



billd.

2021

National  
Subcontractor  
Market Report

---

Business Growth & Financing



# Table of Contents

01	Executive Summary	3
02	About the Survey Respondents	4
03	Macroeconomic Conditions	5
04	Business Growth & Trends	6
05	Credit Options	10
06	Supplier Terms	12
07	An Industry Veteran's Perspective	15



# 01 Executive Summary

The inaugural National Contractor Market Report examines general outlooks toward **business growth & financing** in the construction industry.

This report was founded upon a survey conducted in March 2021, which queried contractors on their business growth goals, capital sources, and how supplier terms influence their financing decisions.

**Their responses yielded the following insights:**

- **74% of Contractors remain eager to grow their business despite mounting economic challenges. A resounding entrepreneurial spirit is clear.**
- **Contractors are undercapitalized, and working with lackluster credit & financing options.**
- **44% of Contractors believe they can depend on cash flow to grow their business.**
- **46% of Contractors struggle with cash flow thanks in large part to long industry payment cycles. This reveals a contradiction in their approach to financing growth.**
- **About half of Contractors are generally satisfied with their suppliers terms (which average 30 days), despite the fact that most contractors pay for materials before being paid for their work.**

We'll explore the implications, as well as unique insights found in the data collected, and offer an industry veteran's perspective on how to chart a path forward for subcontractors.

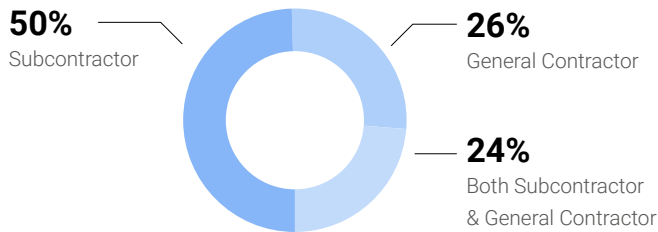




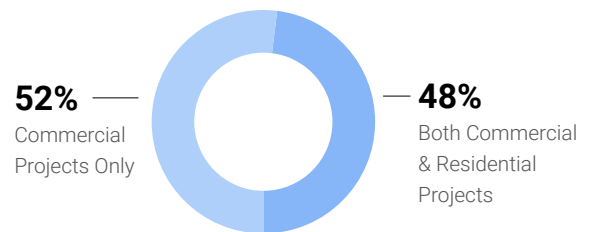
# 02 About the Survey Respondents

The survey was completed by 572 commercial construction professionals across a variety of trades, capturing information on their business growth goals, relationships with suppliers as well as the state of supplier terms, and preferred financing options. Respondents completed the survey in March 2021.

## Respondent Profile



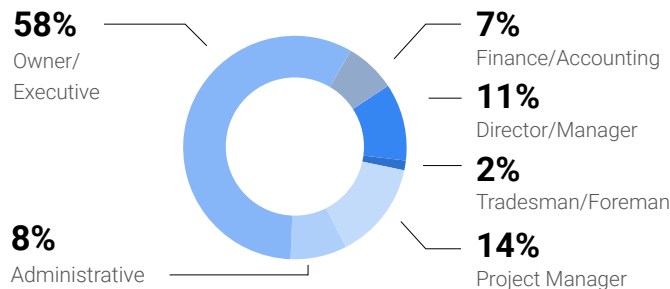
## What kind of projects does your company primarily work on?



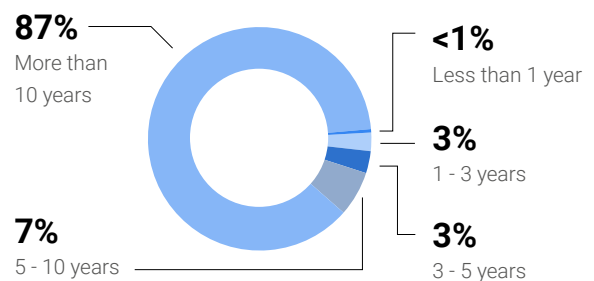
**74%** of respondents do **subcontract work** in a given trade.

