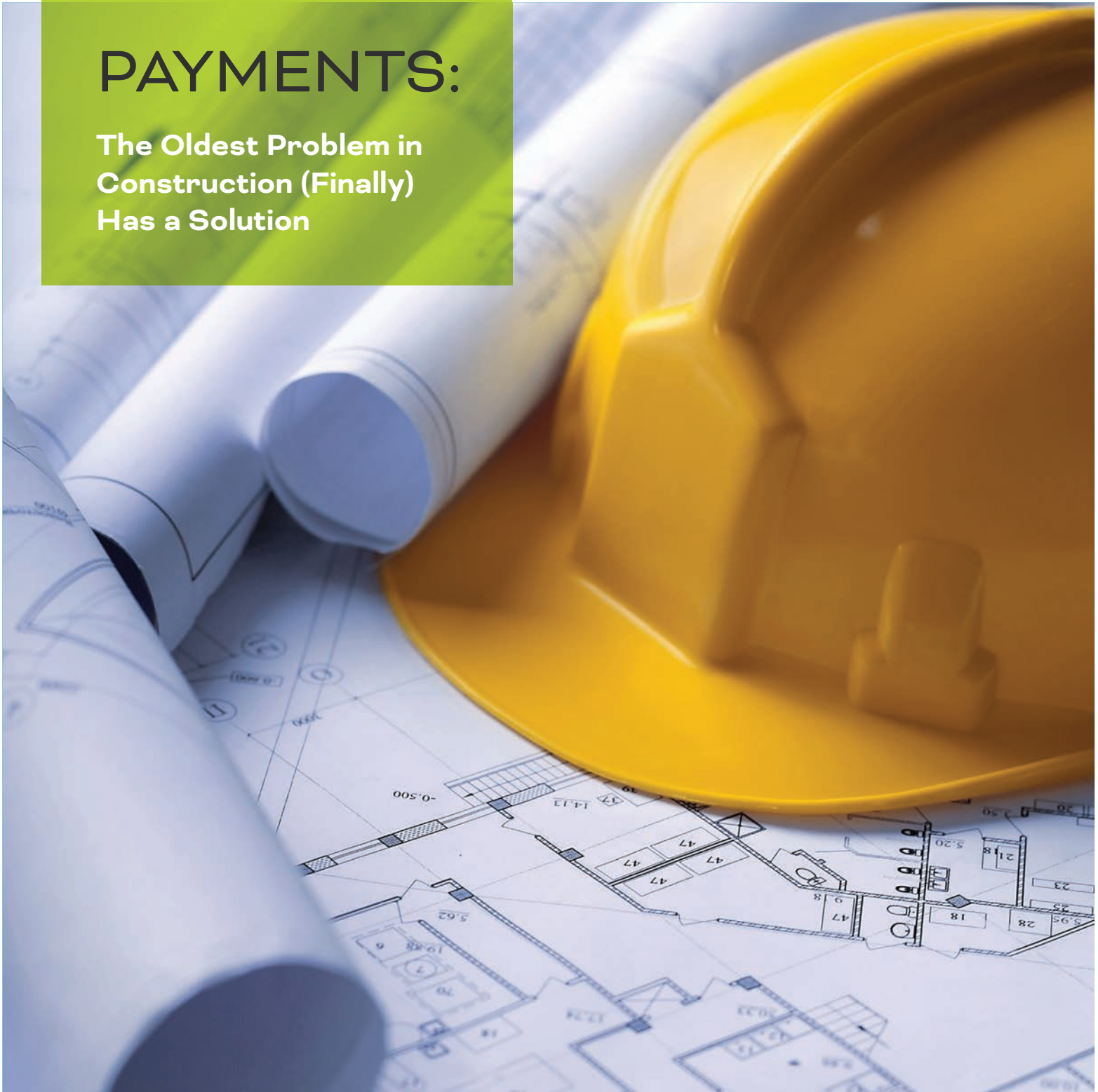


PAYMENTS:

**The Oldest Problem in
Construction (Finally)
Has a Solution**



A better way to handle payments in the construction industry has arrived.

