

THE
PROBLEM
WITH PAYMENT

How long does it really take businesses to pay?

NOVEMBER 2017

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INTRODUCTION

Our latest research has shown that the average invoice takes 74 days to be paid, 44 days longer than typical 30 day payment terms, with a detrimental effect on cash flow for SMEs. We want to raise awareness of this through our data, (129,000 invoices processed through our platform over 5 years) and make sure that we can prepare businesses for the reality of how long it will take for them to receive payment from their customers.

The research contained in this paper reveals that businesses are still struggling to get paid on time, but more than that, a knock on effect shows that the whole payment ecosystem is being affected. Businesses who are not being paid on time are struggling to pay others on time and stick to payment terms.

The long-payment term and late payment issues have been in the headlines before, but this is not a finger pointing exercise. What we want to do is prepare businesses for the reality of the situation and tackling these payment lengths, whilst also raising awareness of the situation.

Rather than talk about payment terms or late payment – a conversation that is already a recognised issue, what we want to demonstrate is how long businesses are **actually** taking to pay each other, so they can prepare and arm themselves with the facts. As a finance provider we can then support them better, having understood these challenges and pressures on their cash flow.

Equally, we want the data to be used to highlight particular areas or industry sectors where businesses are struggling to pay on time and hope that through starting the right conversations, we can identify what the pressures are in those areas. Whether or not, for example, the problem is a domino effect from further up the payment food chain. Ultimately businesses need healthy cash flow to thrive and grow. If the issue is that agreed payment terms, for whatever reason, are simply meaningless, then this needs to be addressed.



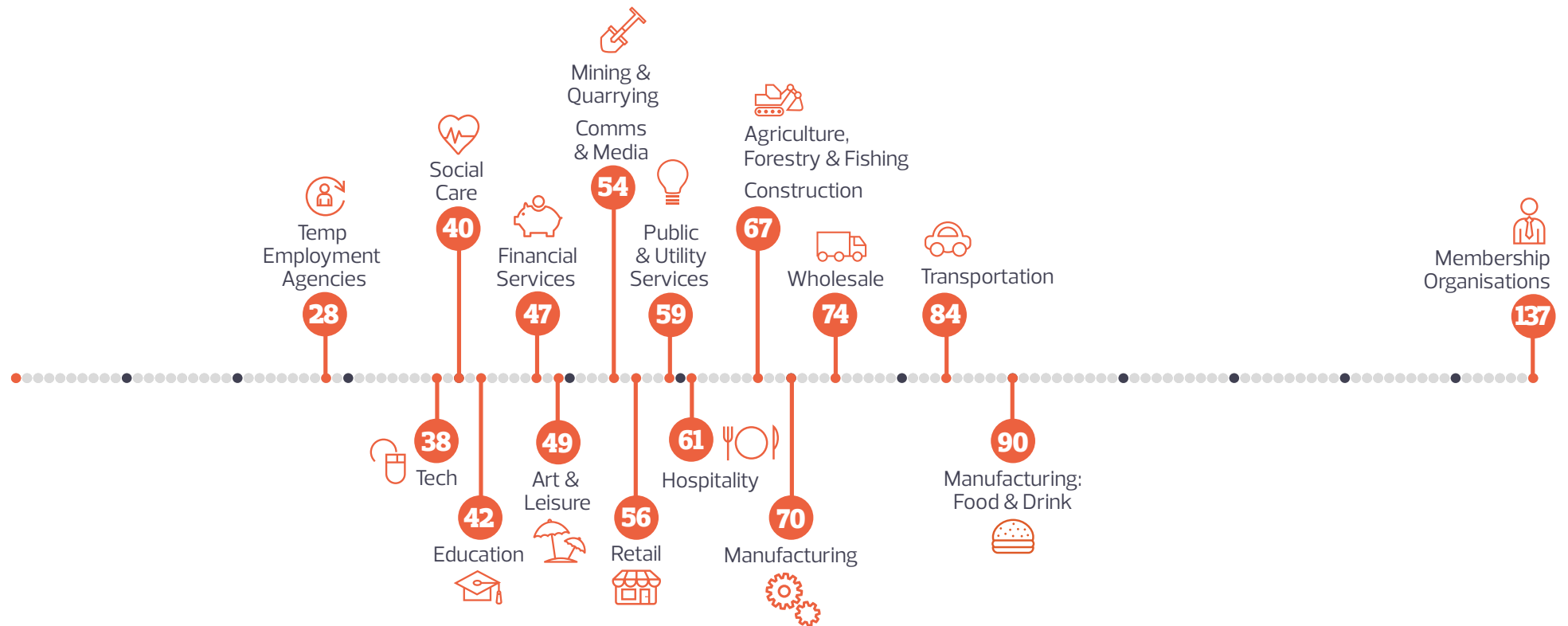
Chirag Shah
CEO, Nucleus Commercial Finance

