upflow.

The State of B2B Payments

2024 | Industry-specific B2B payment trends.

Contents

A word from our CEO

Hi there, this is our very first State of B2B Payments report, and I'm happy to say it's full of fresh insights on how B2B businesses are collecting cash today.

But why should you care? Well, we all know you can't improve what you don't measure, and realistic targets come from having access to real-world benchmarks.

But proper benchmarks are difficult to come by in the world of B2B payments, accounts receivable and cash collection.

Our goal with this report is to cut through the noise and share some select trends we're seeing inside our platform.

Curious how your Days Sales Outstanding (DSO) stacks up against your industry peers?

Wondering what payment method is driving the fastest receipts?

This report has the answers, with data breakdowns across various industries and business models.

With thousands of users, from hundreds of companies, using our platform every day we have a wealth of information available to us on how B2B finance teams are working. We're seeing billions of dollars transacted every month and are uniquely positioned to analyze where companies and finance teams are putting their focus and how their results compare to one another.

We hope that this data will help you effectively take stock of your collection performance and identify areas for potential improvement.

We'll also explore trends in invoice aging buckets, analyzing the percentage of invoices at each overdue stage by industry.

The report covers what we call 'at-risk rates' across industry verticals - in other words, the percentage of invoices that are 90 days or more overdue - as well as other key metrics, offering a comprehensive view of the B2B accounts receivable and payment ecosystem.

Consider this report your data-packed guide to B2B payments. Our hope is that you'll walk away with actionable insights that will help you accelerate your cash flow, strengthen customer satisfaction, and propel your business forward.

So grab a coffee and dive in - explore the findings, and leverage them to achieve your goals.

Best regards,
Alex Louisy, CEO, Upflow

Executive summary

For those of you who may be short on time, we have summarized the results of our findings below. If you hate spoilers, avert your eyes now and move to the next section...

Our findings

- 3 in every 4 small and medium-sized businesses experience delays in receiving payments.
- **Industry-Specific Insights**
  - Services companies often experience longer payment cycles compared to SaaS companies within the same industry.
  - Office & Facilities Management companies see the longest waits for payment than any other sector, with an average DSO of 105 days. Although ‘the best in Upflow’ (the top 25th percentile) in this industry achieve a DSO of 78 days.
- **Payment Methods**
  - Businesses prioritizing card payments see significantly reduced payment delays. In fact, those businesses that have a payment mix featuring over 40% cards experience a median payment delay of just 1 day.
- **Trends in Overdue Amounts**
  - High-value sectors like Security, Compliance & Identity face larger overdue amounts, while sectors like Sales & Customer Success have smaller and more efficiently managed overdue payment totals.
  - Across the board there seems to be a trend that if invoices are not paid on-time or within the first 30 days of becoming overdue, they have a high chance of still being outstanding 90+ days after the due date.

How much of a problem are late payments?

According to a survey by Intuit Quickbooks, 73% of SMBs are negatively impacted by late payments.

So when almost 3 in every 4 businesses experience delays in receiving payments, it's clear that late payments are a big issue in the B2B world.

These delays can cause cash flow problems, making it tough for businesses to manage their day-to-day operations, pay their suppliers, and invest in growth. The impact can ripple through the entire supply chain, leading to higher costs and inefficiencies. Plus, the stress and uncertainty from late payments can affect employee morale and productivity, making the problem even worse.

Keeping a healthy cash flow is crucial for staying afloat and growing. That's why addressing late payments is so important.

SEE WHERE YOU STAND: B2B ACCOUNTS RECEIVABLE BENCHMARKS

Let’s cover some of the key B2B accounts receivable metrics, and provide you with benchmarks we see based on our proprietary data inside Upflow.

Introducing one of our favorite metrics: DSO.

What is DSO anyway?

Your DSO - or Days Sales Outstanding - is a key metric that calculates how long it takes for you to get paid.

There are several ways to calculate it, with the most simple being the following:

$$\text{📊 Days Sales Outstanding} = \frac{\text{📈 Average Receivables}}{\text{💰 Revenue}} \times 365$$

Our way of calculating DSO

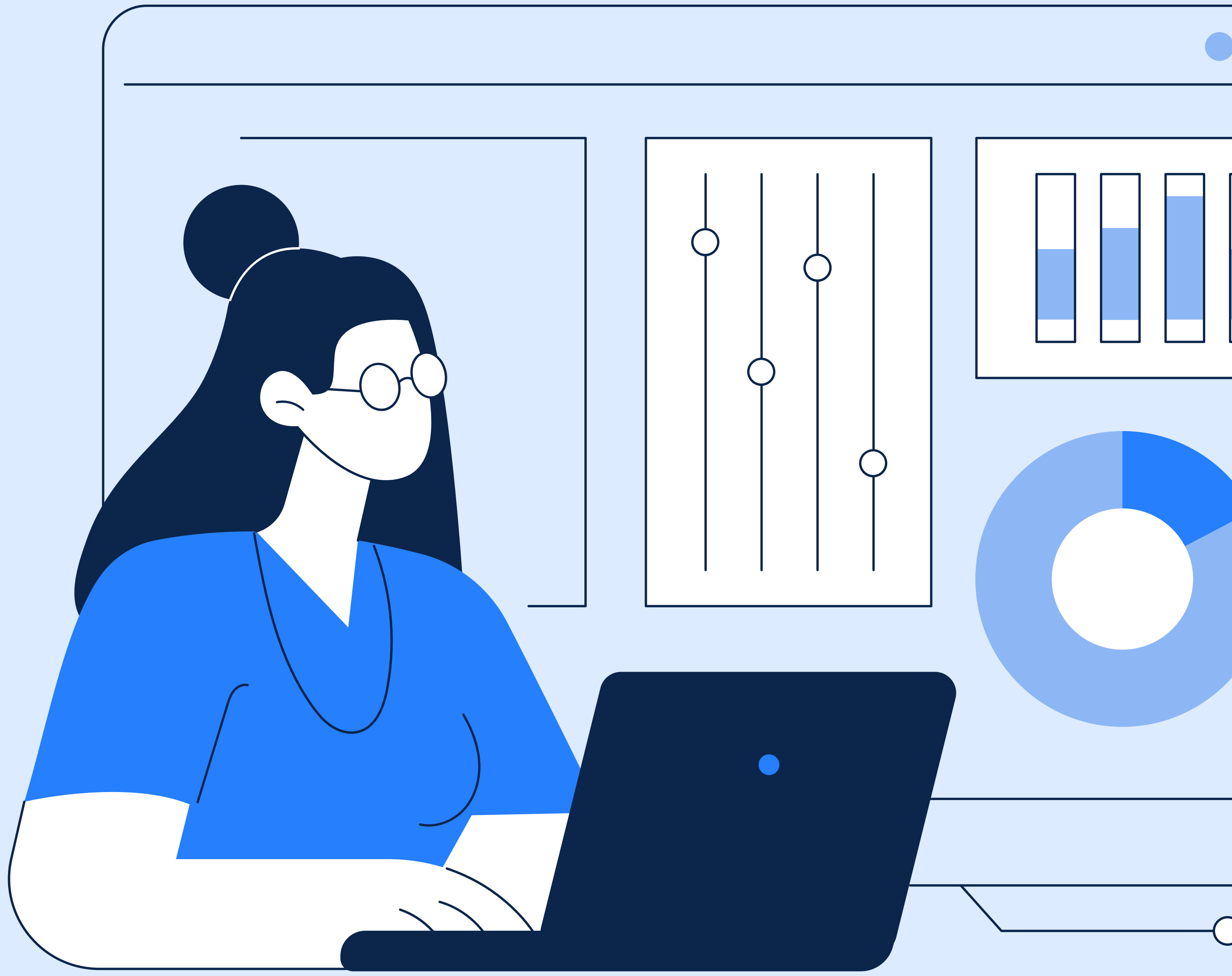
Here at Upflow, we use a more advanced DSO calculation, called the countback method.

It’s both the most accurate way to calculate your DSO and the most well adopted. It involves counting back month-by-month with your AR and gross sales ratios. For more information on the countback method and how to calculate your DSO accurately, **head to this link**.

In any case, DSO is an important KPI to calculate because it is an indicator of your liquidity.

Indeed, your company's DSO...