**100%** of respondents work in **commercial construction**.

## What is your role in the company?



## How long has your company been in business?



**58%** of respondents are **Owners or Executives** in their company.

**87%** of companies have been in business at **least 10 years**.

### Median Contract Amount

- **\$200k - Commercial Contractors**
- **\$100k - Both Residential and Commercial Contractors**

### Median Number of Projects Per Year

- **35 - Commercial Contractors**
- **35 - Both Residential and Commercial**

### Median Annual Revenue

- **\$7M - Commercial**
- **\$3.5M - Both**

## 03 Macroeconomic Conditions

How do you believe the following will impact your business in 2021?

For Skilled Labor

**74%**

Concerned over the availability of skilled labor.

New Regulations

**64%**

Believe new regulations may impact the industry this year.

Access to capital

**39%**

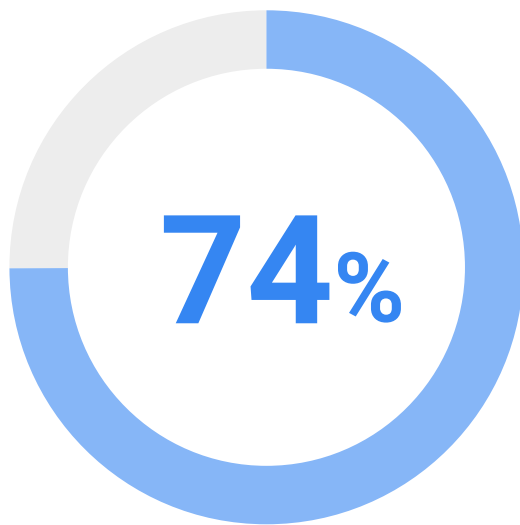
Concerned over their access to capital markets.



