HOW TO LEVERAGE DIGITAL TRANSFORMATION IN ACCOUNTS RECEIVABLE

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ABOUT THE AUTHOR

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INTRODUCTION

The accounts receivable (AR) process at most businesses is a largely manual affair:

- Manual invoice creation & delivery
- Back-and-forth emails & phone calls to manage deductions
- Time-consuming cash application
- Sticky notes & spreadsheets for post-sale collections
- Cumbersome reporting

By relying on these manual receivable tasks, businesses are letting money slip through the cracks — money that could help drive business growth, profitability, innovation and better customer service.

Businesses have too much riding on their receivables to entrust them to manual processes. That's why more businesses are automating their AR process with digital technologies.

This white paper explores the problems with manual AR processes, the benefits of automation and the primary technologies used, a case study example of a business that digitized its AR process and lastly, key considerations for evaluating solutions.

"BY RELYING ON MANUAL RECEIVABLE TASKS, BUSINESSES ARE LETTING MONEY SLIP THROUGH THE CRACKS — MONEY THAT COULD HELP DRIVE BUSINESS GROWTH, PROFITABILITY, INNOVATION AND BETTER CUSTOMER SERVICE."

THE PROBLEM

Inefficient and ineffective processes cost businesses money across the AR lifecycle:

HIGH COSTS

Manual and semi-automated receivable processes chip away at corporate profits. Paper billing requires a big upfront investment in printers (and possibly envelope stuffing equipment) and ongoing purchases of ink, toner, paper, envelopes and postage. Inevitable errors require lots of rework and potentially "make-good" write-offs. Managing invoice disputes and chasing late payments eats up staff time. Dealing with convoluted processes and systems increases ongoing IT costs and makes modifying applications more costly. Manual processes also make it virtually impossible for AR departments to source, track and analyze the metrics necessary to achieve best-in-class operational efficiency.

STAFF INEFFICIENCY

PriceWaterhouseCoopers estimates that up to one-third of the typical AR professional's time is wasted on manual tasks such as printing, stuffing and mailing invoices, searching for contact data, matching and reconciling payments and remittances, tracking down customer contacts, and creating spreadsheets — time that should be spent on data analysis and improving customer relations. Not surprisingly, poor staff morale and high turnover are common in receivables environments where staff spend most of their time on repetitive, low-value tasks.

POOR CUSTOMER EXPERIENCE

Inefficient and error-prone AR processes typically result in low customer satisfaction and lost business opportunities. While these costs cannot be found in a general ledger, they hit a company's bottom line hard.

HIGH DAYS SALES OUTSTANDING (DSO)

DSO is a measure of the average amount of time it takes a business to receive payment from customers. The typical business must wait more than 30 days to receive payments from customers. Long payment cycles can impact cash flow, force businesses to borrow money and stall important investments. But paper-based processes cause so much friction across the AR lifecycle that there is little a business operating in a manual or semi-automated environment can do to speed up DSO.

HIGH VOLUME OF WRITE-OFFS

Manual and semi-automated processes make it nearly impossible for businesses to effectively manage their collections processes. For instance, in a manual or semi-automated environment, a collector may receive a promise-to-pay. But without the capture of follow-up notes, customers may continue to order product, even if they don't follow through with their promise. As a result, the supplier has capital tied up in open receivables on top of additional product being produced or procured from the supply chain.

INADEQUATE CONTROL OVER OPERATIONS, CASH AND RISKS

In a paper-based environment, it's easy for errors to go unnoticed until they impact a customer. Inadequate reporting on payment trends and recurring issues make it hard for AR to accurately forecast collections or to identify underlying problems. Not to mention that complying with domestic and international regulations and tax rules is nearly impossible in a manual environment.

Each of these challenges of operating in a manual or semi-automated receivables environment chip away at profitability, corporate agility and a business' ability to deliver exceptional customer service. Together, these issues make it virtually impossible for a business to achieve strong growth.

THE SOLUTION

Digital technologies transform AR processes by eliminating manual, repetitive tasks and unifying front-line staff and stakeholders within a single, integrated and data-driven platform.

There are several primary technologies for digitally transforming AR:

ELECTRONIC INVOICING
simplifies the processing and delivery of invoices and associated documents by extracting invoice data from the biller's ERP application and sending it via the customer's preferred delivery channel: mail, electronic invoice or web-based portal. Invoices are archived, tracked and reconciled electronically for enhanced visibility and improved process control. Customers can pay invoices directly from a secure, web-based portal.

ARTIFICIAL INTELLIGENCE (AI)
is a group of technologies and algorithms that help AR solutions make accurate (and even complex) decisions based on trends and past decisions. AI mimics decisions that would take additional time for humans to make. Machine learning is a kind of AI that automatically gathers key AR information.

ROBOTIC PROCESS AUTOMATION (RPA)
eliminates the repetitive, low-value manual tasks that consume so much the typical AR clerk's time. For instance, software bots upload invoice content to customer portals and capture payment and remittance data.

