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BUILD STRONGER PAYMENT PROCESSES

Overcome the cost of late payments in the
U.S. construction industry with digitization

Get Started

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IS THE CONSTRUCTION INDUSTRY DUE FOR PAYMENT INNOVATION?

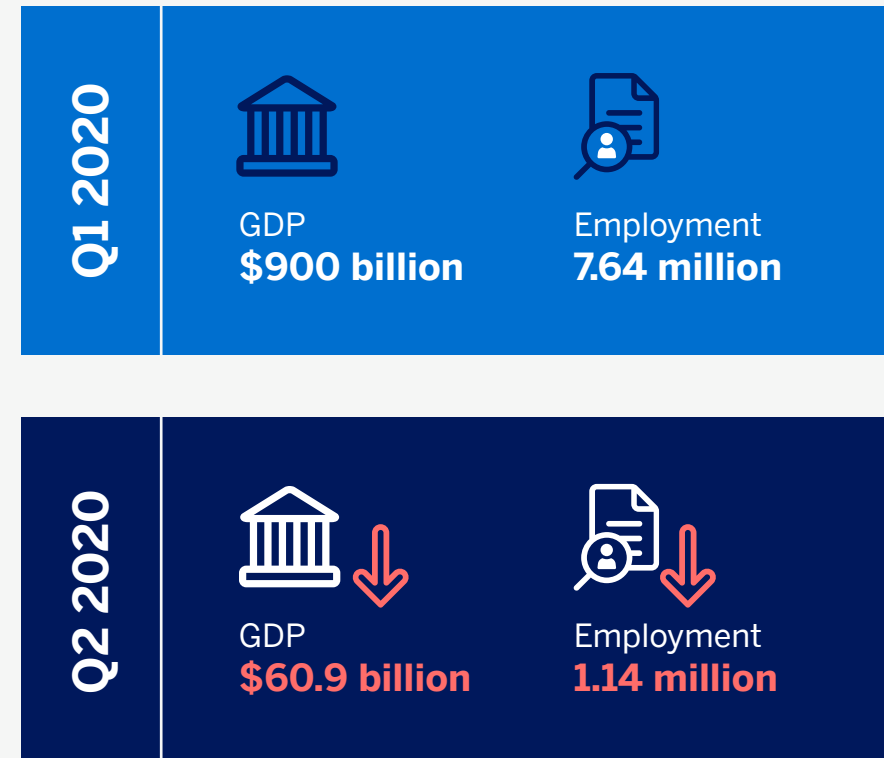
In 2020, the COVID-19 pandemic effectively wiped out two years of GDP gains and four years of job gains within the construction industry.¹

Faced with the challenges of late payments and gaps in cash flow, forward-thinking construction companies are finding ways to overcome these issues with new, cost-efficient means of invoicing and accepting payments. In fact, multiple studies agree that with digitization, businesses can quickly restore their upward trajectory and adopt payment processes that are built to last in a digital-first world.

Take a look at where the construction industry is today and how digitization can help modernize payment processes and strengthen business for the future.

[EXPLORE THIS E-BOOK TO LEARN MORE](#)

How the pandemic impacted the construction industry²



LATE PAYMENTS HINDER THE INDUSTRY

Late payments are a common issue within the construction industry. On average, **80% of construction firms say they spend substantial time trying to track down late payments**, draining energy and resources from other work and revenue.³

In addition to lost time and added costs, businesses may struggle to maintain cash flow if they don't receive payments in time.

How big is the late-payments problem in construction?



\$100 billion

The total costs associated with slow payments in the construction industry in 2020, **up from \$64 billion in 2019**⁴



83 days to receive outstanding payments

in the construction industry on average — one of the longest time frames for B2B processes in the country⁵

LATE PAYMENTS LEAD TO CASH-FLOW GAPS

Slow payments continue to add unnecessary risk in the form of liens, project delays and unforeseen costs.⁶ In 2020, **only 38% of general contractors said they could rely on their balance sheet to float payments.**⁷ This inability to maintain working capital may lead general contractors to resort to harsh measures to help their business stay afloat.

