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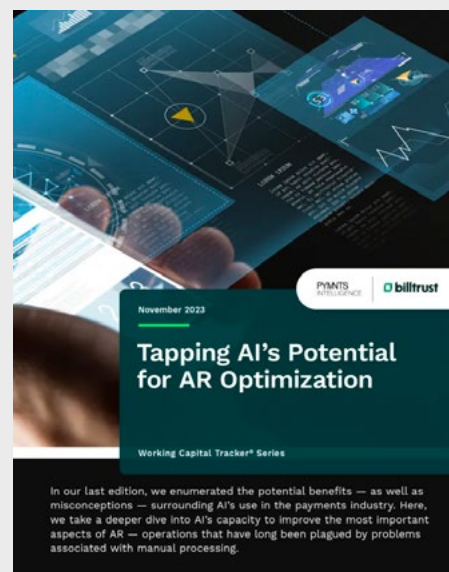
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December 2023

# Late Payments Across Verticals: The Good, the Bad and the Ugly

Working Capital Tracker® Series

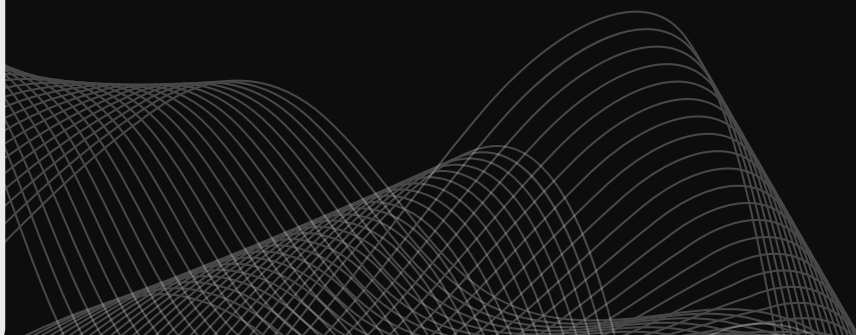
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NOVEMBER 2023

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When it comes to late B2B payments and AR headaches, not all sectors are created equal. For retail, healthcare and construction, AR teams have very different challenges.





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### Acknowledgment

Working Capital Tracker® Series is produced in collaboration with Billtrust, and PYMNTS Intelligence is grateful for the company's support and insight. [PYMNTS Intelligence](#) retains full editorial control over the following findings, methodology and data analysis.

# Introduction

Late business-to-business (B2B) payments are the bane of any accounts receivable (AR) department, and the headaches they cause affect more than just the accountants. The entire firm relies on incoming payments to remain solvent, so any delay can have momentous downstream ramifications when it comes to cash flow — including but not limited to late payroll or vendor payments.

Not every industry experiences these problems equally, however, with days sales outstanding ([DSO](#)) — the average number of days it takes a company to obtain payment for a sale — serving as a useful metric for measuring the severity of the issue. For example, industries like retail have relatively low, or good, DSO, while others, such as healthcare, exhibit much higher numbers. Sectors like construction, however, can have DSO figures that are nothing short of astronomical.



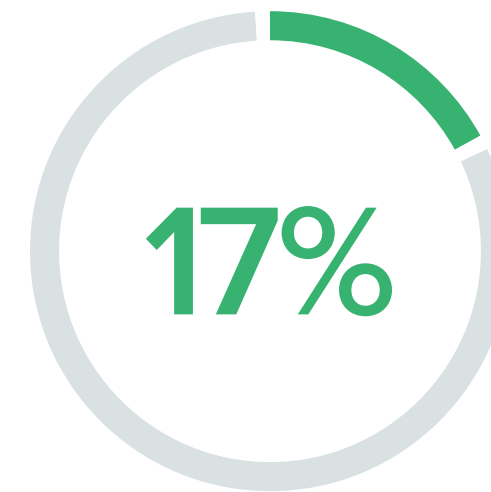


## The Good: Retail B2B Payments

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# Prompter Payments: Retail Leads in Timely B2B Payments, Explores Real-Time Rails

Compared to other sectors, retail receives notably fewer late payments, boasting an average [DSO](#) of just three to seven days. However, there is always room for improvement, and some retailers are seeking to accelerate B2B transactions with real-time payments.



**Portion of retail B2B payments  
processed via real-time rails**

## The Good: Retail B2B Payments

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**85% of large retailers are seeking partnerships with FinTechs for real-time transactions.**

Of large chains, 81% said that [real-time B2B payments](#) are critical to their operations, as they can accelerate cash flow, improve relations with suppliers and reduce administrative burdens on AR teams. Another commonly cited benefit is the reduction in B2B payments fraud, with 61% of large retailers saying these real-time solutions will improve their security situation. One potential drawback to real-time payments is cybersecurity risk: Intercepted payments are often irrecoverable. Nevertheless, the overall decline in fraud facilitated by real-time payments more than makes up for this risk.

