Payment Automation Success Stories For the Construction Industry

Contents

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01 A Note to the Construction Professional

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.

AVIDXCHANGE CUSTOMER FACT

A small business construction company reduced their invoice and payment processing costs by 40-50% with AvidXchange.

Source: CIO, Small Business Construction Company

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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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Jim Campbell

Vice President of Construction Sales
AvidXchange, Inc.

After graduating from the University of North Carolina – Chapel Hill with a Bachelor of Science in Business Administration, Jim Campbell began his professional career in 1979 with Timberline Software Corporation, a pioneer in the development of application software for the construction and real estate industries.

After serving in various roles, Jim was appointed to the executive team as Vice President of Sales in 1996. The company was purchased in 2003 by Sage Software, and Jim continued in his senior management role there until 2005, when he became President of CIS Consulting Group, Inc. in Charlotte, NC.

In 2010, CIS was acquired by Viewpoint Construction Software, where he served as Channel Sales Manager for North America until joining AvidXchange as Vice President of Construction Sales in March of 2016.

Jim is a native of Concord, NC, and resides there with his wife Margie, who is a partner at Stocks, Smith, Campbell and Dendy, PA, a local CPA firm. They have three children and four grandchildren.

He is a Lifetime Honorary Board Member of the Boys and Girls Club of Cabarrus County, having served in several leadership capacities there and at his church, Central United Methodist. He is a current board member of Uwharrie Capital in Albemarle, NC, the holding company for Uwharrie Bank.

When you joined Timberline Software in 1979, how did that software benefit the construction industry?

It was really all about construction accounting. This thing called "jobcost" was emerging, which was originally handled inside the general ledger system, but it was more than the general

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ledger could handle – it was a special, subsidiary ledger that budgets, revisions, actuals, and projections, all needed to be pledged against, so it turned into jobcost. Today we call it project management.

Construction accounting (cost management) was produced out of the accounting systems at the time. Computer hardware was coming down, so prices were coming down.

Packaged software was becoming en vogue, which helped drive software costs down and made it more appropriate for vertical markets, like construction.

What was the AP process like back then? How has automation changed it?

The idea of cost control (i.e. 'committed costs' or 'purchasing') wasn't all that well developed, so the process was about entering invoices into an integrated system that connected accounts payable, job costs, and general ledger. It was quite the paper shuffle.

Checks were loaded into dot matrix printers, then the checks were printed in three copies, signed, mailed for delivery, and filed. One copy would go in the job file, and the other copy would be filed with the vendor. There was a lot of paper and labor-intensive processes, and not a lot of efficiencies to be found.

With automation, getting rid of paper creates efficiencies. Construction companies can focus on front-end cost control and subcontracts. With electronic routing and approval, companies have so much more control (and visibility) over their payables.

An invoice is easier to find when it's in an integrated accounting system instead of stuck in the sun visor of a pickup truck. Make no mistake about it, the paper chase is for real in the construction industry!

In an automated system, you know when invoices come in, which balances are outstanding, when payments are due and who hasn't approved invoices and payments.

You're also alerted to compliance infractions, like if the certificate of insurance expired for an employee's workers' comp or liability insurance.

The most important part of AP is a proper approval and coding process – making sure those costs show up where they're supposed – so your comparisons to budget/estimate are in line.

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That's how construction is managed at the cost level – did it end up costing what we said it would cost? That's accomplished with proper coding. Automation makes coding and approval easy!

What does the landscape of the construction industry in 2016 look like?

When we look at business at large, the construction industry is not an early adopter of technology. In the construction industry, some say the greatest invention in the last 100 years was the air gun!

There are ways to increase productivity, but the work – the manual labor - still has to be done. What automation has helped with is the bidding, estimating, and BIM (building information modeling) of the construction business. Companies can better forecast with automation, anticipate conflicts in the building process, and keep track of revisions to design plans and specifications.

Discovering problems early are less costly than discovering problems late in the game. If you've got to fix the substructure or a pipe below the surface, it's a big difference if the concrete has been poured and hardened already.