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PAYMENTS:

The Oldest Problem in Construction (Finally) Has a Solution

Payment problems may be a universal feature of construction finance – one that everyone needs a better approach to. Solving payment problems becomes especially urgent and especially beneficial when done successfully. Here we have outlined the root causes, the challenge of cash flow management, why construction payment solutions are needed now and how we move towards a better process.

Estimates suggest the construction industry lost \$136 billion due to slow payments in 2021, which breaks down to over \$11 billion wasted with every monthly payment cycle. With another payment cycle right around the corner, it's important for every construction finance professional to explore and quantify how much slow payments (and other payment problems) cost their own organization each month. People understand that payments are a problem. But this problem has persisted for so long that it's easy to underestimate the full cost or dismiss the need for solutions – and get blindsided by cash flow problems as a result.



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Which breaks down to over \$11 billion wasted with every monthly payment cycle

THE
ROOT CAUSES
of Payment Problems





Like many industries, the challenge of payments in construction is unique and difficult.

But they don't explain why this process goes wrong. After all, it has been largely the same process for decades now, and it's one that companies are constantly planning for, practicing at, and trying to improve upon. And yet the problems persist. How come?

The answer has nothing to do with the complexity of the payments process itself – which is both inevitable and essential in an interdependent ecosystem like construction – but rather how we conduct the payment process. It has these problems at all levels of the pyramid:

MANUAL	SILOED	ANALOG
<p>Too much of the work requires someone to manually move data, verify information, or give approval. People are limited in how much they can do. Keeping up with payments forces construction companies to hire staff or whole teams just to move money in and out of the organization. It's still a slow process no matter how many people are involved. And because there are people involved, the process is prone to errors and omissions as well. Payments require more precision and speed than a manual process can ever achieve.</p>	<p>Much of the information needed throughout the payment process is siloed between different sources: different apps, departments, or companies. Bringing this information together requires a substantial amount of time and work (most of it manual), which only slows the payment process down. Alternatively, siloed information doesn't get integrated as required, leading to mistakes or compliance issues that cause payment problems. Siloed information and segregated data sources will always be an obstacle to an efficient, consistent payment process.</p>	<p>Paper is still the norm in too many facets of construction finance. Paper checks are the most notorious example, but paper invoices and registered mail are hardly rare either. In the 21st century, analog information is only an obstacle. Someone will need to enter the information by hand into a digital system. And if they forget, miss something, or make a mistake, it leaves important financial information out of the official record. Paper documents compromise every process they are part of.</p>

These issues are some of the main issues in what is wrong in construction payments. And while the potential problems are many, from delayed dispersal to missed lien waivers, those problems all have the same consequence: cash flow problems for construction companies.