**Only a fraction of retailers as a whole leverage real-time B2B payments.**

According to PYMNTS Intelligence research, just 17% of [B2B payments](#) by retail companies were processed via real-time rails, and only 18% of retailers said they were currently in the process of enhancing their payment systems. This is a clear demonstration of the capability gap between large retail chains and the rest of the industry, with the vast majority of large chains pursuing real-time transactions compared to the small percentage of retailers as a whole. This also indicates that the relatively low DSO among retailers has left most of them satisfied with their existing B2B payment solutions.



## The Bad: Healthcare B2B Payments

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# Critical Condition: Late Payments Hamper Healthcare

Healthcare DSO for B2B payments is much worse than retail's, clocking in at an average of [47 days](#). The primary culprit here is the processing time for insurance claims, which can vary widely based on individual patient coverage, financial circumstances and medical situation, as well as insurers' approval processes.



**Share of healthcare providers owed  
more than \$100,000 from insurers**

## The Bad: Healthcare B2B Payments

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**A plurality of healthcare providers are owed between \$25,000 and \$100,000 by health insurers.**

In a recent survey, more than 37% of [healthcare providers](#) reported being owed sums ranging from \$25,000 to \$100,000, with another 32% reporting outstanding amounts exceeding \$100,000. These late payments could significantly impact the bottom line of even the largest practices. The backlog of unpaid claims stems from a variety of sources, including payers requiring detailed documentation to determine whether services should be reimbursed or disputing payments that have already been made. Notably, Blue Cross Blue Shield owed the highest proportion among insurers to healthcare providers, accounting for 23% of the total outstanding amount owed.

**Automated claims management could greatly accelerate the payment process.**

A recent study found that 70% of healthcare providers consider [claims management](#) more important now than before the pandemic, as 30% noted an increase in denial rates between 10% and 15% over the past year. Automated claims management sidesteps many payment obstacles by automating and streamlining the insurance claims process. Recent growth in this area reinforces this approach, with 52% of surveyed healthcare providers having replaced previous claims processing technology with automated programs in the past 12 months.



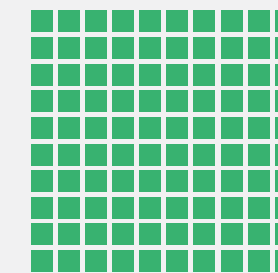
## The Ugly: Construction B2B Payments

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# Construction Obstruction: Delinquent B2B Payments Wreak Havoc on Industry

The construction industry averages an abysmal [DSO](#) of 94, which has catastrophic downstream impacts when it comes to construction deadlines, contractor pay and a host of other issues. As post-pandemic demand for new building projects rises, B2B payments prove to be an endemic problem in the sector.

100%



of construction firms say they **get paid late.**





## The Ugly: Construction B2B Payments

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### All construction firms say they get paid later than expected.

While 87% of businesses in a recent study reported experiencing [late payments](#) from vendors, 100% of construction firms reported these delays. Alongside marketing and advertising, the construction vertical was the most likely to encounter late payments, with 27% of construction firms saying payments were typically received between 31 and 60 days past their due dates. Consequently, these delays shift a heavier burden onto AR teams, who must resolve the ensuing cash flow issues, with 30% of construction firms saying they spent more than seven hours per week managing AR tasks.

### Construction payment delays have immense downstream effects.

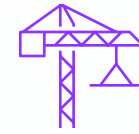
Experts estimate that the construction industry loses \$273 billion each year due to [late payments](#), including a 141% increase in liens filed by subcontractors to cover the missing funds. More than two-thirds of subcontractors reported that late payments led to work stoppages or delays in the past 12 months, while 57% of general contractors said the same. Further, 34% of general contractors' contracts have ultimately been canceled due to lack of financing. This is but a fraction of the construction headaches caused by slow B2B payments processes.

## Decision Guide

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# Unique Industries Require Unique Approaches to Reduce DSO

The construction, healthcare and retail sectors face unique challenges that require tailored approaches to improve DSO.



**Construction:** Projects often span extended timelines in the construction sector. Therefore, leveraging technology for real-time invoicing and payment tracking can significantly reduce DSO. Implementing automated systems that integrate with project management tools facilitates seamless communication between stakeholders, expediting payment approvals and minimizing delays.



**Healthcare:** The intricate billing processes and diverse payer landscape intrinsic to the healthcare sector can benefit from streamlined invoicing and automated claims management. Integrating electronic health records with billing systems and employing predictive analytics can also help healthcare providers identify potential delays in reimbursement.



**Retail:** Competition is fierce and margins are often thin in the retail sector, making cash flow optimization a critical priority. Implementing advanced point-of-sale (POS) systems that seamlessly integrate with inventory and financial systems can enhance B2B transaction efficiency and provide real-time insights.



## Decision Guide

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“ Things really get interesting when data, analytics and AI can be used to compound value across products and the entire AR process. All the data you have already collected about customers and their payments can be used to assist you with your workflow, make recommendations and suggestions, and even help you compile personalized payment reminders to these customers. That’s exactly what we are doing right now. We offer an AI-powered, complete view of customers’ activity across your entire AR process, enabling you to make intelligent AR decisions. ”

**AHSAN SHAH**  
Senior vice president, Data Intelligence



# About

## PYMNTS INTELLIGENCE

[PYMNTS Intelligence](#) is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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