1. Indicates how much cash flow you can expect at a given time,
2. Informs you of your credit sales and payment times, and
3. Shows the efficiency of your payment terms and overall collection processes.

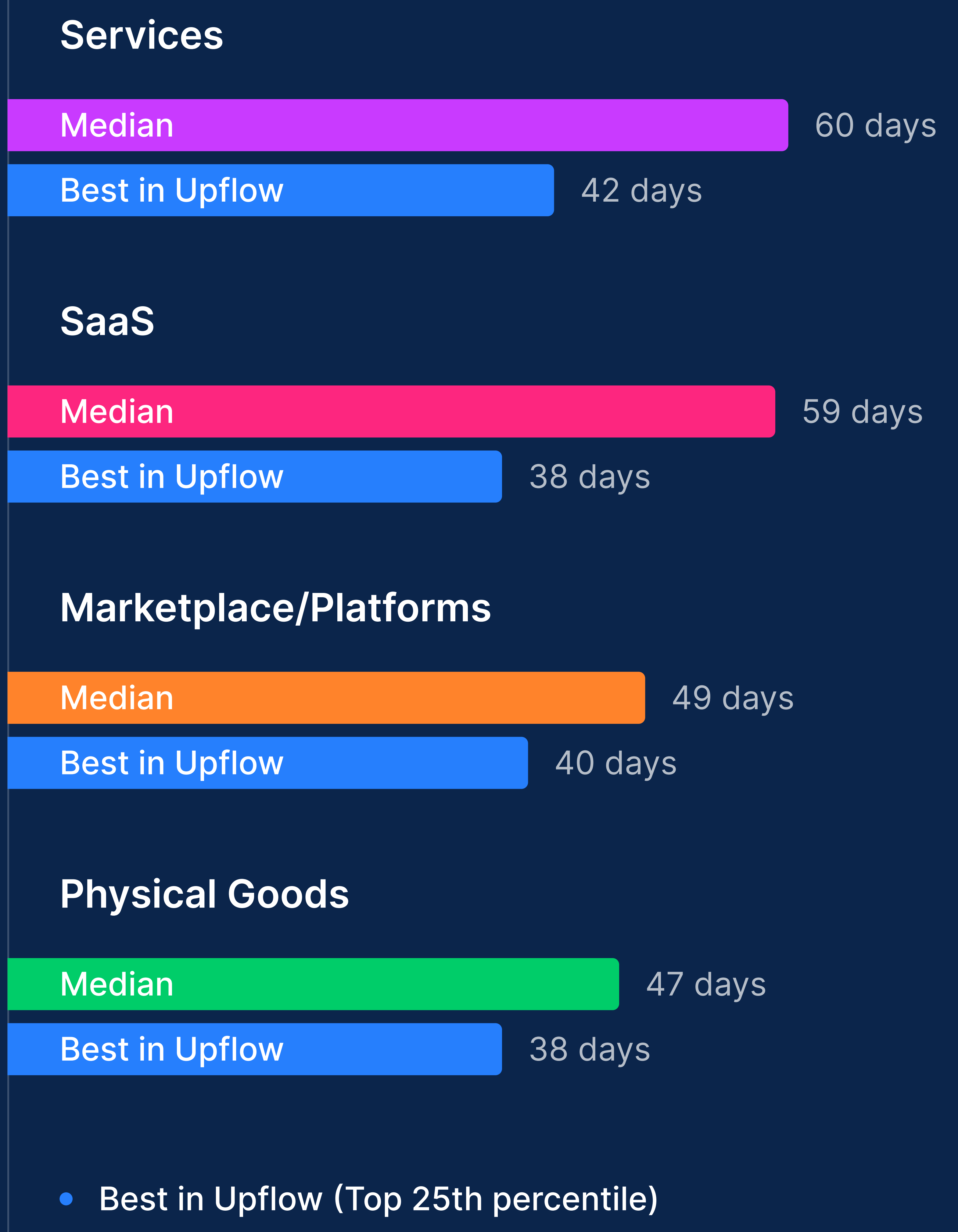


DAYS SALES OUTSTANDING (DSO) BY BUSINESS MODEL

Our data shows physical goods and marketplace companies running their cash collection through Upflow tend to have lower DSOs than the average business.

This could be because their cash flow works a bit differently. Unlike other business models, these businesses often pay upfront for things like inventory, shipping or billed hours (in the case of marketplaces) before the customer pays them back.

DSO by business model



malt × upflow.

Take Malt, for example. They're a leading European freelancing marketplace where companies can hire external talent. As part of their offering to the supply side of their business (freelancers), they pay out right after the project is finished, even before the client pays them.

In this way, Malt covers the cost until the client pays, which means collecting payments fast is crucial for their business. Through Upflow, the team at Malt was able to reduce their DSO by 58% (124 days to 52 days). Using automated and customizable reminders, Malt drove timely payments, significantly improving their cash flow.

⌛ **160+** finance hours won back every month

📉 **58%** reduction in DSO

Read the full case study →

Audrey Brunet

Client Operations Team Lead, Malt

DAYS SALES OUTSTANDING (DSO) BY BUSINESS MODEL

But this focus on getting paid quickly isn't just for marketplaces. While the median DSO for SaaS companies might be higher (around 59 days), the best SaaS businesses are really good at collecting payment, with a median DSO of 38 days for the top 25 percentile.

Take ActivTrak for example...

ActivTrak × upflow.

ActivTrak is an American SaaS company specializing in workforce analytics, who achieved a **23 day DSO on net 30 payment terms**! With 85% of their follow up emails automated, they were able to standardize their cash collection process and work smarter.

Within months of go-live, the Upflow solution brought transformative changes to ActivTrak's collection process. Fast forward two years, ActivTrak has not only won back countless hours for their finance team but also eliminated the need for an extra hire to oversee collections. This has resulted in saving them thousands of dollars every month.

This suggests that no matter what kind of business you run, focusing on making your collections process smooth can be a serious game-changer for your finances.

Read the full case study →

⚙️

Workflow Automation. Less manual tasks and lower risk of missed payment reminders.

🕵️

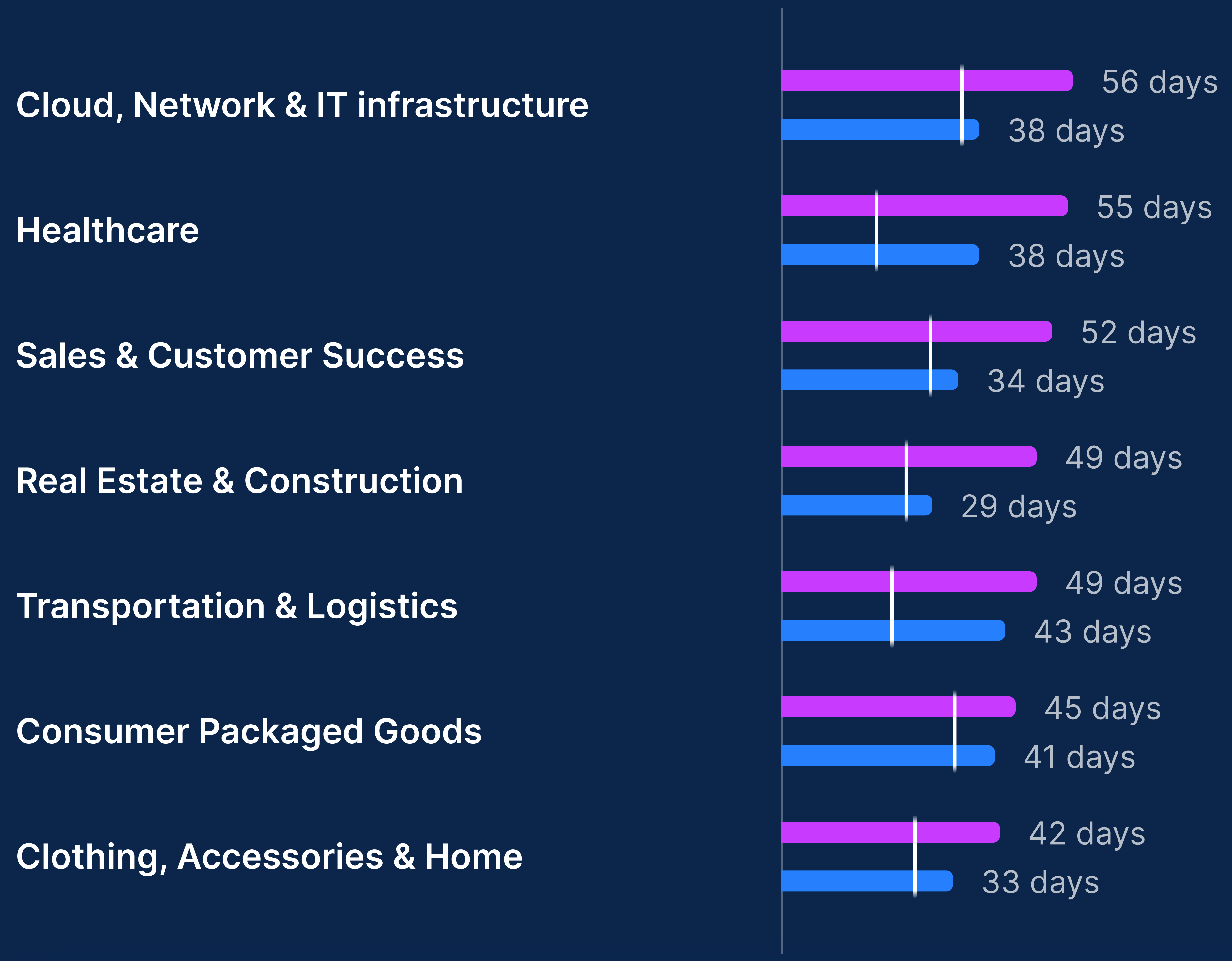
Analytics. Data-driven decision making by implementing targeted collection strategies to optimize cash flow.