AVERAGE PAYMENT DAYS

The data shows that the time it takes businesses to pay each other is usually far above the standard 30 day payment terms but also – that it varies a lot from sector to sector. This will explain why it is hard to plan and manage cash flow, particularly for those businesses who have customers in a wide range of sectors e.g. an agency. Are businesses allowing their customers to pay late? Are they having to be flexible? Is this a culture that has developed as a knock-on effect of long payment terms commanded by blue chip debtors?

“Our accounts team only flags when one of our clients is late in paying after 60 days, which means that they could end up taking 90 days to pay – almost three months – and that’s just the company policy.”

Account Director, London-based PR agency

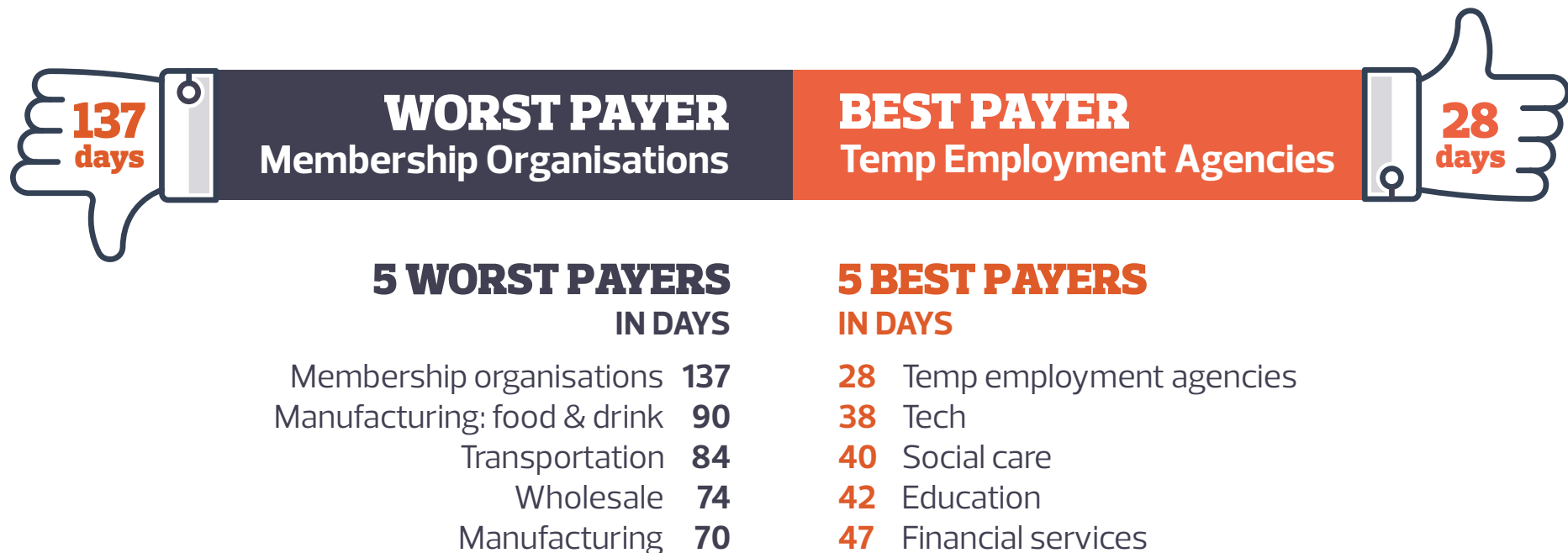


Nucleus data from 2011-2017. Total number of invoices in study: 129,870

BEST AND WORST PAYERS

Rather than a finger pointing exercise we want this data to highlight the reasons that certain industries might have fallen into a cycle of long payment terms or cash flow challenges. What issues are they facing? Is it just the norm in those industries and how can businesses prepare?

Where we see general manufacturing, **Food and Drink Manufacturing** and **Wholesale** in the 'worst payers' list, that could suggest an embedded culture of taking a long time to pay or settle an invoice, both in the payment terms and payment practice and this is being passed from the manufacturers down the chain to wholesalers and retailers.