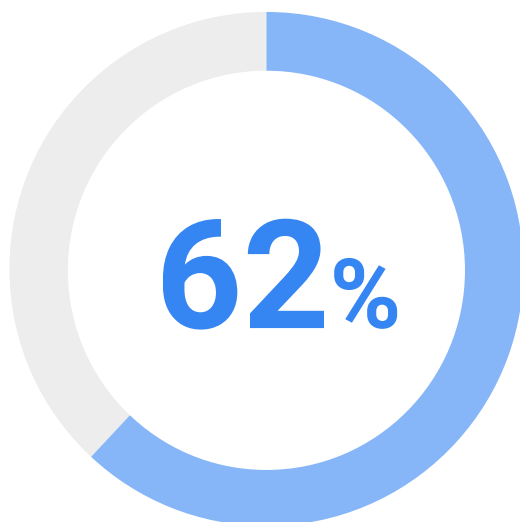


## 04 Business Growth & Trends

Contractors' Collective Desire to Grow their Business



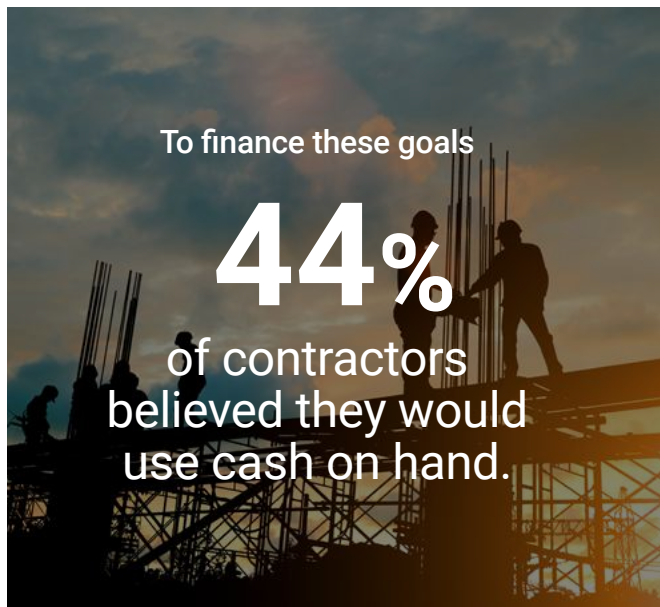
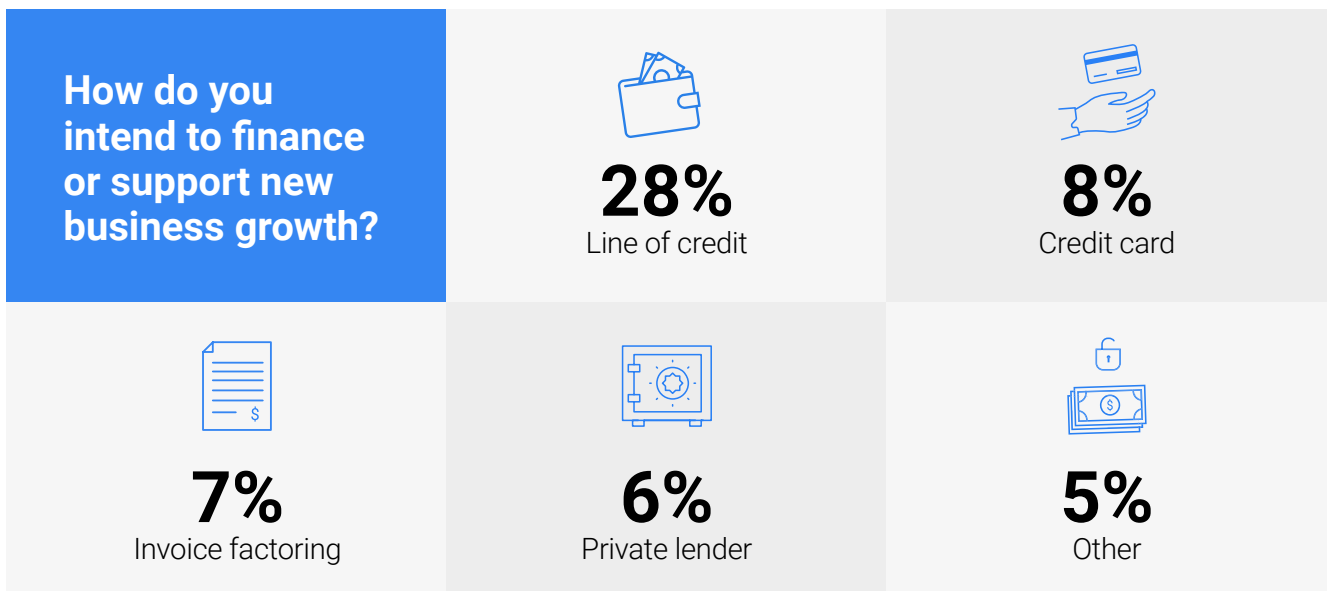
**of contractors plan to **grow** their businesses in 2021.**



**of contractors will seek **larger projects** in 2021.**



## Entrepreneurial spirit remains high



To finance these goals, the report shows that 44% of contractors believed they would use cash on hand. However, data and general consensus on commercial construction payment cycles suggests that this is not entirely viable. While some growth may be possible with existing cash low, it may not be as large or sustainable as contractors hope. Eating into working capital to finance growth, in the absence of additional financing, has inherent limitations.



## The Challenge of Using Cash Flow to Support Business Growth

Every contractor is familiar with the erratic and largely unpredictable nature of commercial construction payment cycles. Project payment is contingent upon multiple factors, with the potential for considerable delays in the payment chain.

Cash flow alone is far too unpredictable to consistently and comfortably pay on time for labor or materials, let alone to reliably finance the sizable expenses that come with scaling a business.

---

**Despite a collective insistence to rely on available cash flow, 46% of respondents admit that cash flow is a notable challenge for their business.**



## The consistent challenge in construction

# 30%

Find it challenging to obtain new sources of financing.

# 46%

Find managing cash flow to be a big challenge.

# 63%

Pay for materials before receiving payment for work.



## Access to Capital

# 39%



of respondents believe that [access to capital](#) will have one of the biggest impacts on their business in 2021.



## Only 1 out of 5

respondents believe that access to capital will not impact their business.