SELF-SERVICE WEB PORTALS
empower customers to place orders from an e-catalog of products and services, reload past orders, see the status of invoices in real-time, review payment due dates, log disputes and enter a reason directly on an invoice, and electronically pay invoices.

AUTOMATED PAYMENT REMINDER EMAILS
ensure that customers know what is due and when while providing them with a link for payment.

INTUITIVE CHAT TOOLS
facilitate the real-time exchange of information to help ensure timely order fulfillment and payment and to resolve disputes before they become contentious. Shared information is digitally archived and instantly accessible by suppliers and buyers.

GRAPHICAL DASHBOARDS
provide suppliers and buyers with real-time visibility into the status of orders and invoices, product delivery dates and the scheduled date of payments.

CUSTOMIZED KEY PERFORMANCE INDICATORS (KPIS) AND REPORTS
provide real-time insight into DSO and every aspect of an organization's collections process.

CASH APPLICATION
streamlines multi-currency cash allocation and reconciliation while providing financial decision-makers with a real-time view of cash and debits.

THE BENEFITS

Transforming AR with digital technologies such as electronic invoicing, RPA, self-service web portals, intuitive chat tools and graphical dashboards delivers eight strategic benefits:

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REDUCED COSTS

Invoicing customers electronically deliver savings of approximately $8 per invoice. Electronic invoicing eliminates many of the high-cost aspects of billing customers with paper invoices, including invoice printing, paper handling, paper, envelope and postage costs, and the cost to purchase and maintain invoice printing and stuffing equipment.

It also takes considerably less labor to bill customers electronically. With a digital AR solution, billers can instantly upload a file of PDF invoices created by their ERP application. Digital technologies such as electronic invoicing are highly scalable and flexible, meaning businesses won't have to add staff during periods of significant growth.

IT CAN COST
$20
TO FILE A SINGLE PAPER-BASED RECEIVABLE DOCUMENT, STUDIES SHOW.

02 DECREASED DSO

Automation eliminates many of the issues that result in long DSO. With automation, billers can schedule electronic invoices to be delivered when a customer is most likely to respond. Billers also can track electronic invoices from the time they are created to when they are received and opened. Automated solutions also track any emailed invoices that bounce back.

Customers can instantly pay invoices that they receive electronically, and billers can configure workflow rules for contacting customers regarding unopened invoices. Workflow rules can be modified based on historical data for when the invoice was sent, the amount of the invoice, the type of customer and other critical criteria. Customized to-do lists generated by AR solutions keep collections focused on high-priority tasks.

Fully customizable reminders automatically let customers know when invoices are approaching or have passed their due date. Messaging can be tailored based on the level of severity (e.g., neutral tone for invoices that are less than 30 days past-due and collections language for invoices that are more than 120 days past-due).

03 EXTEND THE VALUE OF EXISTING SYSTEMS

Automated AR solutions extend the value of existing investments in finance applications by aggregating data from multiple systems to centralize workflows and populate dashboards. What's more, digital solutions can be up and running within weeks.

DIGITIZING POST-SALE INTERACTIONS ELIMINATES TIME-CONSUMING SNAIL MAIL AND PHONE CALLS.

04 BETTER COLLECTIONS RESULTS

Automation helps billers put more money in the bank faster. Automated AR solutions track all communications with customers throughout the collections cycle, eliminating the miscommunication and lack of follow-up that cause payment delays and write-offs.

Collectors can record important details such as the reason for the late payment (e.g., specifics of an invoice dispute) and any promises-to-pay (including which invoices will be paid, the payment amount, the timing, and any payment plans). Capturing promises-to-pay and other key details of communications with customers empowers collectors to follow up with customers who do not make promised payments.

05 ENHANCED CUSTOMER EXPERIENCE

Digital technologies help suppliers eliminate customer-facing AR issues. Electronic invoicing and automated cash application reduce bottlenecks and errors. Graphical dashboards help billers proactively identify billing and collections issues and to more quickly respond to customer inquiries. Interactive chat tools and payment reminder emails improve transparency and accountability in customer interactions.

Self-service web-based portals enable customers to instantly view and pay invoices, download statements, apply credits, request a payment plan, sign up for automatic payments, dispute an invoice and communicate with accounts receivable staff. The efficiencies gained through automation free staff to spend more time on service and support.

COLLABORATING WITH CUSTOMERS SPEEDS UP PAYMENTS AND REDUCES THE CHANCE OF WRITE-OFFS.

06 ENHANCED VISIBILITY

Automation enables businesses to make smarter decisions about their cash and customer accounts. Digitizing and aggregating AR information in a single location with comprehensive audit trails provides complete transparency into a biller's receivables.

