



## Report: Businesses taking longer to pay their bills

By Jan Norman, June 28, 2011

Businesses in major industry sectors are paying their bills slower than in the past and hanging onto cash in the first half of 2011, according to data from [Sageworks Inc.](#), a financial information company and developer of the financial analysis software suite ProfitCents.

Are they hoarding some cash out of caution or working with trade credit from vendors? asks Sageworks Senior Financial Analyst Mike Lubansky.

Construction companies are taking almost 35 days to pay their bills compared to less than 27 in 2007. Manufacturers pay bills in 42 days, compared to less than 34 in 2007. Retailers pay in more than 28 days, compared to less than 24 day in 2007. Wholesalers take 28 days vs. 33 days in 2007. And real estate firms pay in more than 18 days compared to less than 13 days in 2007.

Just how long are companies taking to pay their suppliers? Sageworks, Inc. just released exclusive YTD averages for Accounts Payable Days in major industries including construction, manufacturing, wholesale trade, retail trade, and real estate.

"All five of these industries are seeing increasing profits, but they are dragging when it comes to paying suppliers," Lubansky notes. "This trend of increasing A/P days for the first half of 2011 indicates that many companies are extremely cautious, a sign of ongoing uncertainty motivating companies to hold onto cash as long as possible."

According to Sageworks:

- Excluding real estate, 14 out of 19 major sectors are increasing A/P days despite experiencing sales growth in 2011.
- The manufacturing industry is taking an average of 42.2 days to pay vendors, up 6 days from 2010.
- Across the five industries, all are taking at least 3 additional days to pay their vendors in 2011 versus 2010.

Small-business owners' optimism has fallen for three straight months, [according to the monthly index by the National Federation of Independent Business](#), citing owners concerns about weak sales and rising inflation.

Sageworks Analyst Brad Schaefer points out businesses' motives for delaying invoice payments past due: "...they simply want to enhance their cash flow and improve the appearance of their balance sheet to make their company more attractive to investors and stakeholders....The other motive for stretching payments materializes from necessity. When businesses are struggling to make their payments on time, they may be forced to stretch some of their payments past the invoice due date."

However, Schaefer points out three problems with delaying payments:

- It hurts relationships with vendors.
- It may result in duplicate payments.
- It can cause issues internally. More work is created for accounts payable staff as they have to manage a more complicated process.

For the full article featuring [Sageworks](#)' data, visit MSNBC – [Report: Businesses taking longer to pay their bills](#).