

Building Strategic Accounts Receivable

Optimizing Accounts Receivable (AR) with Strategic AR Automation Software

Q1 2017 | Featuring insights on...

- » Current Market Trends in AR Management
- » The Benefits of AR Automation for Organizations
- » Features and Functionalities of Strategic Collections Management Platforms

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Introduction

For today's accounts receivable (AR) departments, AR automation software helps automate collections and payments management with electronic invoice presentment and payment (EIPP) tools. Some solutions even complete the invoice lifecycle by integrating a payments tool with a customer-facing portal. By eliminating paper invoices, these solutions help organizations reduce processing costs and Days Sales Outstanding (DSO) in their AR departments. However, today's innovative organizations seek AR automation that delivers more power and transparency, ultimately creating efficient processes that bring strategic value to the entire organization.

The key to efficient, strategic AR is to connect the basics of AR automation—an EIPP system and a payment portal—with a dynamic employee-facing collections management tool. Rather than only providing status updates on invoices and payments, this tool brings real strategy to the AR process. By operating similarly to a sales management tool, it provides full visibility into current AR processes and allows users to optimize these processes to improve collections efficiency and cash flow.

This whitepaper outlines the top AR goals of today's organizations, and shows how these companies can focus on more than simply eliminating paper invoices. It highlights the features and functionality of strategic, holistic AR software that allows organizations to drive value to the AR department.

AR Management Today

Accounts receivable automation has many benefits for companies' credit and collections teams, including the ability to reduce DSO, inspiring many companies to adopt an AR tool. However, PayStream has found that companies have varying degrees of automation in their AR departments, and that few are operating with a truly holistic system. PayStream's market research has found that just over one-third of companies are using or planning to use an EIPP solution, see Figure 1.

eInvoice Presentment and Payment Solution Usage

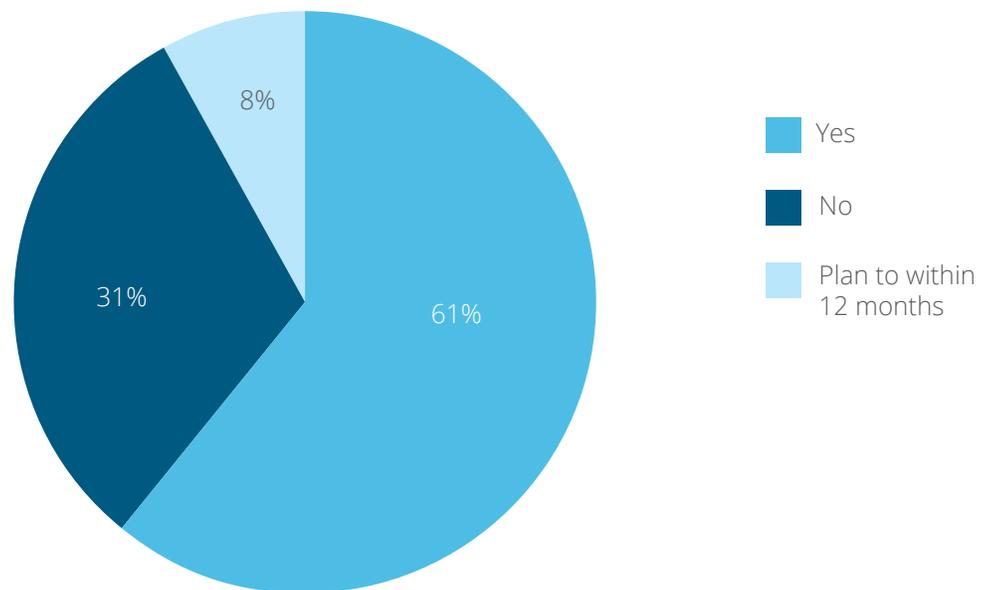


Figure 1

Only One-Third of Companies Are Using EIPP Technology

"Has your AR department implemented an eInvoice presentment and payment solution?"

Check payments have been a prominent B2B payment method for several decades, and it is the preferred method for many companies, followed by ACH payments. However, manually-driven payment methods like check and ACH lead to a variety of challenges for organizations, including high processing costs, late payments, and missed discounts—which can cost organizations millions each year.

While a sizeable percentage of companies are using an EIPP solution, not all of those companies have a fully automated AR process. Almost two-thirds of respondents use an EIPP tool that cannot make payments, see Figure 2.