🤝

Collaborative Workspace. ActivTrak enhanced cross-team collaboration, streamlined collections and quickly resolved payment issues.

DSO BY INDUSTRY

Median DSO
Best in Upflow (Top 25th percentile)
Average due date



🎯 **The median DSO is 56 days**

Overall median DSO falls at 56 across industries, though when you look into specific industries you can plainly see that some get paid faster than others.

Median DSO by industry

It's clear that 'traditional' industries like Office & Facilities Management and Consulting see significantly higher DSOs, with businesses in these industries often working on 90-day payment terms. However, in the case of Office & Facilities Management, for companies around the median, these payment terms still don't appear to be adhered to. **Those organizations we call 'the best in Upflow' (top 25th percentile) in this industry, however, achieve a DSO of 78 days, getting paid well within their payment terms.**

Clothing, Accessories & Home businesses, see the lowest median DSO of all industries through Upflow. This could be because, as suggested earlier, their need to carry stock of physical goods means they place a big focus on receiving fast payment after the deal is done.

Added to that, the nature of these businesses means it's easier to implement collection strategies through credit exposure - their customers are simply not delivered the next batch of product if they don't pay. This is not the case for a sector like Office & Facilities Management, where you can't simply kick people out of their offices once they're in.

HOW TO IMPROVE YOUR DAYS SALES OUTSTANDING (DSO)

Businesses within those industries with longer DSOs should prioritize improving their payment collection processes.

Often in discussions around late payments there's a sense that 'late payers' are the problem.

But here at Upflow, we've seen time and again that improving your own internal processes, and making it easy for your customers to pay you, solves the majority of late payment problems.

Implementing Stricter Payment Terms: Revising payment terms to shorter periods and enforcing them more rigorously can help reduce DSOs

Encouraging Faster and More Seamless Payment Methods: Promoting the use of faster payment methods such as credit card payments can significantly reduce payment delays.

Improving Customer Communication: Regularly communicating with clients about upcoming payments and any potential issues can help in resolving delays promptly.

Offering Incentives: Providing discounts for early payments or penalties for late payments can motivate clients to pay on time.

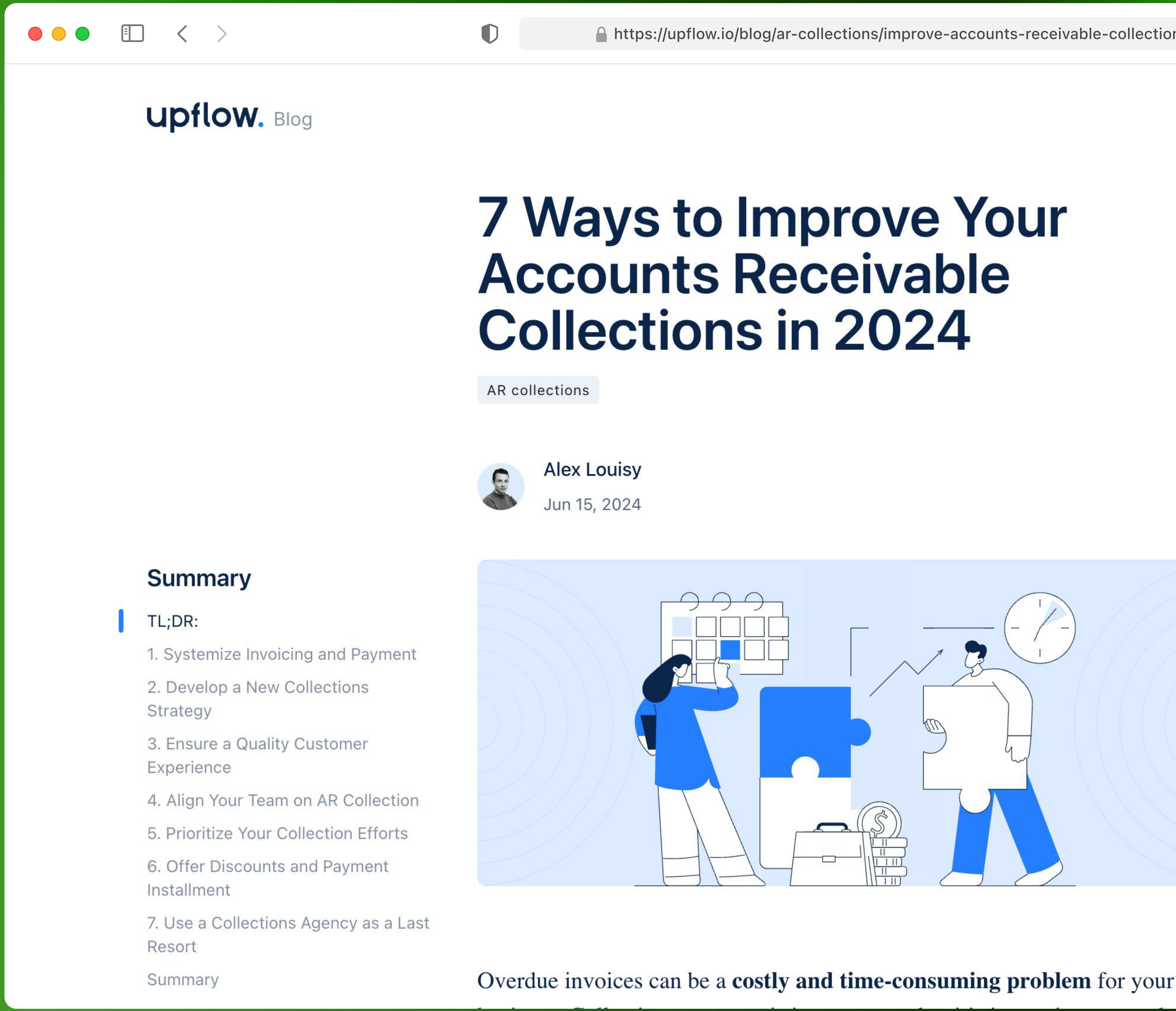
Leveraging Technology: Utilizing advanced accounts receivable software like Upflow can streamline the invoicing process, send automated reminders, and provide better tracking of outstanding payments.

Interested in going further?

In **our article**, we outline 7 Ways to Improve Your Accounts Receivable Collections in 2024.

