

3 Keys for Improving AP Processes and Reducing Late Construction Payments

Late Payments in the Construction Industry

Late payments are an epidemic in construction. According to a 2018 study of 1,300 firms across a variety of trades, 88 percent of contractors wait longer than 30 days for payment. Since construction is a “pay-when-paid” industry, late payments are contagious. Subcontractors who get paid late are in turn late meeting their own obligations and must often resort to maxing out their credit cards or taking out personal loans.

The study, conducted by bid platform Building Connected and loan software platform Contract Simply, estimates that late payments cost the commercial construction industry \$40 billion annually, adding approximately 3.3 percent to project costs. 70 percent of contractors say they'd discount their invoices in exchange for timely payment. That would put an estimated \$18 billion back in the pocket of builders, developers and lenders.

Of the many causes of late payment — project delays; disputes over work quality; scope changes; contract disputes — slow internal processes are one of the easiest to remedy because the solution is technology. I've been selling to accounting and finance professionals for most of my career, and I can honestly say that I've never seen as much technology available to support those functions as there is now. Just a decade ago, the options were basic and few; now we have good choices of easy-to-integrate cloud systems for just about every aspect of accounting and finance.

Here are three tools that will help you automate the payments process, giving you more speed, greater visibility, and control over payment timing, discounts, and rebates:

Improving Accounts Payable Processes

[Construction Invoicing & Billing](#)

[Automate Workflows For Efficient Invoicing & Billing](#)



Streamlining payment processes helps contractors keep cash flow fluid and projects moving.

The accounts payable process can easily become bottlenecked and increase the time it takes to pay subcontractors and vendors. To improve the AP process, it's important that we take a close look at the best available tools and how they are used in the process.

1. Invoice Scanning

Getting incoming invoices into the accounting system is a big source of delay. For a long time, the best solution was scanning and capturing with optical character recognition (OCR) software. While it was an improvement over hand keying everything, it wasn't that great at reading handwriting. For example, it had difficulty distinguishing "O" from "0," so you still needed a lot of manual intervention to catch and correct errors. You also needed to do quite a bit of work on the front end prior to scanning.

However, with more CPU (central processing unit) power and machine learning, these systems are improving. And they will get smarter and smarter over time, moving more towards what I'd call ICR—intelligent character recognition. There's still work on the front end to get to 99 percent accuracy, but for organizations with a lot of paper invoices, it's a worthwhile investment.

2. Invoice Workflow

The approval process is another source of delay, especially when you're pushing paper from person to person. Most companies have several layers of approval, but at least they're usually located in the same building.

Construction tends to have even more approvers, some of them out in the field. Automating this workflow is a big win. You can stop moving paper around and making people come to where the paper is. Since it all lives in the cloud, project managers and superintendents can do their approvals from the field. Approval no longer has to be sequential; it can be concurrent so no one approver holds up the chain. With the added visibility and control of a cloud system, you may even be able to cut back on the number of approvers.



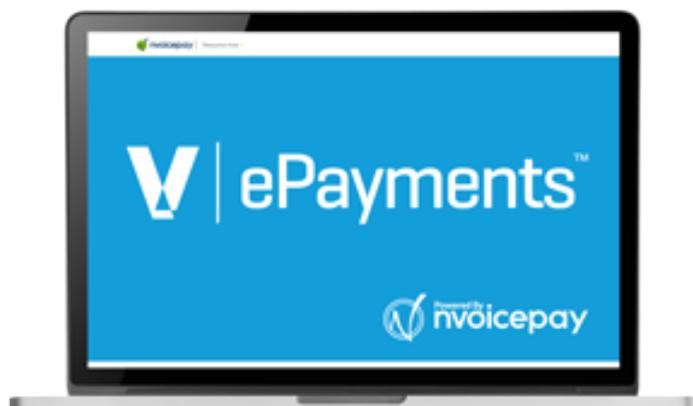
Speed up the AP process with automated payments

3. Payments Automation

Most businesses still make about 50 percent of their payments by check. In construction, the percentage tends to be much higher; in fact, it's not unusual to see companies that are 100 percent check. In some ways, it makes sense. In the past, adding electronic payments — card, ACH, and wire — meant adding another workflow for each, along with time consuming supplier enablement processes. Construction companies already have lien releases and verification of completion on top of the basic invoice approval process. Why add even more layers?

Now, fintech companies are pulling together all the payment types in one workflow and using cloud networks to intelligently route payments by the most advantageous method—card first for rebates; then ACH for suppliers that won't take a card, and e-check for any holdouts that won't take either. They even handle supplier enablement and error resolution. This is probably the easiest place to get started with AP automation, because it only takes about a month to implement, doesn't impact anyone outside of AP, and pays for itself quickly with cost savings and card rebates.

AP Automation With Viewpoint ePayments



Viewpoint ePayments is transforming how Vista users manage their AP processes

Recently, Nvoicepay and Viewpoint partnered to provide automated payments to contractors using Viewpoint's Vista ERP solution. [Viewpoint ePayments](#), powered by Nvoicepay is an

integrated solution that transforms how Vista users manage their accounts payable processes by unifying payments into a single workflow that facilitates timely payment approvals.

Contractors who use automated payments have seen an immediate return on investment by increasing efficiency. By saving time and streamlining processes, Viewpoint ePayments helps boost contractors' bottom lines.

The Viewpoint ePayments solution saves customers hours in paperwork, check distribution, and bank reconciliation time. The decrease in processing and management time provides greater ability to consolidate disconnected AP payment processes, leading to greater visibility into and control over construction projects.

With labor shortages across all trades, and subs getting squeezed with onerous terms, speedier payment can give you an edge in attracting the best subcontractors and keeping them engaged. And, with boomers aging out of the industry and millennials coming in, there's a need to not only do more with less, but to do it more efficiently.

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[Interested in learning more? Check out how Stetner Electric uses Viewpoint ePayments](#)

Of course, these solutions work only when everyone is willing and able to pay, and you don't always have control over that. But, by automating the accounts payable process, you can make sure that as soon as everything is in order, payment can be made very quickly and your internal processes don't add to the late payments domino effect across the industry.

Interested in learning more about Viewpoint ePayments? [Contact Viewpoint](#) today. Or, [contact Nvoicepay](#) to learn more about all of our payment solutions.

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