Companies Able to Process Payments Through Their EIPP

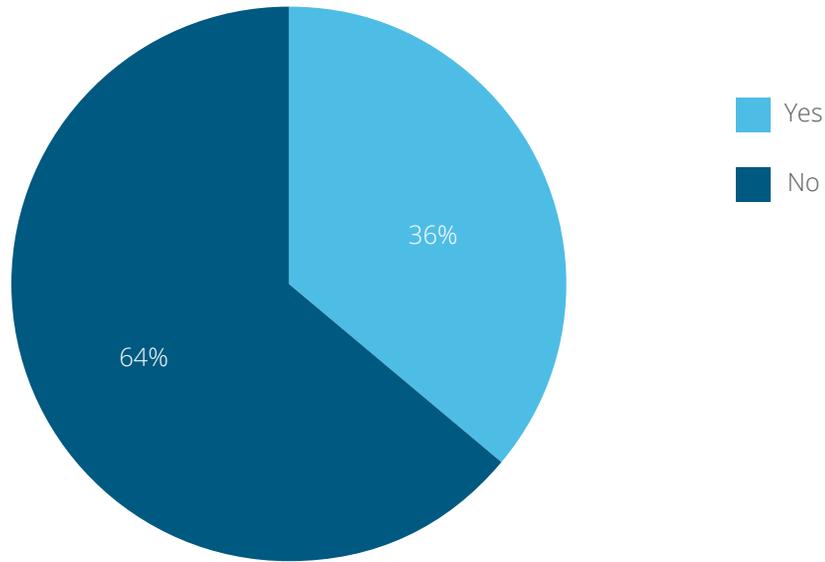


Figure 2

Most Companies Are Not Making Payments with Their EIPP Tool

"Is a payment received and processed by your EIPP system before being sent to your payment processor (i.e., bank, credit card company)?"

When organizations do not use a holistic AR solution, they typically rely on spreadsheets, printed reports, or a makeshift field in their ERP system to help manage AR processes. However, tools like those do not help AR staff communicate with customers, maintain consistent payments, or reduce DSO. These methods offer little transparency into the state of collections, and do not identify process inefficiencies or bottlenecks.

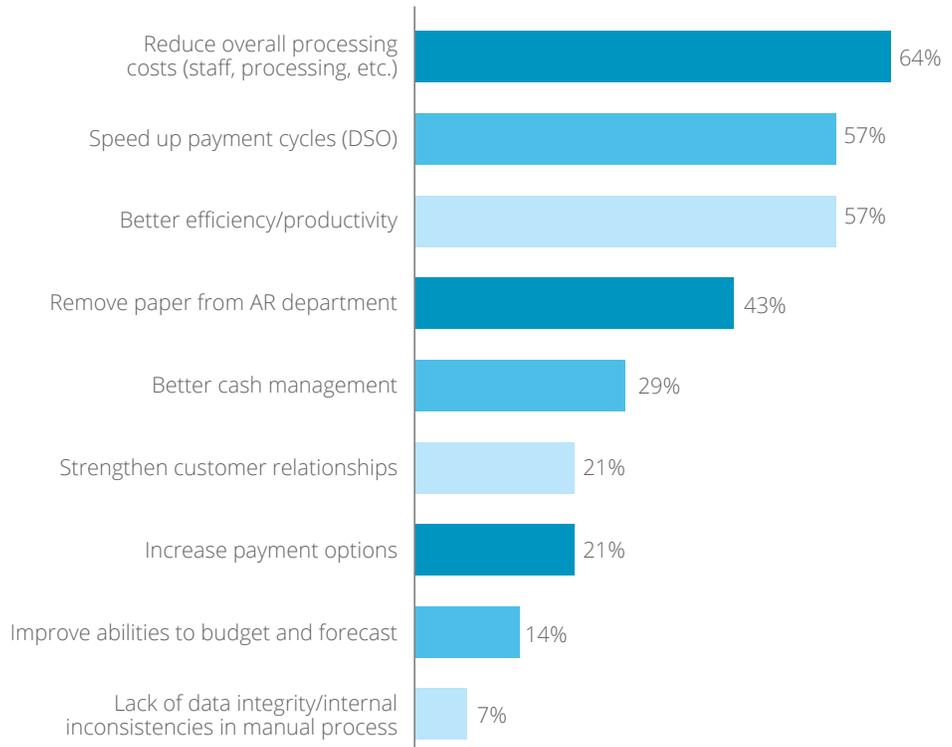
PayStream has found that most organizations automate their AR processes in order to minimize processing costs, reduce DSO, and increase efficiency and productivity, see Figure 3. When organizations use an ERP system or spreadsheet for collections, they accomplish none of these goals; when they use a basic AR solution, such as a simple EIPP tool, they can accomplish the goals of reducing processing costs and DSO. However, many AR solutions fall short when it comes to the third goal—improving efficiency and productivity. This is because a basic AR or EIPP solution simply automates the basics of the AR process without helping AR employees strategically optimize the collections process.