Authorized users can instantly access the status of a transaction, quickly catch discrepancies, proactively address bottlenecks, easily access information to accelerate the resolution of disputed invoices, and respond to customer inquiries faster. Cash flow models, benchmark reports, metrics and scorecards provide decision-makers with the AR insights they need from any location and at any time. Graphical dashboards provide relevant and actionable insight on what matters most to each user:

- Messages
- Aging
- To-do lists
- Credit limits
- Collections goals
- Automated reminders
- Collection calls
- Response time
- Root-cause analysis
- DSO
- Total past due
- Total disputed
- Percent of invoices paid on time

Advanced analytics empower finance leaders to better manage and forecast cash.

ANALYTICS ARE ESSENTIAL TO UNCOVERING HOW MUCH MONEY A BUSINESS IS REALLY MAKING.

07

GREATER CONTROL

Automation provides AR departments with unprecedented control over their operations, cash and risks. Electronic invoicing, web-based portals, RPA, automatic cash application, automated dispute management and workflow rules for collectors ensure optimum operations efficiency. Interactive chat tools, payment reminder emails and graphical dashboards help billers better manage their cash. Electronic invoicing ensures compliance with domestic and international regulations and tax laws. Digital technologies offer greater security and continuity than paper-based processes.

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MORE TIME FOR VALUE-ADDED ACTIVITIES

Automation makes it easier for staff to perform their jobs and frees them to focus more of their time on strategic and detail-oriented tasks such as data analysis, upselling customers and collecting and managing cash.

Digital technologies:
- Accelerate customer onboarding
- Automate manual keying & paper shuffling
- Eliminate the need to hunt for documents in file cabinets & cardboard boxes
- Reduce the need for customers to call or email about basic billing issues
- Provide predictive analytics that deliver greater efficiencies over time

Each of these benefits is compelling. Together, they create an AR environment that can better support strategic initiatives for growth, profitability and competitive differentiation.

AUTOMATION ELIMINATES COUNTLESS HOURS OF CUTTING AND PASTING DATA INTO SPREADSHEETS.

CASE STUDY

LUBE·TECH®
Accelerating Performance

Lubrications Technologies, Inc., an international petroleum distributor and marketer, is one business that has benefited from deploying an automated AR solution.

As Lubrications Technologies expanded and evolved, its antiquated legacy solution for managing collections struggled to provide the functionality, reporting and support that it required. For instance, the solution provided poor management visibility between the company's product lines.

After an extensive evaluation of digital transformation solutions, Lubrications Technologies selected Esker's cloud-based Accounts Receivable solution. The solution includes a collections management module with payment reminder emails, rule-based task lists, collection forecasts, root-cause analysis, accounts lookups and call logging, and a self-service customer portal.

Since deploying Esker's solution, Lubrications Technologies has:

- **Reduced DSO** by seven days
- **Eliminated 90%** of customer invoice requests
- **Lowered past-due** AR by 50%
- **Virtually eliminated** past-due receivables of more than 90 days
- **Maintained headcount** even as the company doubled in size

"THE VISIBILITY ESKER OFFERS NOT ONLY ALLOWS OUR TEAM TO COLLECT FASTER AND MORE EFFICIENTLY, IT ALSO HELPS US DEDUCE WHERE IMPROVEMENTS LIES AND WHY INVOICES AREN'T GETTING PAID."

JASON LUND
CREDIT MANAGER

KEY CONSIDERATIONS

ADAPTABILITY
Look for a solution that practices the Agile methodology and a hands-on approach during project implementation to ensure that the solution can be adapted to your needs.

COLLABORATION
Understand how prospective solutions will make it easier for your department to collaborate with internal stakeholders and customers.

INTEGRATION
Digital solutions should integrate with legacy systems — such as an ERP — to complement existing infrastructure and extend the value of these investments.

VISIBILITY
Automated solutions should deliver the analytics and reporting that your AR department needs, while empowering users to create custom dashboards that graphically display important metrics and KPIs. Ideally, decision-makers should be able to access information from a mobile device at any time.

SECURITY
The threats to sensitive financial data are well-documented. Carefully evaluate the safeguards that prospective solutions have in place for ensuring chain of custody, tracking transaction history, enforcing separation of duties, providing full process transparency and securely retaining documents per your retention requirements.

CONCLUSION

Digital technologies transform the AR process end-to-end by eliminating manual, paper-based processes; aggregating, processing and posting payments and remittances details in any format from any delivery channel; facilitating online collaboration between customers and internal stakeholders; prioritizing tasks based on historical insights; and enhancing visibility and reporting. Automation not only makes AR processes and more efficient, it helps a business grow.

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ABOUT THE SPONSOR

This white paper was sponsored by Esker.

Esker is proud to provide a best-in-class AR automation software solution. Organizations of all sizes and across all industries use Esker solutions to drive added value in business processes such as order management, accounts payable, purchasing and more. Founded in 1985, Esker serves more than 11,000 customers globally, from small to mid-sized businesses and large corporate entities. Esker's global headquarters are in Lyon, France, and U.S. headquarters in Madison, Wisconsin.

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