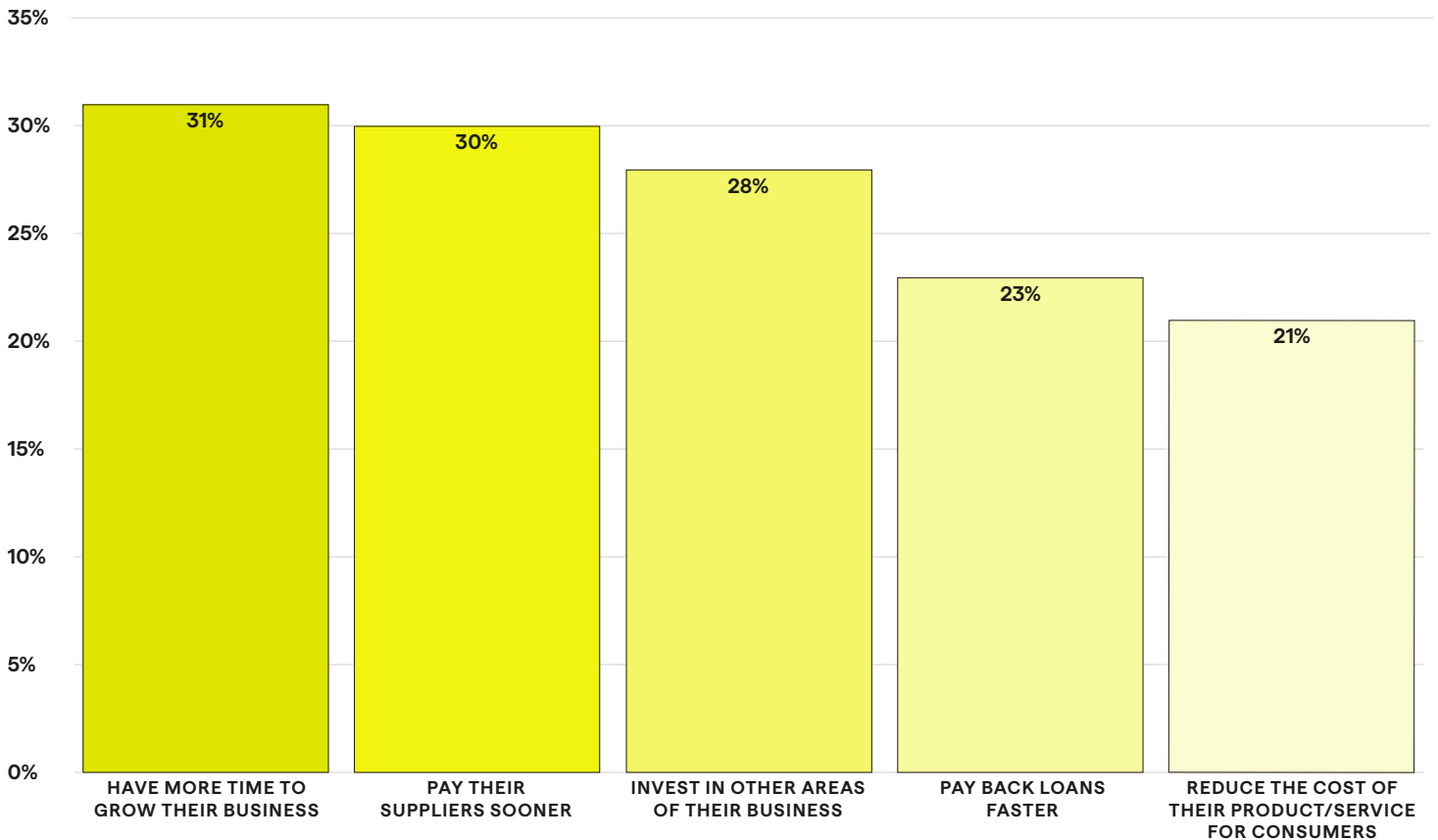
### WHY ARE YOU MORE LIKELY TO HAVE A CONVERSATION ABOUT LATE PAYMENTS WITH YOUR CUSTOMERS NOW, COMPARED TO LAST YEAR?



# So, what do we do now?

As we've seen, getting paid on time is critical – not only for the health of a business but also for the well-being of SMB leaders across the country. It also has a domino effect on the entire economy. If we can solve the issue of late payments there is an opportunity to turn a vicious cycle into a virtuous one, with benefits for everyone.

## IF THEIR CUSTOMERS PAID ON TIME, AUSTRALIAN SMB LEADERS SAY THEY WOULD BE ABLE TO:





## So how do we make this a reality?

It may help to look at the root causes of late payments through a simple framework. The probability of a successful, on-time payment comes down to two dimensions: willingness to pay and ability to pay. If you segment your payers along these lines, it's easier to think about how to approach them.

Those in quadrant two are your dream customers: they are highly motivated to pay you, with the means to do so. We won't go into detail about what to do here. Basically, if it ain't broke, don't fix it. Instead, let's examine how to deal with the other scenarios.



## QUADRANT

# 1

## High Willingness to Pay, Low Ability to Pay

Those in quadrant one are perhaps the most common and easiest to 'fix'. These payers intend to pay but their ability is low, either in the short- or long-term.

