

# 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**Late payments are common for businesses with outdated payment processes.**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):**  
Construction – **52.6 days** Average in B2B – **42.5 days**

**45%**  
of construction companies

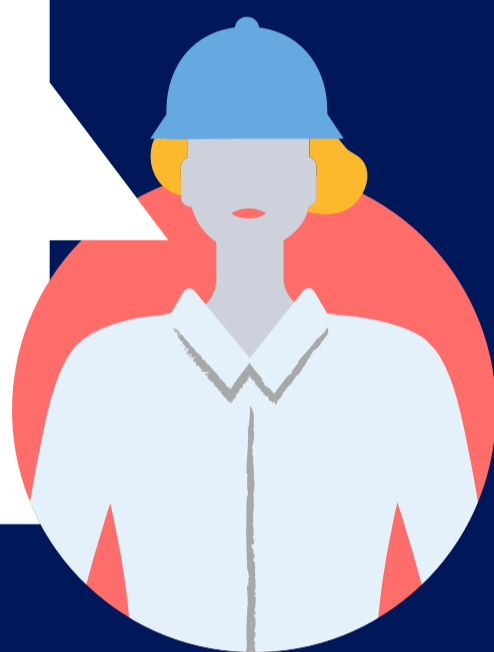
said their firms still use paper-based or manual processes.<sup>2</sup>

**19.2%**  
of receivables

in the construction industry are overdue — 4% higher than the B2B average.<sup>3</sup>



**83 days** to receive outstanding payments in the construction industry on average — one of the longest time frames for B2B processes in the country.<sup>2</sup>



## 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.<sup>4</sup>



**\$100 billion**

The total costs associated with slow payments in the construction industry in 2020, up from \$64 billion in 2019.<sup>4</sup>



**1 in 4 contractors postponed or stopped work** due to a delay in payments to crew members between Q3 2019 and Q3 2020.<sup>4</sup>



**Increased use of personal credit cards and funds** to float payments, with the use of personal savings increasing by 283% in 2020.<sup>4</sup>



## 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 invoices<sup>3</sup> 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.<sup>2</sup>



**Automate AR and accept online card payments.**

Automated processes and card acceptance can improve customer satisfaction and business expansion.<sup>5</sup>



**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.<sup>4</sup>



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

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for more trends and insights to help keep you informed.

### SOURCES

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

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

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

<sup>4</sup>2020/2021 Construction Payments Report, Rabbot, [https://info.rabbot.com/2020-construction-payments-report.html?utm\\_medium=referral&utm\\_source=Amex](https://info.rabbot.com/2020-construction-payments-report.html?utm_medium=referral&utm_source=Amex) (accessed February 26, 2021).

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



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