THE CHALLENGE

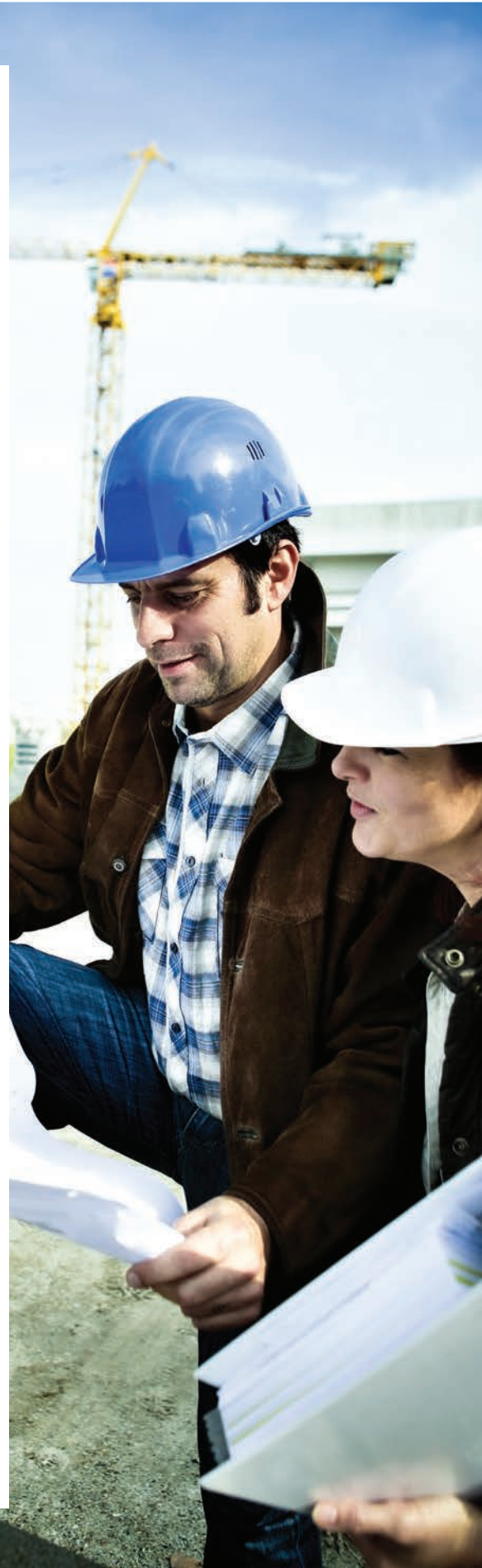
of Cash Flow Management

To the surprise of some, construction is the riskiest industry in America in terms of business failure. In 2012, for instance, the failure rate for construction firms was 12.9% compared to under 10% for all other business sectors, and it claimed the top spot for 32 out of 37 years tracked. Plenty of factors can lead to failure in this industry – but cash flow problems are far and away the biggest culprit.

A survey of construction firms showed that 84% experienced cash flow issues in the preceding 12 months, and nearly 20% dealt with them on a constant basis. It's not a matter of if they will happen, but when. Another survey showed that cash flow problems reduce profits for 47% of firms, delay projects for 33%, and lead 30% to take out loans. More than just an annoyance, cash flow problems create chaos and cut deep into the bottom line in ways that it's hard (or impossible) to recover from.

These problems are so common and consequential that cash flow management has become a serious discipline that firms dedicate ample resources to mastering. Having enough cash on hand to meet present and looming financial obligations without keeping an unnecessary amount in reserves is never easy, and there's not a universal strategy either.

However, cash flow would improve for everyone in the construction industry if payments moved more efficiently, making funds available sooner, in more predictable amounts, and with less risk of delay or dispute. It's easy to be excited about a scenario where cash flow management is no longer an issue. And given the current state of the construction industry, it's time to get serious about making this scenario a reality.



84% of construction firms experienced cash flow issues in the preceding 12 months

WHY CONSTRUCTION PAYMENT SOLUTIONS are Needed Now

Cash flow issues caused by payment problems are nothing new in the construction industry. On the contrary, they are one of the defining features of the industry – an issue everyone has to contend with and overcome. But several urgent and ongoing factors make it more important than ever to finally fix payment problems and put cash flow on firm footing:

- 1 INFLATION**
 The rising cost of everything forces companies to tighten their belt in some places and work to raise revenues in others. In that way, inflation raises the stakes for cash flow management and makes the margin for error much slimmer than before.
- 2 INFRASTRUCTURE BILL**
 The federal government will spend \$1 trillion (or more) on infrastructure in coming years, representing a golden opportunity but also a tsunami of cash flowing into the industry and requiring careful management.
- 3 LABOR SHORTAGES**
 With continuing labor shortages making it harder to plan or complete projects and an influx of workers looking unlikely, companies will need to ensure that cash flow issues do not compromise their ability to pay workers, retain talent, or grow the labor pool as necessary.
- 4 SUPPLY CHAIN DELAYS**
 As companies wait (sometimes indefinitely) to get the materials they need and work to carefully manage the resources they have, cash flow issues only make a bad situation worse. Purchasing power could not be more important right now.
- 5 COVID**
 The pandemic caused demand in construction to surge in some areas and shrink in others. In either case, an event as sudden and sweeping as this made cash flow management extremely unpredictable yet vital to get right.

Given all these forces and the unpredictable landscape that lies ahead, the payment process needs to change. While the imperative has never been greater, fortunately the solution has never been more accessible.