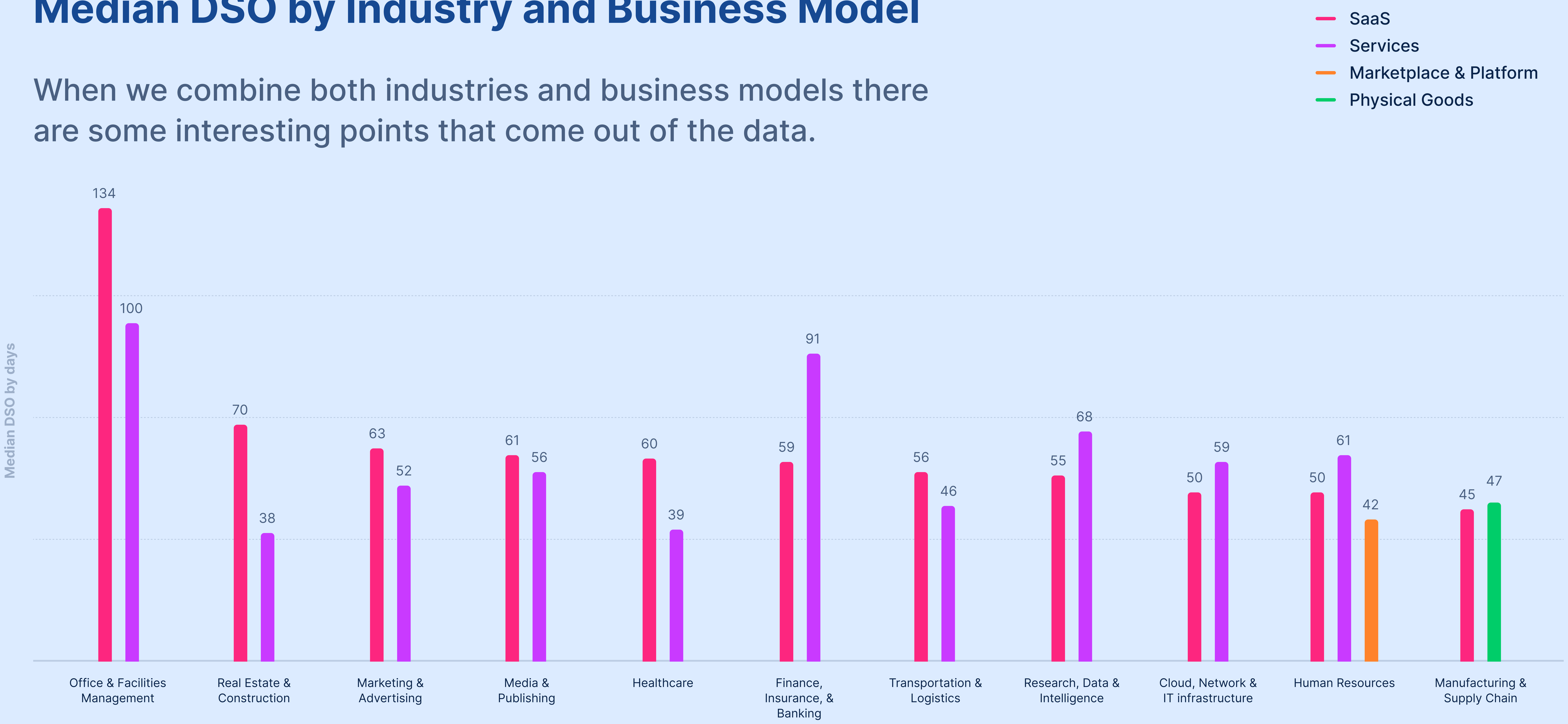
By adopting these strategies, industries with longer DSOs can improve their cash flow, reduce financial strain, and enhance overall business performance.

Check it out →



Median DSO by Industry and Business Model

When we combine both industries and business models there are some interesting points that come out of the data.



Service companies see the longest payment delays

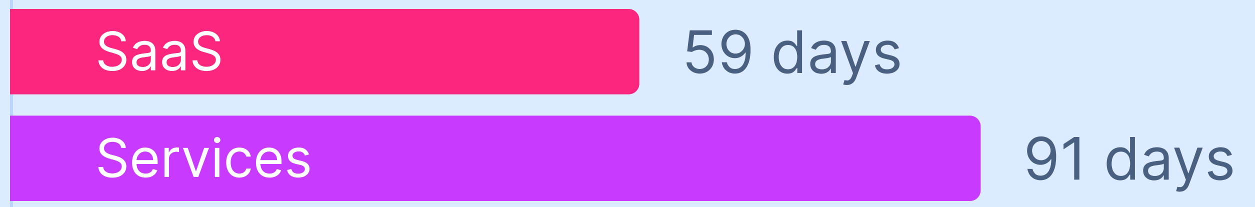
Pretty much across the board, services companies take the longest to get paid, and in some verticals significantly longer than SaaS companies in the same industry.

Services companies often deal with more complex projects that usually have lower margins, higher working capital requirements and can lead to longer billing cycles.

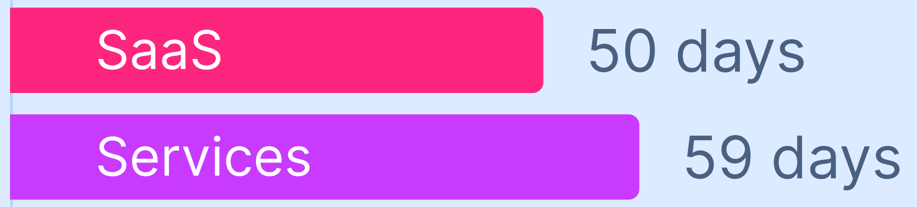
Additionally, services may require customization or be more subjective in terms of deliverables and client satisfaction, leading to delays in payment approval and processing.

On the other hand, SaaS companies typically operate on subscription models with clear, recurring billing cycles, which can streamline the payment process and reduce the time it takes to receive payments.

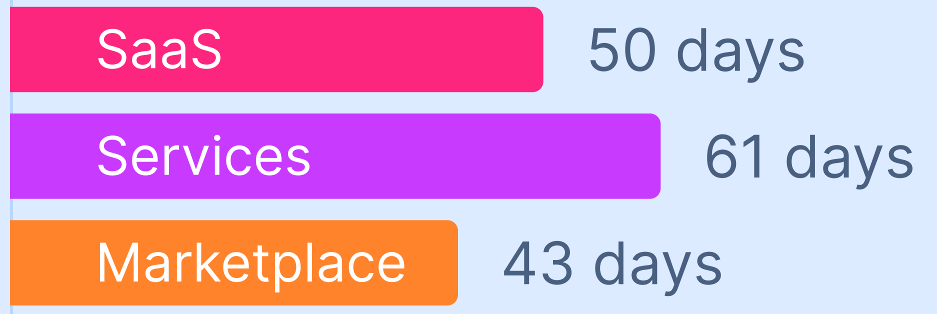
In **Finance, Insurance, & Banking**, the median DSO for SaaS companies is 59 days vs 91 days for services companies in this industry.



In **Cloud, Network & IT infrastructure**, the median DSO for SaaS companies is 50 days vs 59 days for services companies in this industry.



In **Human Resources,** the median DSO for marketplace companies is 43 days vs 50 days for SaaS companies and 61 days for services companies.



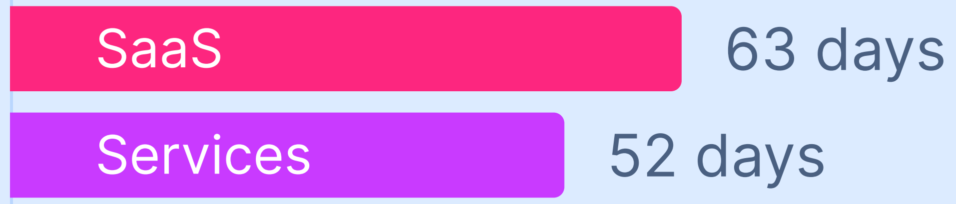
The industries where SaaS models see the longest delays

There are, however, some exceptions.

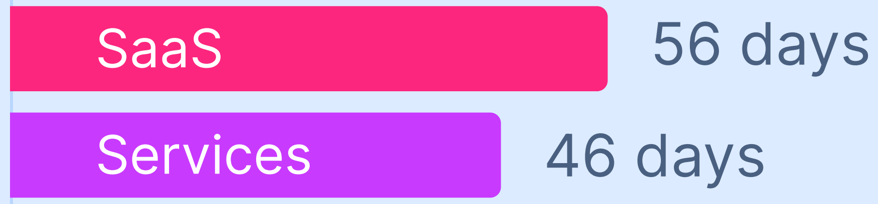
In Marketing & Advertising, services companies usually have more standardized and clearly defined deliverables, such as campaign management or creative services, which can lead to quicker payment cycles compared to SaaS companies, that may be dealing with complex integrations or long-term campaign performance monitoring.