You can't uncut the grass. With automation, however, construction companies can see these issues before they happen and save money in the process.

Project managers are using tablets and other mobile devices out in the field to log accurate data and, in some cases, approve invoices on-site when they know jobs are finished.

How does B2B fraud affect the construction industry? How does automation help prevent it?

The unique thing about B2B fraud in regards to the construction industry is the amount of money we're dealing with.

A lot of money flows through construction companies, which makes it easier to conduct fraud unnoticed. There's a lot of paper checks, too.

If someone called you up and asked, "Can I have your name, address, bank account number, and, by the way, what does your signature look like?" You would hang up on that person immediately!

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Yet, that's exactly the information you provide every single time you mail a check.

I serve on the board for a community bank, and we spend a lot of time talking about fraud and making sure we're taking all the proper precautions.

Automation enforces strict adherence to business rules, which reduces opportunities to commit fraud. We've come a long way from those three-part dot matrix checks!

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

One phrase you'll repeatedly hear in the construction industry is, 'That's the way we've always done it.' Old habits are hard to break; familiarity breeds comfort. When we get in a routine, we resist change.

Electronic payment is by and large a new concept to the construction industry. In our discussions with vendors, we know they prefer to receive electronic payments for all the benefits we've already discussed: getting paid sooner, avoiding manual tasks, and increased fraud detection.

But the construction industry is, as I mentioned earlier, a late adopter when it comes to technology. Contractors are a close-knit group and they learn a lot from what others are doing. Once something catches traction, adoption ramps up pretty quickly.

Electronic payments can be dedicated to a specific vendor for a specific amount. Once that amount is paid, the virtual credit card (VCC) number goes away and can't be used again. The notion of giving someone credit card information goes away too. Direct payment for a direct amount, no chance of residual fraud.

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

More and more payments are going to be made electronically. No one likes paper checks when it comes down to it. We want to become a conduit for payments.

It's all about vendor preference, their criteria for payment, remittance information, software for tracking and reconciliation, p-cards, and Positive Pay.

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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!
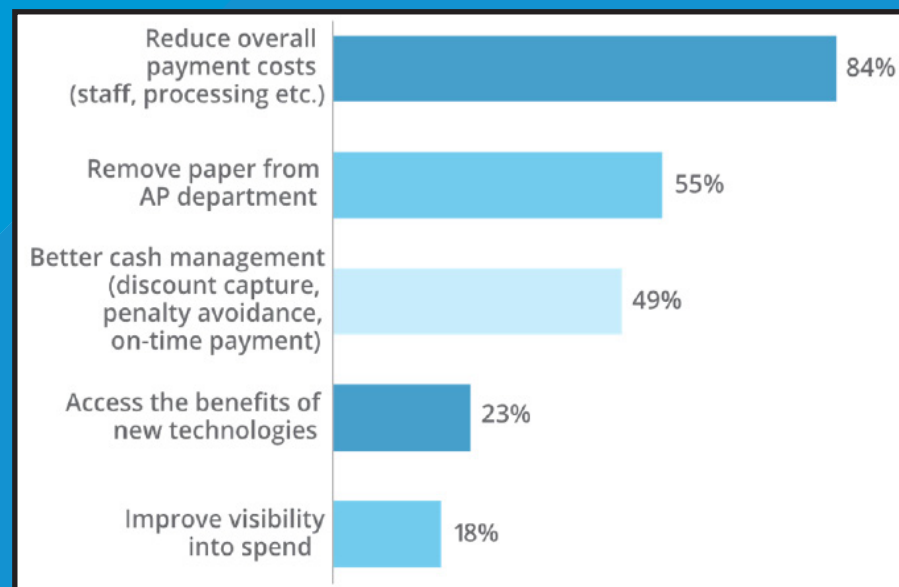
Goodyear Tire & Rubber Co., for example, still pays more than 50 percent of its invoices with checks, even though the cost of writing a check is as much as **five times** that of an e-payment. Why?