### Example

Think about a customer for whom you completed a service, who then goes on holiday. They will not be thinking about sending a payment whilst on their sun lounger. Similarly, a busy business customer may lack the bandwidth to remember when their payment is due.

### Tips

- Try a payment method that reduces or eliminates the onus on your payer. As an example, Direct Debit, a tried and trusted payment method in Australia, automatically pulls money from your customer's bank account on the day their payment is due. Not only does this remove the need for you to chase late payments, it also provides a better experience for your customer: you can cross off one more item from their long to-do list.
- Some payment providers also offer recovery services for failed payments. In those instances, check to ensure it's a customer-centric process. You want to retry the payment on a day that's best for your customer, especially if they might be short of money towards the end of the month for example.

## QUADRANT

# 1

### Example

Your payer might be someone who wants to settle the bill, but their payment method lets them down. Credit cards are often the culprit because payment failure rates are high: around 10-15%, compared to less than 3% for methods like bank payments.

### Tips

- If possible, avoid card payments. There are simply too many reasons for card transactions to fail, from something as innocuous as expired card details to not having a mobile on hand to complete the multi-factor authentication that is often required for these types of payments.
- If your business runs on a subscription, invoicing or other recurring revenue model, Direct Debit could be a great option because it pulls money directly from your customer's bank account. For one-off transactions, PayTo could be the solution: It's a new way to pay that offers the fast payment confirmation of a card, but it draws from a bank account which, helpfully, doesn't expire. Direct Debit and PayTo also pre-fill payment details, eliminating 'fat finger' errors that often cause payments to fail.



## QUADRANT

# 3+4

## Low Willingness to Pay and High or Low Ability to Pay

For a variety of reasons, these customers may be less motivated to pay you.

### Example

Payers across these groups cover a wide spectrum, especially when it comes to their ability to pay. On one end, there are payers with a genuine need to keep their money.

Think of another company who may have their funds otherwise tied up in the running of their own business, or consumers who are feeling especially squeezed in the cost-of-living crisis.

On the other end, there are bad actors out to defraud you.

### Tips

- Negotiate payment terms at the start so you gain more clarity over when you'll get paid. Consider asking for a proportion (e.g. 20%) of your fee up-front to ensure you can inject some cash into your business straight away. You could also include punitive measures for late payments.
- Automate your payments with pull-based methods such as Direct Debit, so the money is collected on the day it's due. Similarly, you can use machine learning algorithms to intelligently automate failed payment retries.
- To deter fraudsters, embrace new innovations like PayTo. In order to authorise a PayTo payment, the payer needs to log into their online banking account in their usual manner, such as through biometrics. The bank-grade security makes it hard for fraudsters to break through; it's much more difficult than, for example, inputting stolen card details.

# The bottom line

By analysing the source of your late payments, you can put in place tangible steps to reduce them and, in turn, the awkward conversations and cash flow woes that you experience.

## Our top tips in brief

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1

Try a payment method that reduces or eliminates the onus on your customer

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2

Avoid card payments and other methods with high failure rates

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3

Negotiate payment terms upfront and incentivise an on-time payment

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4

Automate your payment collection and retry processes

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5

Embrace new technology like PayTo. It helps you get paid on time, but also reduces fraud and the chance of failed payments

# An SMB Perspective

Jonathan Quieros, owner of Melbourne-based Dukes Gym, was surprised to hear that 62% of his fellow Millennials are uncomfortable chasing late payments. His suggestion? A mindset shift.

“If you've offered a service and delivered, you should get paid. There's no reason why you should feel awkward about asking for what you've agreed on.”



**Jonathan Quieros**  
Owner,  
Dukes Gym

**DUKES GYM**

Another option is to eliminate late payments altogether. By automating their payments through GoCardless, Jonathan and his team now focus on training customers instead of chasing them. He estimates the automation has saved them around 20 hours a week, which they've turned into billable hours worth an additional \$100k a year in revenue.



# Conclusion

Late payments and the bad debt they sometimes turn into seem like an inevitable part of doing business. And so do the awkward conversations that all SMBs must have in order to collect their hard-earned money.

However, if we turn these assumptions on their head and imagine a world without late payments, a wonderful alternate reality emerges: an economy that thrives because SMBs have the time and money to expand their business, plus the ability to pay their own suppliers on time and lower prices for customers.

If that's the prize, we think it's absolutely worth it to break the silence.

By sharing our research, we hope to normalise the awkwardness many SMB leaders feel about broaching the topic, and to shine a light on which groups may need more support and training. And by sharing a framework to think about successful, on-time payments, we hope to inspire businesses to act today so they can start fighting the scourge of late payments.

# Let's get talking

For more information on how to get paid on time,  
reduce stress, and win and retain customers,  
head to [gocardless.com](https://gocardless.com).

## Report methodology

This study was conducted online between 2nd – 9th November 2023 by YouGov on behalf of GoCardless. The sample consisted of a nationally representative, weighted sample of 515 Australian business owners and primary decision makers aged 18 years and older of businesses with fewer than 250 employees in the private sector.

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