In Transportation & Logistics, services companies might benefit from more frequent and smaller transactions, which can be processed and paid faster compared to SaaS companies that have larger, less frequent invoicing related to complex logistics software solutions.

In **Marketing & Advertising**, the median DSO for services companies is 52 days vs 63 days for SaaS



In **Transportation & Logistics**, the median DSO for services companies is 46 days vs 56 days for SaaS.



How much difference do payment methods make to getting paid on time?

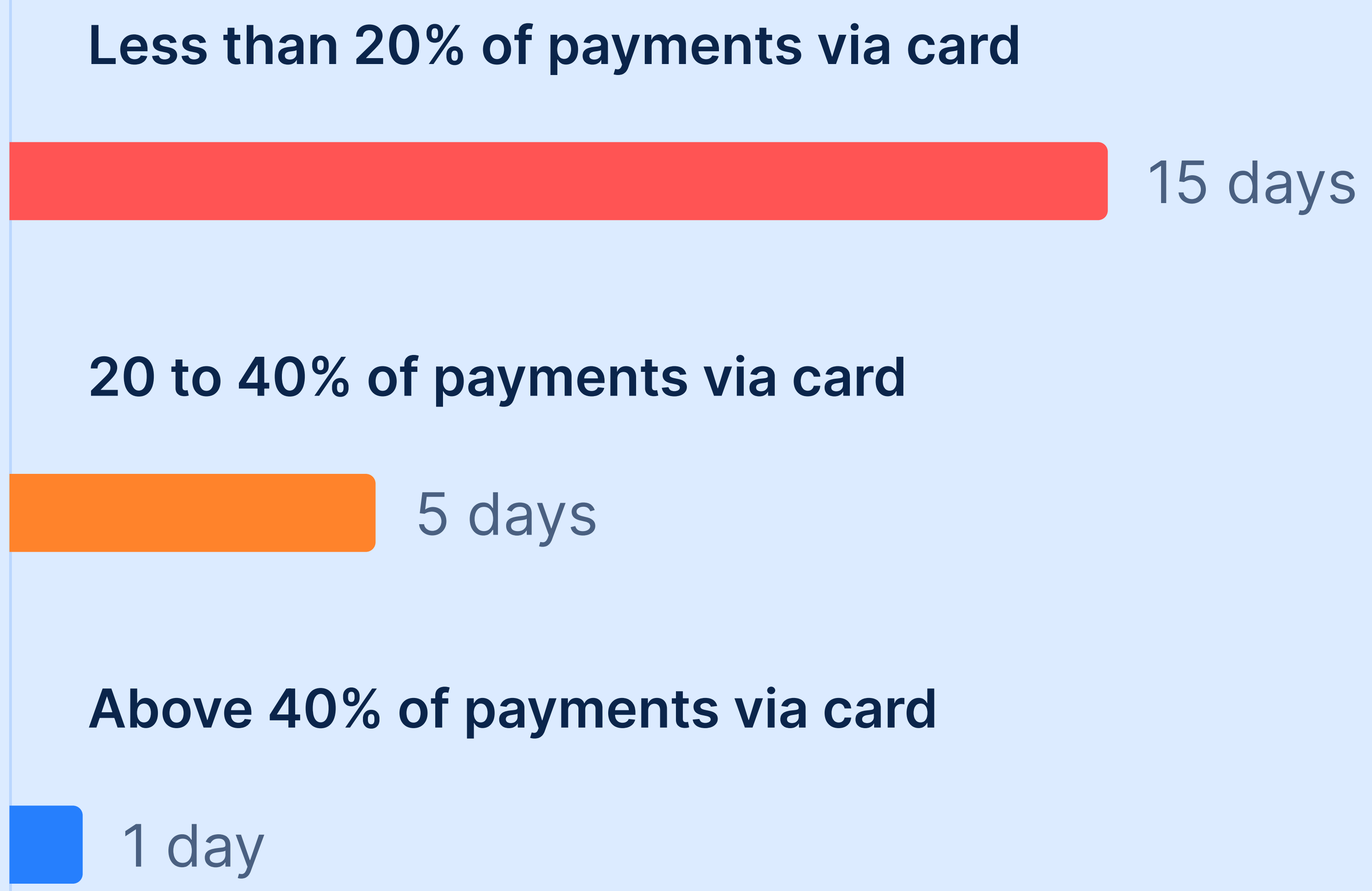
The payment method can make a huge difference when it comes to getting paid on time.

Take a company that rarely gets paid via card (less than 20% of their payment mix). Our data suggests that their low adoption of card payments correlates to an extra 15 day payment delay, which can feel like an eternity when trying to manage cash flow for upcoming projects and payroll.

Now, consider a tech startup that has made card payments their primary method (over 40% of transactions). This sees their median payment delay drop to just 1 day. This quick turnaround allows them to reinvest in development and innovation almost immediately, keeping their growth momentum strong.

For those in the middle, like a consulting firm using card payments for 20% to 40% of their transactions, the extra attributable wait time is around 5 days. While this is better than two weeks, it still doesn't match the efficiency of making card payments a priority

Median payment delay by level of card adoption



If cards are so great, why doesn't everybody use them?

Businesses that prioritize card payments see much faster payment turnarounds. However, some industries use card payments less frequently.

A few reasons why that might be the case:

- **Technological Barriers:** While some companies are advanced, others might lack the necessary infrastructure to handle card payments efficiently. The reliance on legacy systems can be a barrier to adopting newer payment methods.
- **Traditional Payment Preferences:** Some industries often rely on larger, infrequent transactions that traditionally use bank transfers or checks due to their high value. Clients in these sectors might prefer these methods. However, we're seeing this change. Did you know the biggest payment we've ever received at Upflow was paid by card?!
- **High Transaction Fees:** Card payments can incur higher transaction fees compared to bank transfers. For industries dealing with high-volume, low-margin transactions, these fees can significantly impact profitability, leading to a preference for other payment methods.