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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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
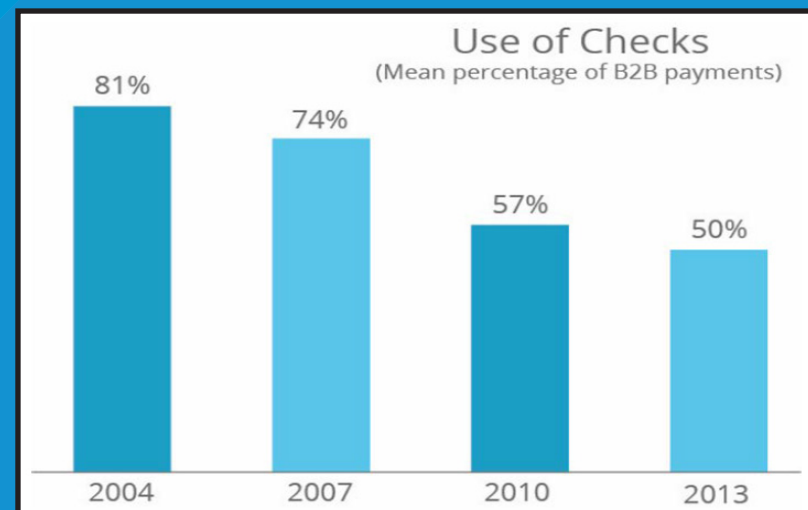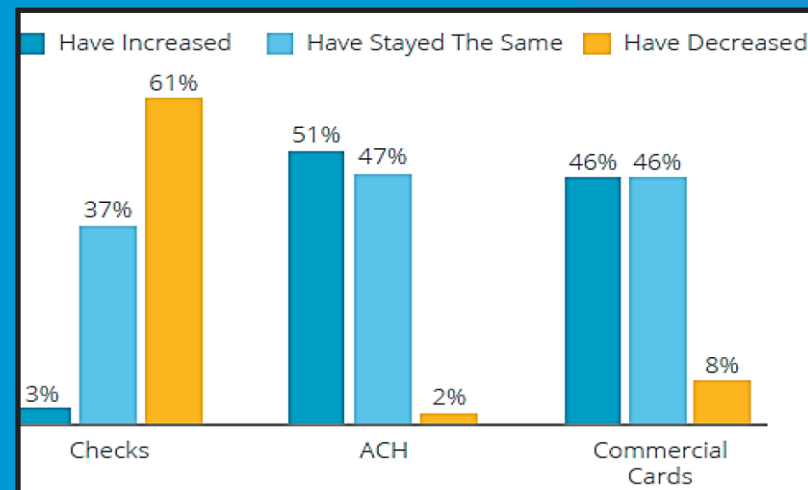
Case Study: Construction Company #1

The Customer

ABI Companies, Inc. is a Florida-based construction company that specializes in commercial construction. This includes office buildings, financial institutions, law firms, healthcare facilities, technology facilities, senior housing and restaurant/hospitality construction projects.

This client has been an AvidXchange customer for 3-5 years.

The Challenge

This company's controller was looking for a way to streamline their accounts payable processes. Their biggest motivations for purchasing an AvidXchange Solution included:

- **Improving processes**
- **Improving controls**
- **Improving visibility into spend**

The Results

In addition to reducing their invoice and payment processing costs by 50 – 60%, the surveyed company achieved the following results with AvidXchange:

- **Reduced processing costs**
- **Scaled for growth**
- **Saved time**
- **Improved controls**
- **Improved visibility into spend**

Source

TechValidate. TVID: 2DD-062-984

This case study of A B I Companies Inc is based on a February 2016 survey of AvidXchange customers by TechValidate, a 3rd-party research service. This data was sourced directly from verified users of AvidXchange by TechValidate. TechValidate verifies the identity and organizational affiliation of all participants that contribute to published research data.

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Testimonials

"AvidXchange has improved our overall operational efficiency. We can't imagine going back to our old process."

AVIDXCHANGE CUSTOMER TESTIMONIAL

Construction Industry Customer Testimonial

" We have multiple entity corporations and are able to maintain accurate cash management in the check writing features for each of the accounts and entities!

— Paige Meriwether, Controller, A B I Companies Inc.

