

HOW BIG IS THE LATE-PAYMENTS PROBLEM IN CONSTRUCTION?

Multiple surveys indicate industry agreement: Late payments hinder construction businesses. Find out how businesses can better maintain working capital with efficient AR and payment processes.

CHALLENGE

Late payments are common for businesses with outdated payment processes.



Average days sales outstanding (DSO):¹
Construction – **52.6 days** Average in B2B – **42.5 days**

45%

of construction companies

said their firms still use paper-based or manual processes.²

19.2%

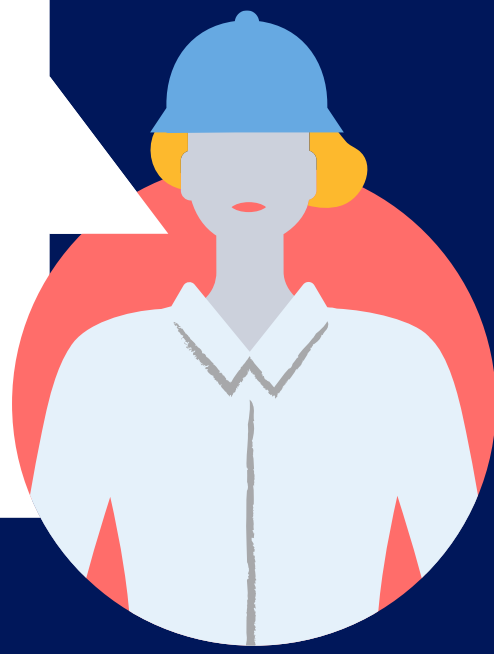
of receivables

in the construction industry are overdue — 4% higher than the B2B average.³



to receive outstanding payments

in the construction industry on average — one of the longest time frames for B2B processes in the country.²



IMPACT

Construction businesses may struggle to maintain cash flow if they don't receive payments on time.

Slow payments continue to add unnecessary risk in the form of liens, project delays and unforeseen costs.⁴



\$100 billion

The total costs associated with slow payments in the construction industry in 2020, up from \$64 billion in 2019.⁴



1 in 4 contractors postponed or stopped work due to a delay in payments to crew members between Q3 2019 and Q3 2020.⁴



Increased use of personal credit cards and funds to float payments, with the use of personal savings increasing by 283% in 2020.⁴



SOLUTIONS

Accept card or digital payments to help improve cash flow, combat late payments and keep projects moving forward.

Here are best practices B2B businesses can follow to digitize payments for smoother, faster transactions:



Replace paper invoices with digital options.

63.5% of B2B firms are shifting away from physical invoices³ to encourage quick, on-time payments.



Avoid delays with virtual cards.

Accept virtual cards to help improve cash flow and avoid delayed payments and late fees for your customers and yourself.²



Automate AR and accept online card payments.

Automated processes and card acceptance can improve customer satisfaction and business expansion.⁵



Offer early-payment discounts.

69% of subcontractors would offer a discount in exchange for payments within 30 days, resulting in an estimated industry-wide saving of \$80 billion.⁴



Strengthen your business by digitizing your AR process and accepting digital payments.

Visit Business Class for Merchants

for more trends and insights to help keep you informed.

SOURCES

¹B2B Payments Innovation Readiness Playbook, PYMNTS.com, March 2021 (accessed March 26, 2021).

²The CFO's Guide to Digitizing B2B Payments, PYMNTS.com, October/November 2020 (accessed February 26, 2021).

³B2B Payments Innovation Readiness Report, PYMNTS.com, September 2020 (accessed February 26, 2021).

⁴2020/2021 Construction Payments Report, Rabbot, https://info.rabbot.com/2020-construction-payments-report.html?utm_medium=referral&utm_source=Amex (accessed February 26, 2021).

⁵B2B Payments Innovation Readiness Playbook, PYMNTS.com, February 2021 (accessed March 10, 2021).



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