Charge Convenience Fees in Upflow

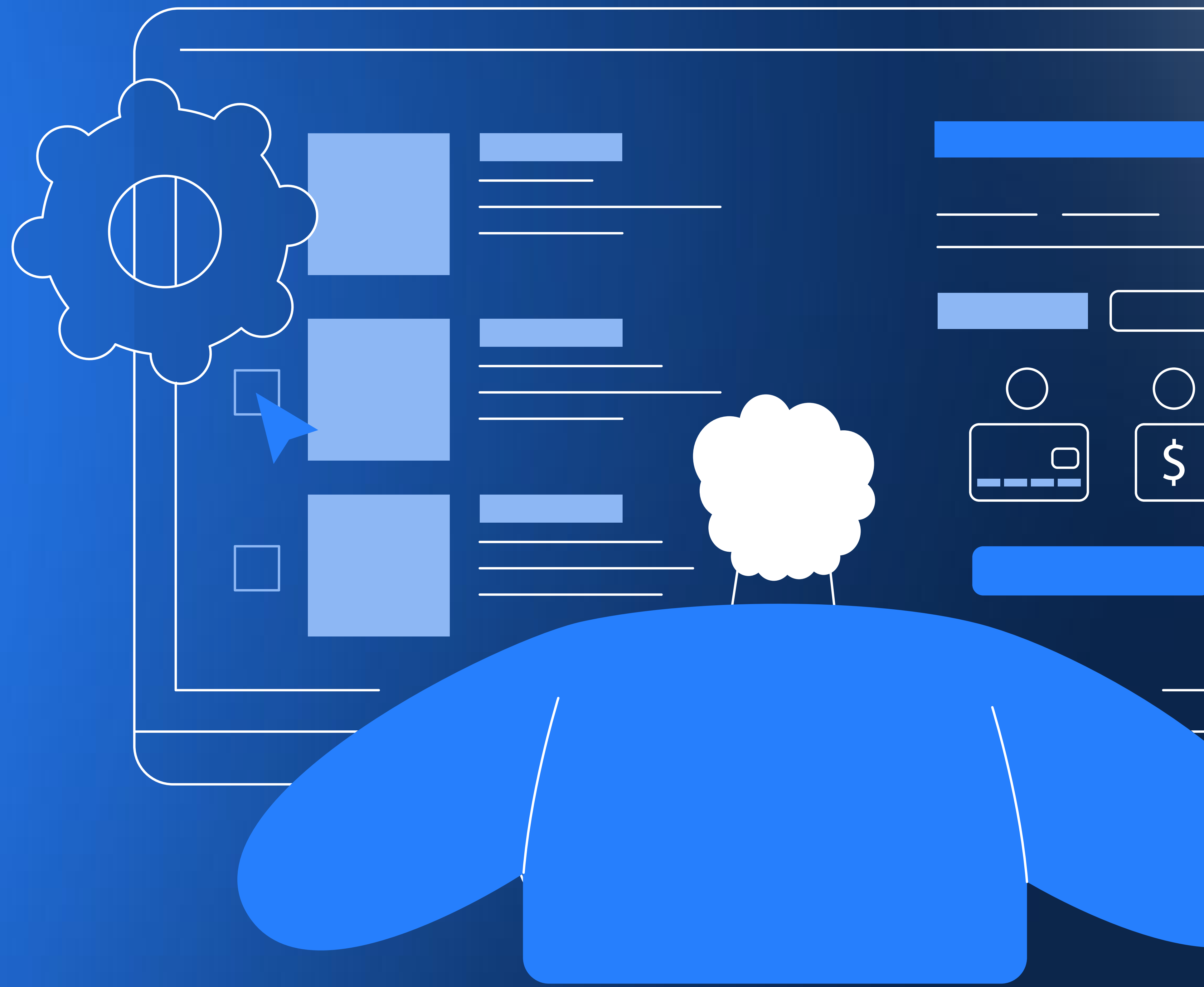
We provide our customers with an easy way to overcome these credit card transaction fees. Convenience Fees in Upflow allows our customers to collect the full amount owed and pass the processing fee on to your customer.

Introducing Payments by Upflow

We recently launched Payments by Upflow to help our customers break through the technological barrier of receiving online payments at scale. As our next gen payment processing platform integrated within the Upflow solution, Payments by Upflow brings a powerful yet simple and frictionless experience to B2B payments.

At its core, Payments by Upflow is all about bringing more B2B payments online. It offers a seamless, B2C-inspired payment process tailored specifically for B2B transactions. Gone are the days of lost invoices and manual follow-ups - a new era of streamlined online payment is here.

Find out more about Payments by Upflow →



KEY TAKEAWAY

Our data clearly highlights the benefits of card payments. The more a business relies on them, the faster the payments come in.

While there may be blockers in the way, you should try your best to overcome them, where possible.

By facilitating card payments through your payment processes and encouraging clients to use card payments, companies can speed up transactions and enjoy a much healthier cash flow.

How late are your invoices likely to be paid?

Regarding invoices that become overdue (i.e the initial payment terms have passed), the percentage of total invoices in each stage can vary depending on the industry.

Let's take a closer look at some of the notable trends...

- Overdue by 1 to 30 days
- Overdue by 31 to 60 days
- Overdue by 61—90 days
- Overdue by 90+ days ('At Risk')

Median delays in days

	1 to 30	31 to 60	61 to 90	90+ (At Risk)
Research, Data & Intelligence	19%	9%	3%	32%
Finance, Insurance & Banking	16%	5%	4%	44%
Cloud, Network & IT infrastructure	16%	3%	4%	36%
Backoffice, Operations & Productivity	16%	6%	4%	40%
Healthcare	18%	8%	5%	21%
Human Resources	19%	6%	3%	33%
Transportation & Logistics	19%	5%	2%	20%
Security, Compliance & Identity	9%	4%	0%	60%
Manufacturing & Supply Chain	18%	5%	2%	16%
Sales & Customer Success	19%	4%	1%	9%
Consumer Packaged Goods	14%	5%	4%	25%
Marketing & Advertising	13%	5%	2%	29%
Real Estate & Construction	17%	6%	3%	32%
Media & Publishing	20%	5%	1%	28%
Office & Facilities Management	6%	3%	2%	66%

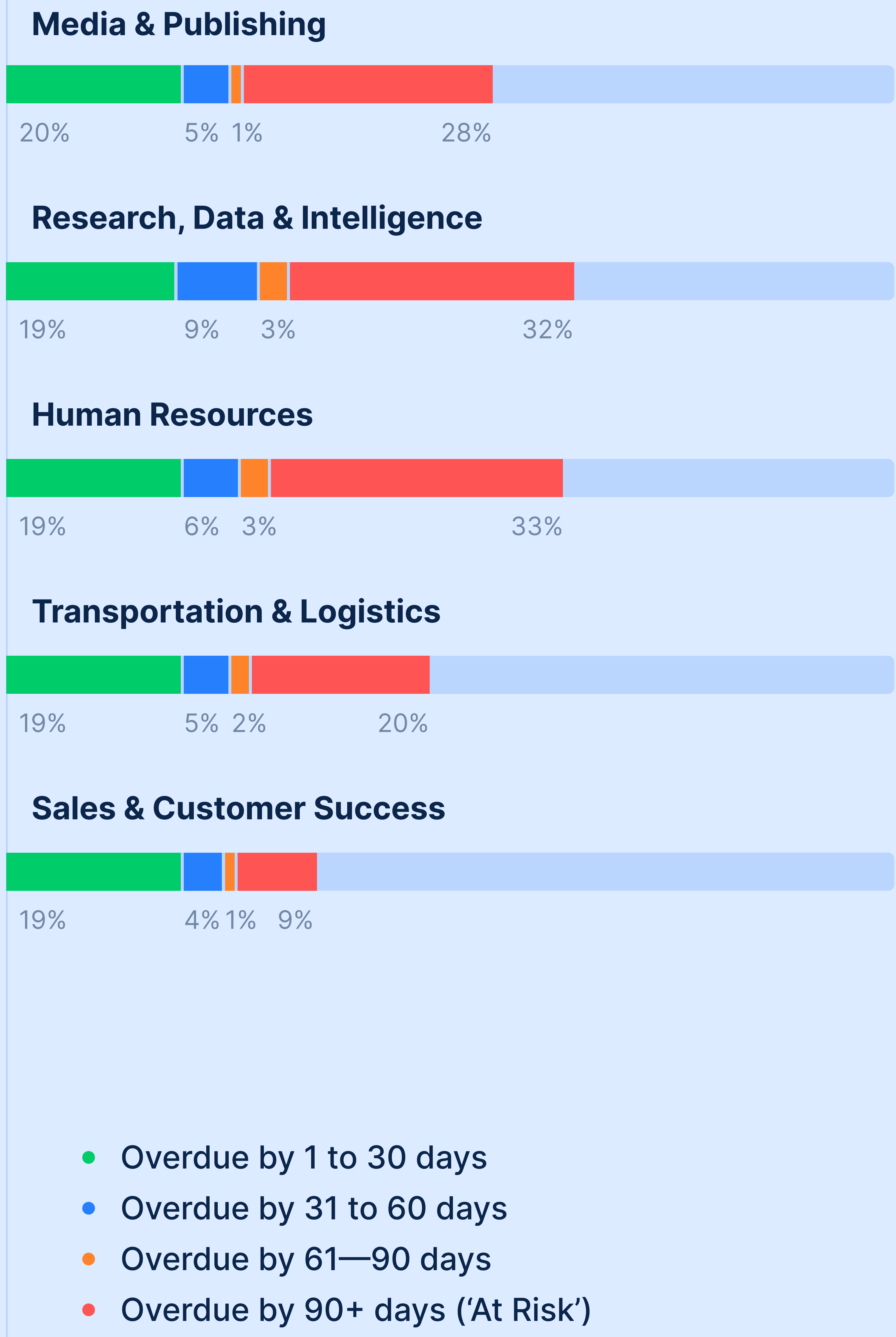
Percentages of invoices overdue

In industries like Research, Data & Intelligence, Human Resources, Transportation & Logistics, Sales & Customer Success and Media & Publishing the percentages of invoices overdue by 1-30 days is higher than other industries.