Source: Paige Meriwether, Controller, A B I Companies Inc.

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The Customer

This medium enterprise construction company is one of New England's largest development companies. Since 1983, this company has developed 22 million square feet in over 45 communities throughout the region.

This client has been an AvidXchange customer for one year, utilizing our AvidInvoice solution.

The Challenge

This company's controller was looking for a way to streamline their accounts payable processes. Their biggest motivations for purchasing an AvidXchange Solution included:

- **Getting rid of paper**
- **Improving controls**
- **Improving visibility into spend**

The Results

In addition to reducing their invoice and payment processing costs by 20%, the surveyed company achieved the following results with AvidXchange:

- **Reduced processing costs**
- **Scaled for growth**
- **Improved controls**
- **Improved visibility into spend**

Source
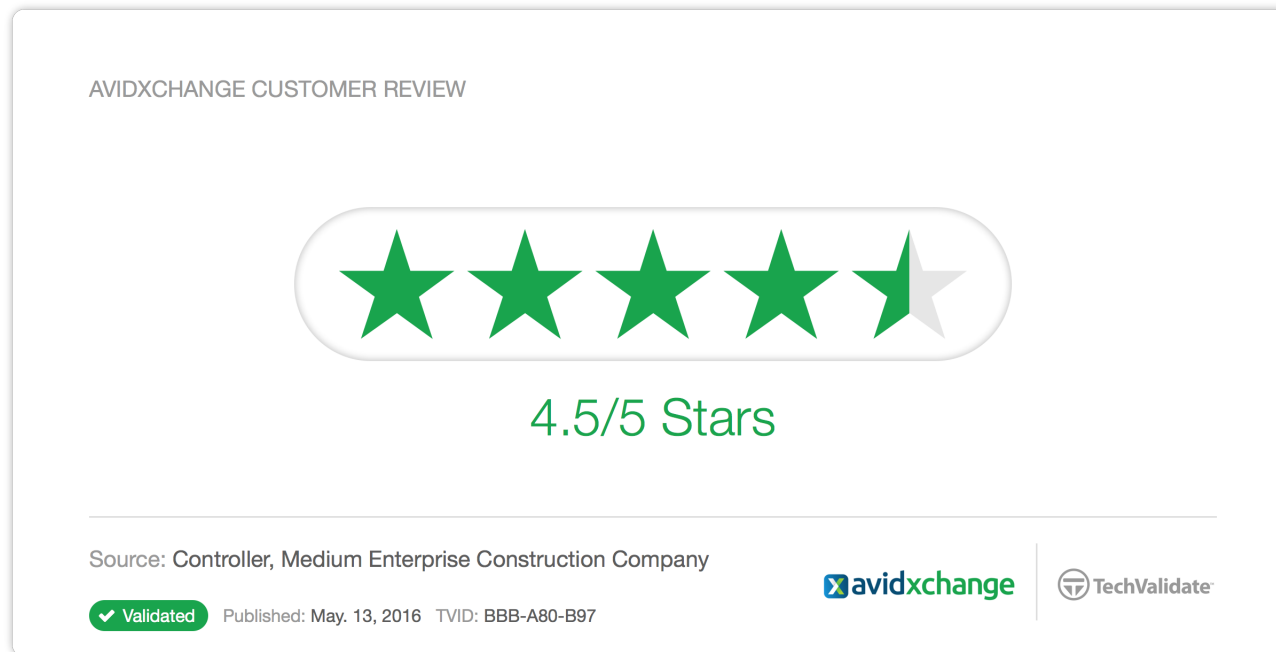
TechValidate. TVID: 89F-82F-D95

This data was sourced directly from verified users of AvidXchange by TechValidate. TechValidate verifies the identity and organizational affiliation of all participants that contribute to published research data.

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Case Study: Construction Company #2

Testimonials

"AvidXchange has a more robust offering with superior services compared to competitors in the marketplace today."

AVIDXCHANGE CUSTOMER REVIEW

★★★★⯪

4.5/5 Stars

Source: **Controller, Medium Enterprise Construction Company**

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Thank you for reading...

Payment Automation Success Stories 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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