How contractors are coping with limited cash flow:



1 in 4 contractors postponed or stopped work due to a delay in payments to crew members between Q3 2019 and Q3 2020⁸



Increase use of personal credit cards and funds to float payments, with the use of personal savings increasing by 283% in 2020⁹

The bottom line: What does this financial strain cost construction companies?¹⁰



\$61 billion excess costs to the industry in 2020



The good news: These costs are avoidable if businesses take the right steps to ensure payment efficiency.¹¹

MODERNIZE PAYMENT METHODS WITH AR AUTOMATION

Despite the shift to remote work, 45% of construction companies still rely on paper-based or manual processes,¹² such as mailed paper checks. **With few or no automation technologies, these businesses saw their average days sales outstanding (DSO) increase by 20% from the onset of the pandemic.**¹³

However, by implementing AR automation solutions, businesses could significantly improve cash flow and streamline payment operations.¹⁴

How businesses are shifting toward modern payment processes:



69%

of subcontractors

would offer a discount in exchange for payments within 30 days, resulting in an estimated industry-wide saving of \$80 billion.¹⁵

63%

of construction businesses

expect to rely more on online sales than they did before the pandemic began.¹⁶

60%

of B2B companies

saw an increase in online card payments since the coronavirus pandemic began in March 2020.¹⁷

WHY ADOPT DIGITAL PAYMENT SOLUTIONS?

Efficient payment processes can **reduce costs for everyone**. Faster payments alleviate the need for B2B businesses to float payments and incur charges, which ultimately carry over to developers, lenders, equity partners and other project stakeholders.¹⁸

Benefits for Suppliers

Shorten DSO and stop chasing payments

Embracing AR automation helps firms receive payments faster and takes the hassle out of manually following up on overdue payments.¹⁹

Streamline AR processes

Firms with automated AR processes have achieved faster processes, improved efficiencies and lowered costs.²¹

Improve customer experience

71.8% of construction companies say that AR automation can provide a better customer experience.²³

Benefits for Buyers

Improve cash flow

Spending with credit allows buyers to keep cash on hand longer while still promptly paying vendors.²⁰

Meet payment deadlines

Replacing paper check transactions with digital options helps buyers deliver quick, on-time payments to suppliers,²² strengthening buyer-supplier relationships.

Reduce errors and increase visibility

Automation can save time by extracting details faster and help firms avoid human errors that can cause lengthy disputes with vendors to correct issues.²⁴

IMPROVE CASH FLOW WITH CARDS

Receiving and sending payments via electronic payment methods, such as credit cards, can help both buyers and suppliers ensure on-time payments and keep B2B businesses operational.



91% of US businesses made at least one B2B purchase with a payment card.²⁵



Avoid late fees.

Accepting virtual cards can help improve cash flow and avoid delayed payments and late fees,²⁶ strengthening long-standing relationships between suppliers and buyers.



Improve cash forecasting.

Virtual cards can enable end-to-end visibility into firms' payment flows, helping managers make more informed financial decisions about cash flows and credit.²⁷



Streamline the payments process.

Suppliers have an opportunity to receive payments more quickly, while corporate buyers often gain the option of early payment discounts that they can access via card payments.²⁸



Connect to valuable transaction data.

Card transactions connect vendors to valuable transaction data, which has proven to be a key driver of card acceptance, particularly among suppliers with thousands of payments to process and reconcile.²⁹



DIGITIZE YOUR AR PROCESSES AND ACCEPT DIGITAL PAYMENTS

Together, suppliers and buyers can eliminate the manual processes that lead to late payments and working-capital challenges. When you're ready to digitize your payment processes, American Express is here to help.

Key takeaways:



Late payments present a time- and cost-consuming challenge to the construction industry.



Manual processes lead to late payments and gaps in cash flow, which can slow or halt business.



Businesses can adopt AR and AP automation technologies to replace manual payment processes, reduce costs and streamline business processes.



More B2B companies are using and accepting digital payment methods to improve cash flow and strengthen relationships.

WANT TO LEARN MORE?

Learn how B2B trends and tools, such as AR automation and digital payments, can strengthen your business *now* — and for whatever comes *next*.

[Visit Business Class for Merchants to learn more](#)

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