For example, the Media & Publishing sector has a median 1-30 days overdue percentage of 20%. Over 31-60 days, this amount drops significantly to just 5% of invoices, and for 61-90 days, it decreases again to 1%.

Across the board, however, there seems to be a trend that few invoices are paid within the middle two stages.

In general, if invoices are not paid during the first overdue stage (between 1-30 days late), they have a high chance of ending up in the 90+ day overdue stage which explains the large percentage of invoices 90+ days overdue - what we call 'at risk'.

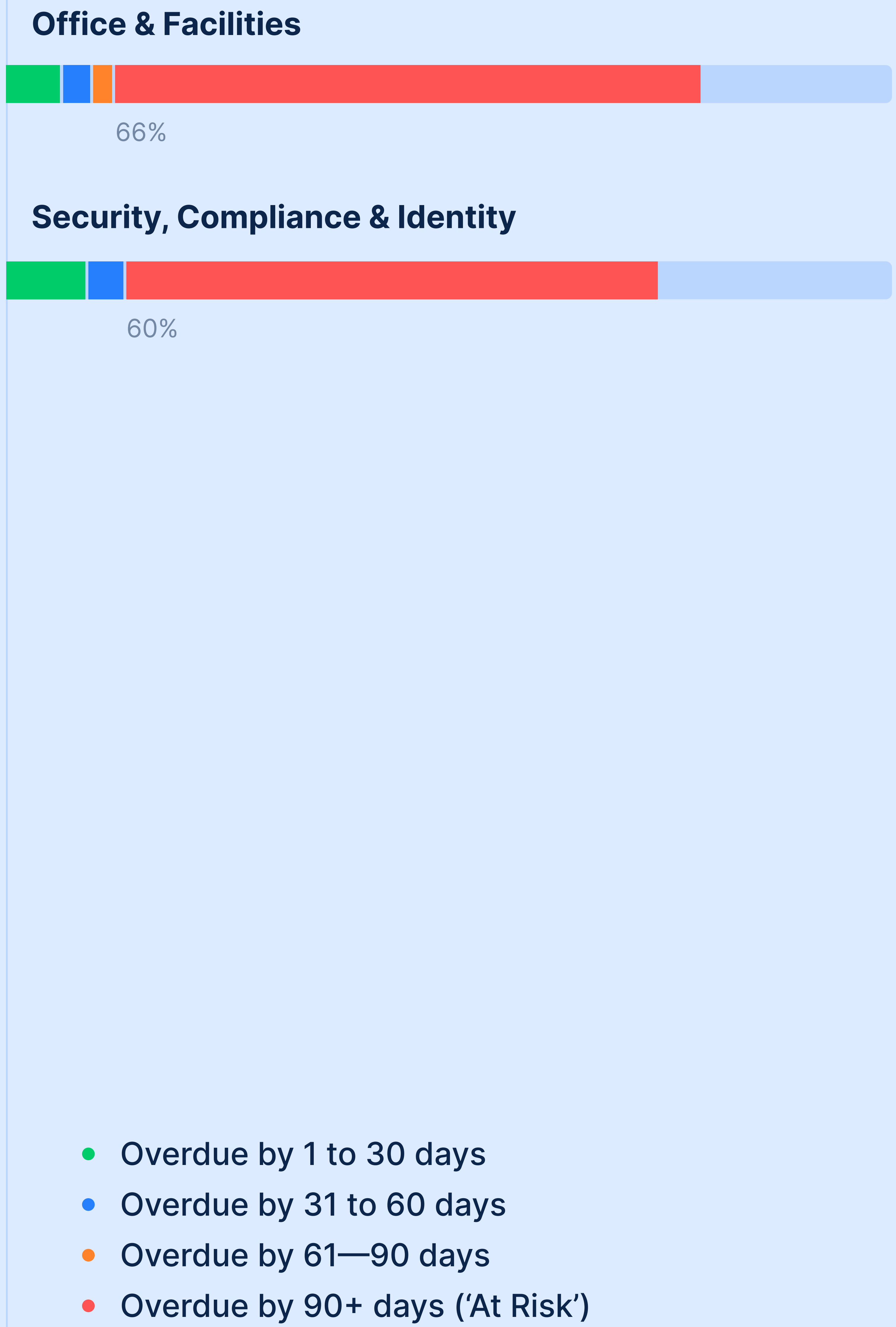


Risk of Non-Payment (or 'At Risk' Invoices)

The Office & Facilities Management industry, despite having a lower median outstanding percentage for the first 3 overdue stages, faces an alarmingly high 66% of overdue invoices 'at risk', potentially facing non-payment. This discrepancy might be due to the recurring nature of facilities services and the financial instability of smaller clients who may struggle with cash flow issues.

The Security, Compliance & Identity sector also faces significant challenges, with a median percentage of 'at risk' overdue invoices at 60%. The detailed and often lengthy nature of projects in this space can delay payment approvals, contributing to this elevated risk.

Overall, these variations highlight the importance of industry-specific strategies to manage and mitigate the risk of bad debt, ensuring better financial stability and cash flow management for businesses.



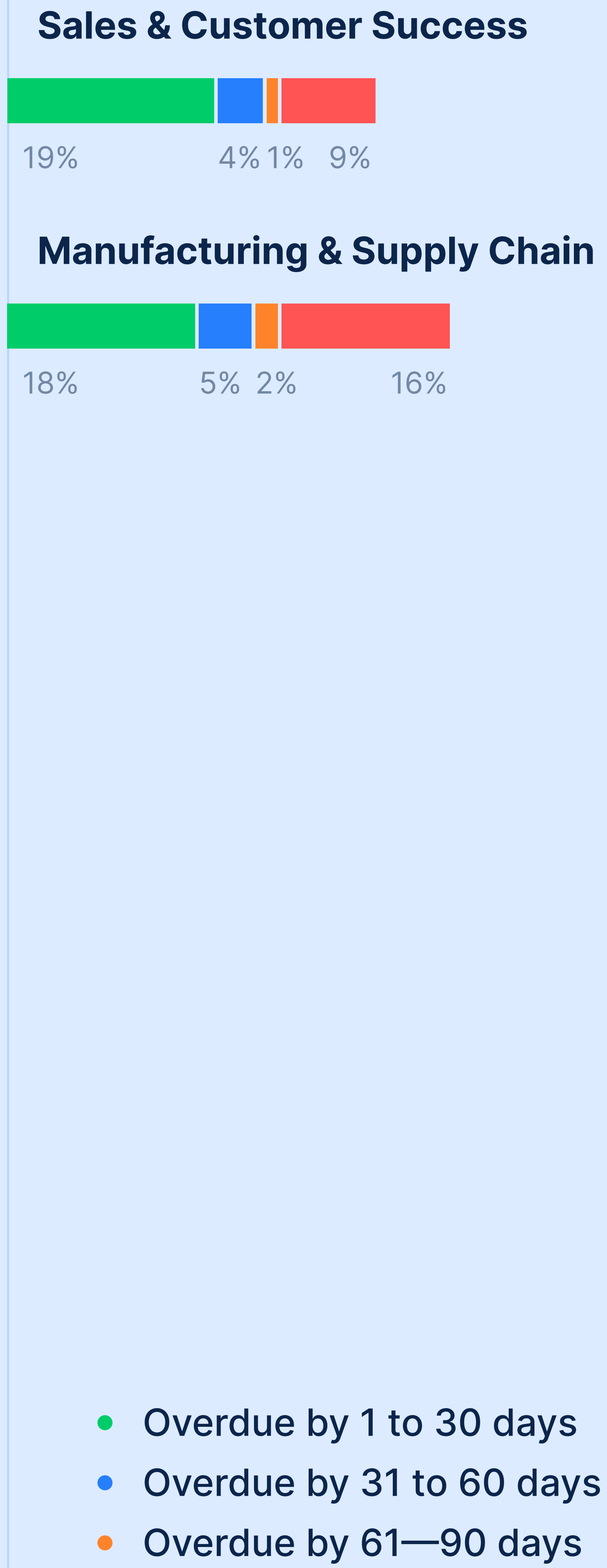
High overdue amounts with quick resolutions

Interestingly, Sales & Customer Success and Manufacturing & Supply Chain have a significant proportion of invoices overdue by 1-30 days - 19% and 18% respectively.

