Tech Savvy Buyer's Guide to

Payment Automation For the Construction Industry

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Contents

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The Future of Payables

Over the last decade, it has become increasingly apparent that automating payment processes can significantly improve a company's overall financial operations.

If your company is still paying bills with paper checks, you're not capitalizing on today's best practices.

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Construction Company, ABI Companies Incorporated, Statement on Savings

ABI Companies reduced their invoice and payment processing costs by 50 – 60% with AvidXchange.

Source: 👤 Paige Meriwether, Controller, ABI Companies

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Applying automation to your payment process means significantly reducing paper checks from your organization, while also reducing your processing costs by more than half along the way.

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Rhonda Greene

Solutions Consultant
AvidXchange, Inc.

Rhonda Greene has served in several integral roles for AvidXchange over the last few years, including Vice President of Payment Services. Rhonda has been in the accounts payable world for more than 20 years in various roles, and has witnessed the transition from paper-based processes to completely automated AP and payment processes firsthand.

How long have you been in the accounts payable world?

I started in accounting in the late '80s; back then, paper checks were the only method of payment that companies used. Copies of every single check had to be made, and there were filing cabinets full of them.

What's it been like watching paper-based AP departments evolve into automated profit centers?

It's been revolutionary, to be quite honest with you. When I started in the late '80s, everything was paper-based.

As an AP manager, I had a huge staff of dedicated file clerks – all they did was file invoice and check copies.

In the early 2000s, some savvy accounting software developers introduced the idea of document management, allowing us to scan invoice images so that we didn't have to keep up with all the paper. Since those early days, companies like AvidXchange have revolutionized the process.

After 20 years of working in AP, you joined AvidXchange. Can you talk a little about your role here?

For the past four years, I've served as the VP of Payment Services. The Payment Services team facilitates payments on behalf of our clients. We have a dedicated team that works with vendors

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to make electronic payments, including Virtual Credit Card (VCC) and ACH (Automated Clearing House).

Our team supports clients by answering questions, handling issues, and following up on every single outstanding payment – which, just from my experience in accounting, is a huge service in and of itself.

I recently transitioned to a Solutions Consultant role, which means I get to pursue my passion of helping clients by sharing my firsthand experience in the accounts payable space. I've made it my personal mission to spread the word about automation and show my fellow AP professionals a better way.

In your opinion, what is the biggest benefit of automation?

To be honest with you, the biggest benefit is cost savings. With automation, you're able to take people that are doing data, filing, and other mundane tasks, and give them an opportunity to do things like account reconciliation or analysis.

Instead of spending time stuffing envelopes, mailing checks, and hunting down approvers, automation makes the process efficient and frees up an accounting team to focus on high-level tasks that help the company.

What's the deal with ePayments? Why are companies still using paper checks?

Accountants are notorious for being adverse to change. I know this because I was one. We have to be in control of all things at all times. The reason companies are still using paper checks is because

there's this misconception that automation means less control. In reality, they're still 100% in control, we're just helping make the process more efficient.

How does automation protect B2B companies from fraud?

I have a lot of experience with B2B fraud. In my 20+ year career in accounts payable, I've personally witnessed 30-40 instances of fraud.

Back in the day, criminals would steal paper checks out of the mail and – using sophisticated equipment – wash the payee name or dollar amount off of the check and alter it. Those checks would go through left and right because there was nothing in place to proactively prevent it.

In a recent case, according to an article

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Ask the Expert: Rhonda Greene

in Printing Impressions, Kenneth Wild II defrauded Houston's Memorial Hermann Health Systems of nearly $10 million in April of 2015. The 49-year-old printing and mail services manager submitted more than 200 invoices from a Digital Designs, a fake company that never provided any materials to the hospital system. He would then cut checks to this ghost account, which were sent to a post office box he controlled.

Wild used the money to live the jet-set life, taking vacations to England, Germany, Iceland, Netherlands, and China. He also lived it up in the Houston area, eating at posh restaurants and lavishly renovating his Katy home.

An anonymous tip exposed Wild's activities and resulted in an arrest. Wild's plea bargain includes restitution to Memorial Hermann Health Systems that requires him to relinquish all of his financial assets, including his home, vehicles and retirement plan. He faces up to 20 years in prison.