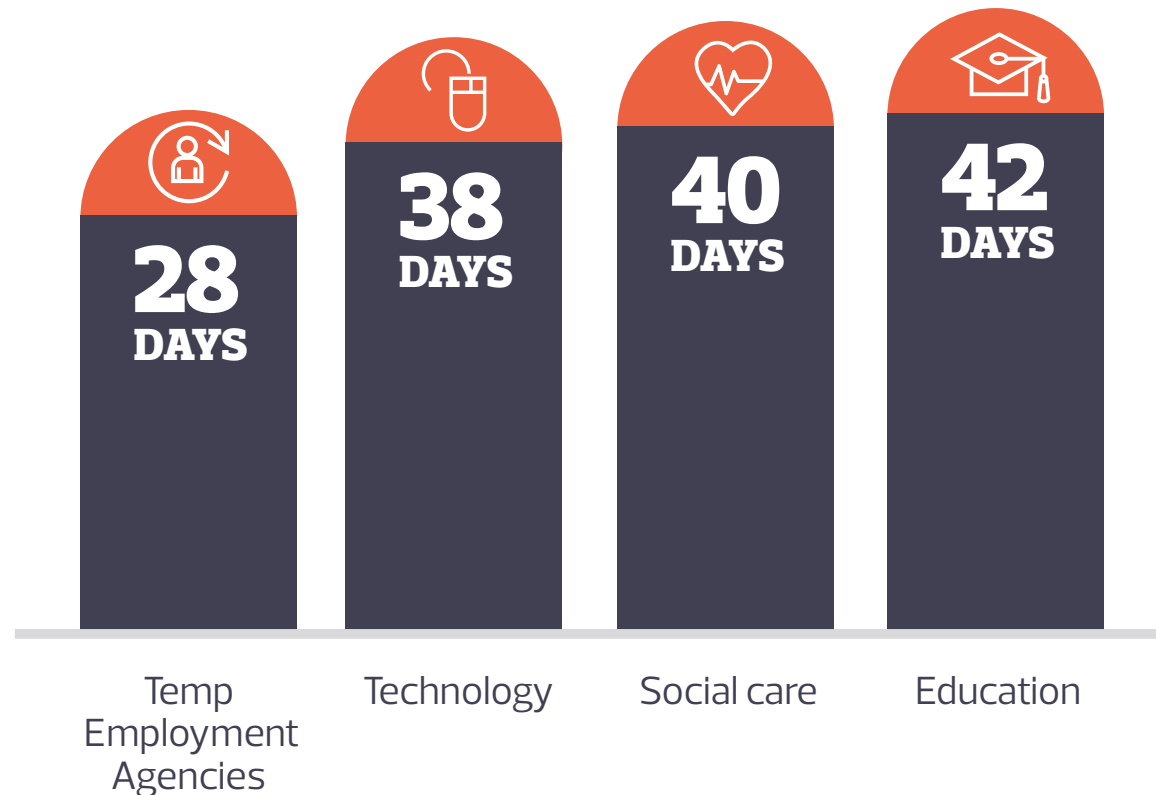
Nucleus data from 2011-2017. Total number of invoices in study: 129,870

BEST PAYERS

This is good news for businesses whose customers fall in to these four sectors – they are the best payers of all.

Regular wage payments for temporary staff explain why **Temporary Employment Agencies** come out on top. **Technology** businesses are second but at eight days over the standard 30 day terms.

This payment efficiency could be explained by their adoption of technology enabled processes to speed up methods of payment.



Nucleus data from 2011-2017. Total number of invoices in study: 129,870

SECTOR DEEP DIVE: MANUFACTURING

The time it takes businesses to pay varies immensely in this sector but it is one of the sectors taking longest to pay. **Beverage** manufacturers take the longest to pay at 128 days but at 34 days, **Printing and Reproduction of Recorded Media** are relatively fast payers.

Most other businesses in the sector fall in to the 66 to 85 days payment time – some of the highest in the study.



Nucleus data from 2011-2017. Total number of invoices in study: 129,870

SECTOR DEEP DIVE: WHOLESALE AND RETAIL

UK Wholesalers, other than those selling cars and other motor vehicles, match the national average payment days found in the rest of our study, of 74 days. For businesses who have customers in retail, a better than average 56 days shows a step in the right direction as larger blue-chip businesses in this sector historically paid on very long terms.