# 05 Credit Options

**Are your credit options supporting the growth and needs of your business?**



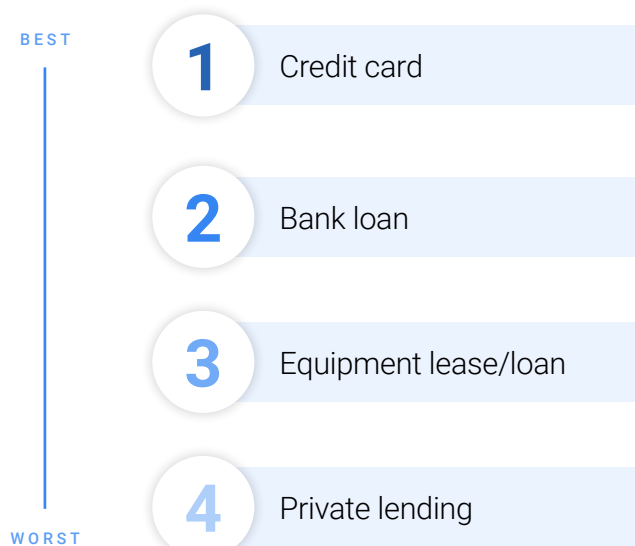
**Almost 1/3**

of contractors feel they don't have enough options to cover their needs

**Despite challenges with cash flow, 71% believe their business credit options support the needs of their business.**

To gain a better understanding of contractors disposition toward various credit options, the survey had contractors rank how positively or negatively they viewed each option.

**Ranked from best to worst, the results were as follows:**



Neutrality overtook contractors' responses toward every option, showing they don't appear to show strong favoritism toward any given credit option. A "preference" for credit cards wins out only by a slim margin. Interestingly, there's an inverse relationship between price and preference. The higher the cost, the more favorable contractors seem to be. This is likely due to the simplicity and ease of use of the product.



### What types of options does your construction business currently have available?

(Select all that apply)



**74%**

Credit Card(s)



**67%**

Bank Loan/  
Line of Credit



**31%**

Equipment  
Lease/Loan



**19%**

Invoice Factoring



**15%**

Private Lender



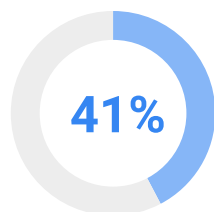
**9%**

None of  
the above

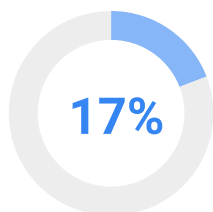
## The Use of Credit Lines

The report shows an overreliance on lines of credit for everyday business expenses. **38%** of contractors reported that they rely on credit for everyday business expenses, such as equipment, materials and payroll. This is problematic, contradicting the best practice of keeping credit lines reserved for emergencies. Payroll, equipment and material purchases are sizable expenses that quickly eat into a contractor's credit line. In the event of an emergency, they may not have the credit available to overcome it.

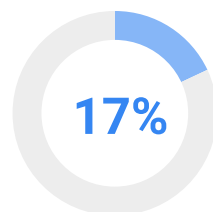
### How is your business primarily using line(s) of credit?



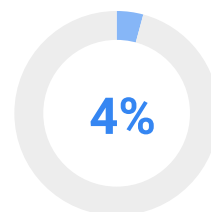
For reserve in case  
of emergency



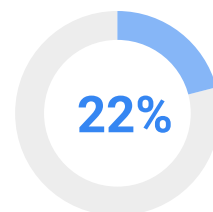
Everyday business  
expenses



Large purchases such as  
equipment or material



Labor  
or payroll



We don't have a  
line of credit



# 06 Supplier Terms

When asked to select their most common method for purchasing materials, contractors showed considerable reliance on supplier terms. **89%** have terms with suppliers. **70%** of contractors polled preferred supplier terms over credit cards, cash or bank loans. However, additional data shows that those terms are not long enough to support construction payment cycles.

**73%** 

of respondents have terms that are 30 days or less.

**36%** 

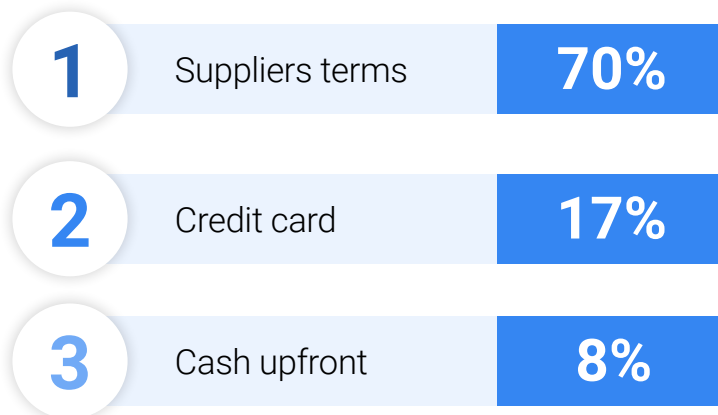
of respondents say their supplier terms are not sufficient for how long it takes them to get paid.