With paper, you don't have the ability to put a series of checks and balances on it. Electronic payments are so much more secure than a paper check ever will be. With automation, you can add additional approvals to the process with ease and create fraud monitoring reports that check for duplicate invoices.

Our software tracks who enters the invoice, who approves it, and who batches it to the accounting system – and it can't be the same person for each task, which stops collusion in its tracks.

Where are we going? What does the future hold for ePayments and AP automation?

Electronic payments and AP automation *are* the future. My job is to get out there and spread the word, so that people understand that payment automation is extremely secure.

It's all about changing a mindset, and that's not always easy to do with those who are resistant to change. We want to become a conduit for payments.

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According to the Wall Street Journal, there are over 300,000 small and medium-sized businesses (SMBs) in the United States that have yet to automate their payment processes. U.S. companies lag behind their counterparts in Europe, Japan and Brazil when it comes to ePayments.

In the article, U.S. Companies Cling to Writing Paper Checks, it states, "American businesses and consumers wrote 21 billion checks in 2012, according to the Federal Reserve." That's downright scary, considering it's more than four times as many checks as were written that year in the European Union's 28 member countries!
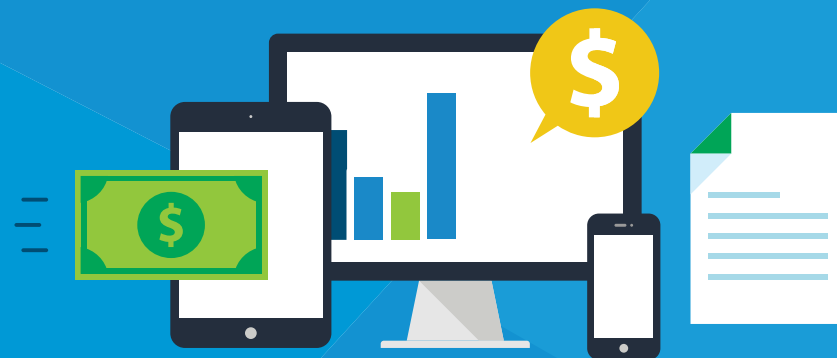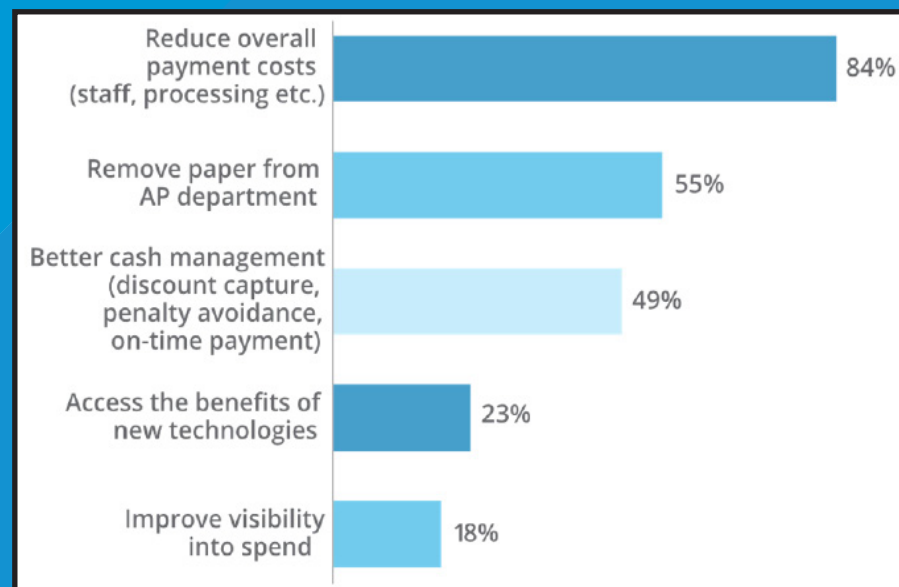
Goodyear Tire & Rubber Co., for example, still pays more than 50 percent of its invoices with checks, even though the cost of writing a check is as much as **five times** that of an e-payment. Why? Why are companies clinging to the past and its outdated process?

The same reason consumers are often slow to adapt new technologies: we're afraid of change. As unnerving and unsettling as change can be, there's something even scarier about staying the same, especially when it comes to business processes.

In today's fast-paced digital world, is there anything more terrifying than being inefficient? Does the fear of change outweigh the prospect of being obsolete?