Nucleus data from 2011-2017. Total number of invoices in study: 129,870

SECTOR DEEP DIVE: CONSTRUCTION



Nucleus data from 2011-2017. Total number of invoices in study: 129,870

ALL DATA

INDUSTRY	SECTOR NAME	TOTAL # OF DAYS	COUNT OF INVOICES	AVERAGE
AGRICULTURE, FORESTRY AND FISHING	Crop and animal production, hunting and related service activities	41222	724	56.9
	Fishing and aquaculture	12967	170	76.3
ALL OTHER INDUSTRIES	Real estate activities	36519	542	67.4
	Activities of head offices; management consultancy activities	85233	1670	51.0
	Architectural and engineering activities; technical testing and analysis	272965	3513	77.7
	Advertising and market research	6087	124	49.1
	Other professional, scientific and technical activities	51556	881	58.5
	Rental and leasing activities	75307	960	78.4
	Security and investigation activities	10912	182	60.0
	Services to buildings and landscape activities	62810	1148	54.7
	Office administrative, office support and other business support activities	494043	5421	91.1
	Public administration and defence; compulsory social security	2063	37	55.8
	ART AND LEISURE	Creative, arts and entertainment activities	7188	155
Libraries, archives, museums and other cultural activities		3030	71	42.7
Gambling and betting activities		5669	79	71.8
Sports activities and amusement and recreation activities		2724	76	35.8
COMMS/MEDIA SERVICES	Publishing activities	59057	1101	53.6
	Motion picture, video and television programme production, sound recording and music publishing activities	906	18	50.3
	Programming and broadcasting activities	6835	95	71.9
	Telecommunications	7233	176	41.1
CONSTRUCTION	Construction of buildings	520712	8201	63.5
	Civil engineering	193531	2955	65.5
	Specialised construction activities	1157425	15901	72.8
EDUCATION	Education	7610	181	42.0

FINANCIAL SERVICES	Financial service activities, except insurance and pension funding	3801	59	64.4
	Insurance, reinsurance and pension funding, except compulsory social security	667	17	39.2
	Activities auxiliary to financial services and insurance activities	1447	39	37.1
HOSPITALITY	Accommodation	6575	96	68.5
	Food and beverage service activities	4736	90	52.6
MANUFACTURING: FOOD AND DRINK	Manufacture of food products	11451	221	51.8
	Manufacture of beverages	3584	28	128.0
MANUFACTURING: OTHER	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	83661	1089	76.8
	Manufacture of paper and paper products	5740	82	70.0
	Printing and reproduction of recorded media	775	23	33.7
	Manufacture of coke and refined petroleum products	1084	16	67.8
	Manufacture of chemicals and chemical products	44214	557	79.4
	Manufacture of rubber and plastic products	28836	476	60.6
	Manufacture of other non-metallic mineral products	13077	172	76.0
	Manufacture of basic metals	537773	6355	84.6
	Manufacture of fabricated metal products, except machinery and equipment	3353700	42096	79.7
	Manufacture of computer, electronic and optical products	1339	16	83.7
	Manufacture of electrical equipment	30463	449	67.8
	Manufacture of machinery and equipment n.e.c.	789857	10308	76.6
	Manufacture of motor vehicles, trailers and semi-trailers	98009	1327	73.9
	Manufacture of other transport equipment	12499	224	55.8
	Manufacture of furniture	10959	157	69.8
	Other manufacturing	220807	3322	66.5
	Repair and installation of machinery and equipment	140650	1973	71.3
MEMBERSHIP ORGANISATIONS	Activities of membership organisations	5071	37	137.1
MINING AND QUARRYING	Mining of coal and lignite	1228	20	61.4
	Extraction of crude petroleum and natural gas	8745	200	43.7
	Other mining and quarrying	18968	266	71.3
	Mining support service activities	9338	233	40.1
RETAIL	Retail trade, except of motor vehicles and motorcycles	64708	1158	55.9
PUBLIC AND UTILITY SERVICES	Electricity, gas, steam and air conditioning supply	4293	74	58.0

	Waste collection, treatment and disposal activities; materials recovery	43007	662	65.0
	Remediation activities and other waste management services.	5018	95	52.8
SOCIAL CARE	Residential care activities	4132	91	45.4
	Social work activities without accommodation	1069	31	34.5
TRANSPORTATION	Land transport and transport via pipelines	16026	273	58.7
	Water transport	26956	221	122.0
	Air transport	8508	118	72.1
	Warehousing and support activities for transportation	43623	512	85.2
TECH	Computer programming, consultancy and related activities	18226	479	38.1
TEMP EMPLOYMENT AGENCIES	Employment activities	73854	2606	28.3
WHOLESALE	Wholesale trade, except of motor vehicles and motorcycles	441969	6010	73.5
	Wholesale and retail trade and repair of motor vehicles and motorcycles	180461	1963	91.9
	Other personal service activities	88209	1200	73.5
TOTAL INVOICES			129,870	

**For more information or to talk to our team
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