**89%**

of contractors have **terms with their suppliers.**

## Top 3 ways contractors pay for materials



## What are the most common terms your suppliers typically offer your business?



# 49%

do not believe their terms are **sufficient**



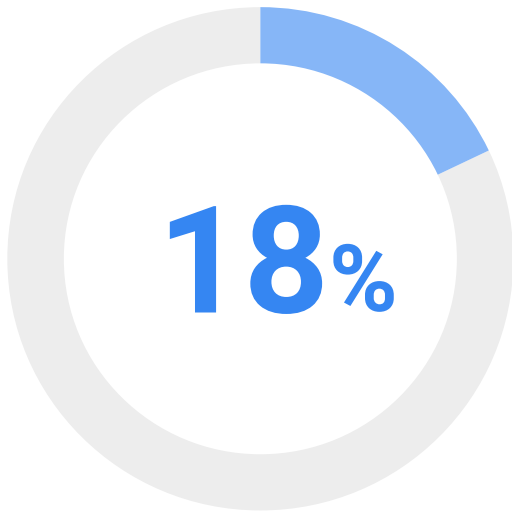
## A Reliance on Supplier Terms

Contractors appear complacent towards the state of supplier terms, with only **35%** reporting dissatisfaction with them. Observers can easily make sense of contractors' preference for terms. When compared to other options, like lines of credit and credit cards, terms will not eat into a contractor's emergency credit reserves. Additionally, contractors view terms as having no cost associated with them, although that's not entirely true. The cost of financing is apparent when suppliers offer cash discounts or options like 2% off when paying within 10 days (2/10 Net 30).

# 65%

believe their suppliers are **flexible with terms** and support their business.





of contractors [have been denied purchasing more materials](#) from a supplier they already work with because they did not have adequate credit limit

## The Shortcomings of Supplier Terms

Despite their overwhelming popularity as a payment method for materials, supplier terms do not offer contractors the flexibility they need to grow into larger or more complex commercial projects. Supplier terms also cost contractors money and minimize negotiating power. They bring underlying costs, not immediately visible to the contractor. Suppliers tend to offer cash discounts, or options like 2/10 Net 30. These built in discounts for paying in cash are essentially fees when utilizing the terms.

Generally accepted industry data indicates that it takes between 60-90 days for contractors to get paid for their work. Therefore, the length of terms in relation to project payment timelines are their ultimate shortcoming.



60

<4%

of subs have terms longer than 60 days, which would be more closely aligned to their payment cycles.



07

# An Industry Veteran's Perspective

Supply chain finance in the commercial construction industry is terribly broken and it has been for decades.

Subcontractors are sandwiched between poor payment cycles and a lack of credit options where they sit at the bottom of the payment stream. This report offers compelling sentiment that despite the headwinds of access to capital and slow paying projects, subcontractors are optimistic about their growth.

But it's not just about growth. It's also about survival. Flexible financing options have quickly become integral to conducting business in this turbulent market. We've all watched as material availability has become scarce and prices have skyrocketed.

Without a landscape of supportive, flexible financing options, it will become increasingly difficult to do business at all in our industry. Subcontractors are business owners for whom access to capital isn't "nice to have," it's a necessity. That's what makes this report, the problems it explores, and the solutions the industry will react with, all the more timely.

The lack of subcontractor credit options presents a ripe opportunity for new companies to charge into the industry to offer credit options tailor-made to the industry needs. In doing so, construction finance startups like Billd are widening access to capital, and enabling more subcontractors to grow their business.

## About Chris

Christopher Doyle is an entrepreneur and business leader with extensive construction industry experience and a record of launching successful startups. He is the co-founder and CEO of [Billd](#), a disruptive payment solution for the construction industry that helps contractors and suppliers grow their businesses with less hassle and risk. Recognizing the cash flow hurdles that contractors face when purchasing materials, Doyle launched Billd to make traditional Wall Street working capital accessible to business owners in the construction industry.



**Chris Doyle, CEO of Billd**

## About Billd

At Billd, we provide a payment solution that enables commercial contractors to free up cash for material purchases while enjoying the flexibility of 120-day payment terms. You get financing for commercial materials upfront with the freedom to pay it back at your own pace. Learn more about how Billd can help eliminate your company's cash-flow problems so you can win more bids and grow your business.



**billd** 