Benefits Achieved via ePayments from Paystream Advisors

Benefits Achieved via ePayments

Benefit	Percentage
Reduce overall payment costs (staff, processing etc.)	84%
Remove paper from AP department	55%
Better cash management (discount capture, penalty avoidance, on-time payment)	49%
Access the benefits of new technologies	23%
Improve visibility into spend	18%

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Paystream Findings on Payments

Between 2013 and 2014, PayStream survey respondents shared these insights into the types of payments they use, see Figure 1.

61 percent said their use of checks had decreased, while 37 precent said their dependence on paper payments had stayed the same, and only 3 percent said it had increased.

51 percent said their of ACH had increased, while 47 percent said it had stayed the same, and 2 percent said it had decreased.

46 percent said their use of commercial cards had increased, while 46 percent said it had stayed the same, and 8 percent said it had decreased.

Figure 2 shows that paper check use for B2B payments is declining rapidly in the US and across the world. The primary drivers for implementing electronic payments are:

•   **Cost savings**

•   **Improved cash forecasting**

•   **Fraud risk reduction**

* Institute of Financial Operations 2015 Electronic Invoicing Survey Results

** Source: 2013 Association of Financial (AFP) Professional Electronic Payments Survey
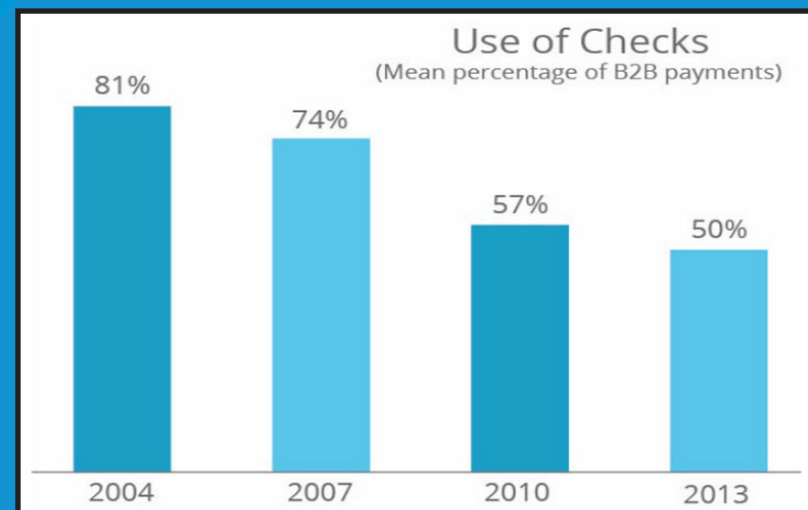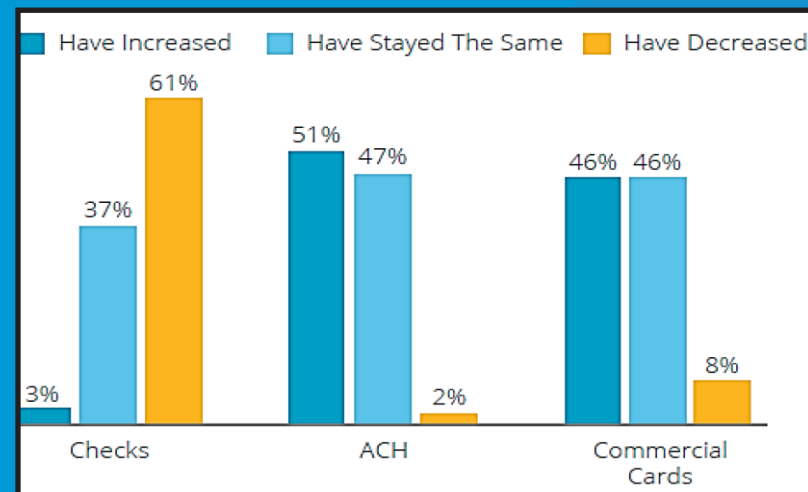
06 Paper isn't Protected: B2B Fraud Detection

In a paper-based environment, your company's documents are constantly at risk. Physical copies of sensitive information can be easily misplaced, altered, or destroyed. If these documents are lost or tampered with, then you no longer have access to the data necessary to effectively operate your business.

Research has shown that paper documents and checks are leading sources for fraud, because data is not protected. In fact, 48 percent of payment fraud can be tracked back to paper checks.