However, compared to other industries, both see the majority of overdue payments resolved during that window.

For example, Sales & Customer Success sees a drop from 19% of total invoices overdue in the first 30 days after due date, to just 14% for the three later stages combined, indicating that payments are typically resolved more quickly in this sector.

This activity suggests that once invoices are overdue in these sectors, people are actively chasing to ensure delays do not extend past 30 days and are quickly resolved.



KEY TAKEAWAY

While the overall amount of late invoices vary, sectors dealing with higher-value transactions and more complex services tend to see larger and more persistent late payments.

If you want to improve your cash collection, some strategies that can be taken are:

- Provide various payment options, including card payments, to facilitate faster transactions.
- Tailor payment collection strategies to the specific needs and behaviors of different clients and industries.
- Continuously monitor payment trends and adjust strategies as needed to improve the collection process and reduce late payments.

By implementing these strategies, businesses can mitigate the risk of persistent late payments, improve cash flow, and enhance overall financial stability.

Why businesses that have to wait more than 90 days to receive payment are in trouble

🏦 **$11 million worth of invoices one year or older were paid through Upflow in 2023!**

One merchant even had a 6 year old invoice paid through Upflow.

When businesses have to wait over 90 days to get paid, it can create a serious cash flow crunch.

This delay makes it hard to cover everyday expenses like payroll and rent, and it limits the ability to invest in growth opportunities. Often, businesses need to take out loans or use credit lines to bridge the gap, which leads to higher borrowing costs due to interest rates and less favorable terms. Essentially, waiting this long for payments can choke a company's financial health.

Delayed payments also wreak havoc on supplier relationships. If you can't pay your suppliers on time, you risk losing their trust and may face supply disruptions or tougher terms. This can lead to operational headaches, such as halted projects and missed deadlines.

Employee morale can also take a hit if payroll is delayed or benefits are cut, which reduces overall productivity. Plus, the extra time and resources needed for follow-up and collection efforts pull focus away from core business activities, making it even harder to stay on track.

Finally, having outstanding invoices for over 90 days sends up red flags about your financial health.

High Days Sales Outstanding (DSO) affects your creditworthiness and can scare off potential investors. It also means you're less agile and responsive to market changes, putting you at a competitive disadvantage. This financial strain can lead to stress and poor decision-making among management, making future planning more difficult.

In short, long overdue invoices create a ripple effect that can severely impact every aspect of your business.

But all is not lost. Last year, through Upflow, we heard of some inspiring stories from our customers. In total, $11 million worth of invoices one year or older were paid through Upflow in 2023!

Those were invoices that had been due for over 12 months - thanks to persistence, coupled with clever technology and automation, these invoices that would once have been simply written off as bad debt got paid! Amazingly, one merchant even had a 6-year-old invoice paid through Upflow.

THE BOTTOM LINE

In summary, The State of B2B Payments report sheds light on how different industries perform when it comes to getting invoices paid on time.

The B2B payments landscape is constantly shifting, and at Upflow, we aim to keep you well-informed.

Our report reveals critical insights into the challenges and trends in B2B payments. From the significant impact of late payments on business operations to the varying risks of non-payment across industries, this data helps illustrate the complex nature of managing accounts receivable.

As highlighted, industries like Finance, Insurance & Banking face substantial outstanding amounts and notable risks of non-payment, while sectors such as Office & Facilities Management deal with a remarkably high percentage of overdue invoices.

Conversely, industries such as Transportation & Logistics and Sales & Customer Success show relatively lower risks, indicating more efficient payment processes.

Understanding these patterns can guide businesses in optimizing their collections processes and mitigating risks. Whether it's implementing better payment strategies, leveraging technology to streamline transactions, or tailoring approaches to specific industry challenges, the insights from this report are invaluable.

Our goal with this report is to provide you with actionable data and benchmarks that can help you improve your cash flow, enhance customer relationships, and build a more resilient business.

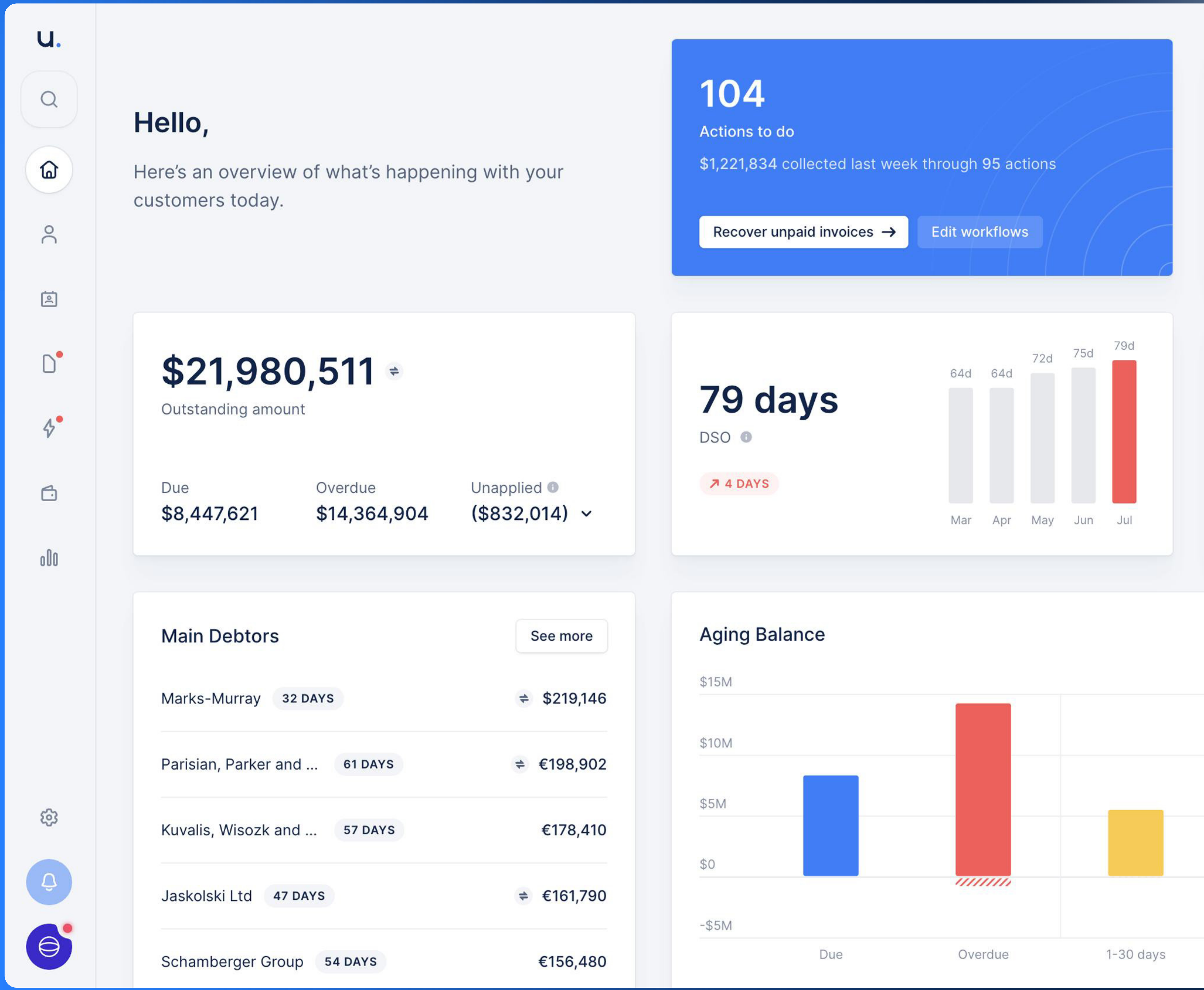
Thank you for taking the time to explore our findings.

Best regards, The Upflow Team

Interested in going further?

We have a way for you to see where your company stands on all the metrics we've listed in this report. Our free Discover plan helps you understand your accounts receivable like never before - for free. Simply click the link below, integrate it with your billing or accounting tool, and see where your company stands on DSO and much more.

Sign up for our Discover plan →



Methodology

This report is based on Upflow usage data, aggregating over 500 organizations' results and activity within our platform.

For the specific industry breakdown, industries with representation of 10 or more organizations were included.