

Simple corrections the construction supply chain can make to avoid losing millions

3 years ago



New analysis of over 8 million invoices sent to the top 100 construction firms in the UK reveals that 10 percent are routinely being rejected, resulting in serious payment delays which are hindering the financial recovery of construction product and service suppliers across the sector.

The research by Causeway Technologies looked at a sample of 8,052,300 invoices sent by suppliers to main contractors last year. More than 810,000 were rejected for not meeting the rules of the receiving business.

The top five reasons for rejection were:

1. The purchase order number on the invoice sent by the supplier wasn't a valid open purchase order from the receiver (their customer)
2. The value on the invoice sent by the supplier exceeded the value on the purchase order or receipted value of goods against that order
3. The total value or total tax submitted in the invoice didn't match the sum of the line items on the invoice
4. The customer's company name on the invoice was incorrect
5. A product code on the invoice didn't match a product code in the catalogue held for that supplier

Rebecca Sperti, Customer Relationship Director at Causeway, says: "Ten percent of all invoices are automatically rejected and get sent back to suppliers simply because they don't meet the customer's rules. It might sound like a small percentage, but if you consider there will be about 40 million invoices sent each year to the top 100 contractors alone, we're talking about tens of millions of invoices across the industry, so it's a huge number.

“Cashflow and business resilience is being impacted every time someone keys in incorrect data or forgets an essential bit of information. This hits SME suppliers particularly hard, especially when processes for managing payments is historically manual. This can often result in significant delays for suppliers whilst they wait days for someone to check and then reject their invoice.

“With an increasing number of top contractors signing up to the Prompt Payment code, suppliers should start to see an increased effort in the processes designed to comply and ultimately pay to the terms agreed, but this won’t change the need for invoices to be submitted correctly and to the predefined business rules for submission”

Currently, 20 percent of the top 100 construction firms use Causeway Tradex, a true e-invoicing solution, linking with more than 60,000 suppliers and creating the UK’s largest connected construction supply chain community. Causeway Tradex is designed to better h

elp and serve the entire supply chain from invoice management through to invoice acceptance and submission, reducing the likelihood of delays in the payment process.

As Rebecca Sperti adds: “To remain compliant with the Prompt Payment Code, firms must pay small suppliers within 30 days. Clearing this hurdle can be a tall order for firms still processing invoices by hand and it can take up to 25 days to clear an invoice even if all the data is correct. Add in an element of human error, and it’s no wonder why so many payments are delayed.

“Electronic payment processing and a fully digital process is the best way to ensure speed, accuracy and operational efficiencies for both sides of the payment process. It is easy to blame one side, but if we continue to develop efficient methods and work towards a ‘right-first-time’ approach, we can continue to strengthen supply chain relationships from both directions. Notably it is one of the simplest and fastest ways that the construction industry can support the financial strength and improvement of the supply chain in 2022.”

Further information about Causeway’s electronic invoicing and transaction solutions is available at:
<https://www.causeway.com/products/transaction-exchange>

Image credit: Causeway