According to a recent survey by the Association of Certified Fraud Examiners (ACFE), nearly 70 percent of corporate respondents have been victims of check fraud.

AP and payment automation ensure that your company's payment information is secure in a cloud-based environment that can be accessed anywhere that you have access to the internet.

Automated fraud detection is one of your company's best lines of defense against fraudulent requests and duplicate requests for payment.

Paper isn't Protected: B2B Fraud Detection

With automation, the key is to create a pattern of permissions so that no one person has the ability to:

- Select that transaction for payment
- Print a check
- Reconcile transactions

The more people you put in this process that are subject to logins and software permissions, the more secure your process.

TAKE CONTROL!

AvidPay enables approvers to have the same level of control that they do today by enabling them to approve based on the same rules their business has in place currently for thresholds and double signatures. No payment is transmitted until it receives final approval, so instead of watching it on the corner of your desk, you can watch it virtually in your approval queue from anywhere that you have an internet connection.

Automating your payment processes means significantly reducing the number of paper checks your company prints, thereby also reducing your susceptibility to fraud.

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Statistic from AvidXchange Customers in the Construction Industry

79% of surveyed Construction organizations agree they improved controls with AvidXchange.

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Interview with a CFO

In a recent focus group, we asked attendees to tell us two of the biggest obstacles that they faced in their daily work lives. A CFO in the group told us that her biggest obstacles were tied to two of the biggest questions she felt that she'd asked herself throughout her career which were,

1. "How do you manage data in an intelligent fashion?"

The first question is addressed with automation, and particularly a SaaS-based solution. Having a cloud-based offering gives everyone access to the same real-time data from anywhere. The integration we offer with our clients' accounting systems enables everyone in all departments to look at the same data when performing daily tasks, developing budgets or projections, and researching financials. A major challenge in a paper-based environment is disseminating information across the company so that everyone is looking at the same thing. Automation ensures the data is consistent across users.

2. "How can we do more with less?"

The second question is also addressed with automation, because by removing manual tasks from AP and payment processes you are able to facilitate growth in invoice and payment volume without the need to hire additional staff.
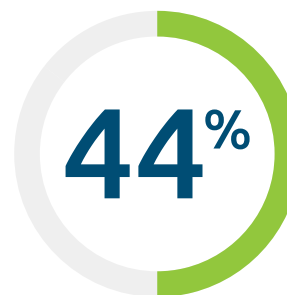
44% *Higher processing cost when performed* manually vs. through an automated system.

We know you're data-driven, so let's talk about the bottom line.

PayStream Advisors' research indicates that the average cost to process a transaction is 44 percent higher when performed manually rather than through an automated system. Accordingly, reducing overall cost ranked as the top factor driving organizations to focus on electronic payments, as reported by 84 percent of respondents in PayStream's 2015 Electronic Supplier Payments report.

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How Automation Benefits CFOs

After transitioning to an automated process all of your company's existing employees will now have additional time to focus on high-value tasks rather than manual tasks such as data entry, opening the mail, and printing checks. For our team, we have more time to perform strategic tasks for budgeting and forecasting and also have all of the financial data right at our fingertips for analysis. This helps us make data-driven decisions that will foster long-term profitability and success. Our company is currently in high growth mode, and it is essential that our projections are correct in order to hire appropriately and invest in the right areas.

I'm also a huge proponent of work-life balance, and working for an automated company gives me an amazing amount of freedom. I don't physically have to be in the office to approve an invoice or sign a check; I can approve invoices and payments from anywhere that I have a connection. I like my life as an automated CFO, because it gives me the freedom to be a dynamic leader that can help every area of the company to make financially sound decisions with reliable data. It's great to see so many people in my same role transitioning to automated processes, because I know firsthand how much it will empower them. I don't miss checks. I'm happy to reserve my signature for co-workers' birthday cards.

Faster Processing Times

Greater Accuracy in Payments

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Thank you for reading the...

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Payment Automation For the Construction Industry

This guide was created by AvidXchange. AvidXchange revolutionizes the way companies pay their bills. Serving more than 5,500 clients throughout North America and 300,000 vendors nationwide, AvidXchange is an industry leader in automating invoice and payment processes.

Interested in automating your payables in 2016 and creating efficiencies for your AP team? Our automation specialists will create a customized demo and walk you through the streamlined workflow of an automated payment process. To schedule a demo, click here!

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