The Cost of Construction Disputes



The average value of disputes rose to \$54.6 million in 2020



That figure increased by more than \$23 million from the year before



The average dispute lasted 14.3 months in 2020



Contractual compliance was the leading cause of disputes



TOWARDS A **BETTER** PROCESS of Construction Payments

Technology built with the specifics of the construction industry can be the best solution to the payments problem. And while many of the tools on the market can help with smaller issues, few deliver a complete solution. Here's what to expect from a true payment solution:

AUTOMATED



It automates the most time, labor, and detail-intensive processes so that they finish quickly (even at scale), create no errors, and require little if any human input.

INTEGRATED



It integrates various data sources so that financial professionals don't have to find data, integrate it manually, or operate with anything unknown.

CONDITIONAL



It automatically checks that certain conditions have been met – submission of lien waiver, for example – before releasing payments to expedite compliance and improve risk management.

PLATFORMED



It combines multiple tools for construction finance on one seamless platform to synthesize workflows and streamline money management. Point solutions are not enough.

INDUSTRY SPECIFIC



It's a payment solution appropriate for the construction industry with a proven track record of making payments easier to request and quicker to receive for construction companies in particular.

Start the search for a payment solution by looking for these criteria. Finding the right option matters more than finding the flashiest, cheapest, or simplest solution. But that doesn't have to extend the selection process because Priority has created a solution that confidently checks all the boxes.

WHAT PRIORITY BRINGS to the Table

Priority understands that the most important resource in construction is not materials, tools, or tradesmen...it's cash payments. And we are well aware of what makes payments difficult for construction companies to handle internally and externally. Rather than addressing just one or several pain points, we set out to build a complete solution to the construction payments problem. There are two pillars to that solution.

The first is Commercial Payments Exchange (CPX), a full suite of integrated payment solutions that can send transactions to all suppliers from a single instruction file. It works with every ERP to automatically collect and organize payments into the instruction file. Then, upon approval, it remits those payments by whatever means the supplier prefers: check, wire, card, or ACH. Instead of payments happening individually and manually, they happen collectively and automatically.

The second pillar of our solution is Passport, a platform that integrates payment and banking infrastructure into an unparalleled tool for construction finance. Users have a virtual ledger to manage all their financial relationships from one place containing all relevant information. And thanks to simple APIs that connect Passport to banking services, reporting/BI tools, treasury management and much more, it turns the complex work of collecting, storing, and sending money into a finely tuned, fully integrated endeavor.

With Priority, companies gain not just a payment solution but something much more: comprehensive cash management capabilities tailored to the specifics of the construction ecosystem.



WHAT MAKES PRIORITY

Different?

Our solutions are not the only thing that makes Priority stand apart from other companies tackling the payment problem.

1

For one, we understand those problems with the kind of expertise that can only be gained from years of experience. Unlike the countless startups in this tech segment, Priority has been developing innovative payment solutions since 2005. Nearly two decades spent learning what works, what doesn't and what's missing in payments gives us a rare ability to build tools that don't just promise solutions but actually deliver them. Our longevity and continued growth are proof.

2

Another thing that distinguishes us from other fintech companies is our relationship with the construction industry. We have been a partner to builders of all shapes and sizes since our inception. The payment struggles this industry faces are ones that we understand well and have learned about first hand from construction finance professionals in the trenches. That experience informs the products we develop and services we offer. Not just appropriate for construction, they are specifically created with this industry in mind.

3

Finally, Priority offers more than just a tech solution to the payments problem. We also have a team in place to help users improve supplier relationships, streamline the exchange of funds, and access rebates and discounts in the process. Our technology helps to optimize the existing payment process, but our team helps to advance that process in new strategic directions. In that way, we don't just solve the payment problem – we turn payments into an asset that companies can use to their advantage for the first time in the history of construction.



Priority. The Future of Unified Commerce.

Priority is a leading payments and banking solutions and services provider and has built a single platform for unified commerce that delivers integrated payments and banking at scale. We help our customers take and make payments while managing business and consumer operating accounts to monetize payment networks. Our tailored, agile technology powers high-value payments products bolstered by our industry-leading personalized support.