Figure 3

Organizations’ Adopt EIPP to Increase Productivity and Efficiency in AR

“What are the top three factors driving your enterprise to focus on electronic invoices?”

Factors Driving Focus on Electronic Invoices



Many aspects of collections management are lacking in a solution that only offers a basic EIPP tool or payment portal. To improve efficiency and productivity, cash management, and customer relationships, companies must view AR as more than a collections department—instead, AR should be seen as a strategic team of cash management professionals. To enable this team, organizations can use a three-part AR tool that combines EIPP technology and a customer portal with a strategic collections management tool. The following section outlines some of the features and functionalities found in holistic AR solutions.

Strategic AR Automation

What does a strategic AR solution look like? For many professionals, it will resemble another familiar business tool—sales management, or Customer Relationship Management (CRM), software.

CRM solutions allow sales and management professionals to consolidate their sales opportunities, communications, and projects into one platform. CRM users can prioritize sales opportunities to produce the greatest return and increase company revenue. In the same way, a strategic AR solution allows AR professionals to optimize all outstanding invoices in a way that will not only improve collections and DSO, but also maintain healthy customer relationships. With full visibility into invoice lifecycles, dynamic tools for customer outreach, and collections prioritization capabilities, these solutions increase the productivity of AR employees individually, and of AR departments as a whole.

Strategic AR solutions typically provide a three-part platform that brings AR departments many features and benefits, including:

High-Level Automation. A key difference between basic and strategic AR solutions is that a strategic solution automates as many non-value-added tasks as possible, freeing AR staff to resolve more complicated issues and analyze Key Performance Indicators (KPIs) to improve processes.

For example, the AR solution can be configured to automatically send initial invoice emails and payment reminders, while still customizing the notices for different customers. Often, these emails include a link to the payment portal, driving more immediate payments. These automated processes reduce the need for AR staff to call customers to track down payments. These emails and other customized tasks can be set up either at the solution's implementation and whenever a new customer is added to the system.

A Self-Service Portal. The customer-facing portal is often branded according to the seller's preferences, and offers customers many self-service tools. It displays outstanding invoices and previous payments, and allow customers to pay invoices, download invoice copies, and ask questions to the seller. The portal is also often integrated with an electronic payments processor that will enable customers to quickly and easily pay invoices via ACH and/or credit card.

Employee-Customized Dashboard. Accounts receivable team members can perform collections management activities from a dashboard that is tailored to their roles and clients. This dashboard shows collections statuses, invoice aging reports, call logs, collection calls needed, and other important AR summary items. Staff can drill down further into these items as needed.

One of the most important benefits of these dashboards is in the way that they handle prioritization and preparation during the collections process. Accounts receivable staff can spend a significant amount of their time organizing outstanding collections items, determining which need to be addressed first and what actions need to be taken. A strategic AR tool handles this preparation stage for the team, providing easy visualization of all the most important tasks and information on the collections management dashboard. Accounts receivable professionals can customize this prioritization using certain parameters, such as days late, invoice type, or invoice amount.

Process Transparency and Communication Tools. With a collections management tool, employees can communicate with and assign activities to other team members to keep processes moving and reduce bottlenecks. The solution allows AR managers to create and assign tasks to different employees, or to request assistance on a stalled invoice payment. The solution also documents all communication and tasks, allowing organizations to identify where process bottlenecks are arising and improve processes going forward.

Process Analytics and Reporting Tools. Just as a Vice President of Sales uses a CRM tool to look beyond sales numbers, strategic collections reporting tools allow AR managers and C-Level executives to look beyond how quickly an invoice is paid. A collections management platform's reporting tools allow users to see the underlying metrics that affect payment times and process efficiency. It shows KPIs that enable organizations to improve their collections strategies, including factors like response times, how many calls were needed for a client or invoice versus how many were actually made, and which clients pay late most often. These tools also allow clients to run root cause analyses to identify process bottlenecks and errors and give users the ability to assign reasons to these issues, such as why invoices are late past a certain point. The solution then summarizes these issues on a graphical dashboard.

Accounts receivable is typically a large asset on the balance sheet, but often one of the most inefficient back-office processes. However, with a strategic AR solution that combines CRM-like collections management, EIPP, and a customer portal, organizations can improve processes, reduce costs, and bring value to the AR department.

The following profile highlights the offerings of a provider of strategic AR automation software.

About the Sponsor

Esker is a French business software firm founded in 1985. The company has a global presence that reaches across North America, Europe, Australia, and Asia, and its solution is built to support international companies with multiple languages and ERP systems. Esker's offerings include tools for procurement and purchasing, AP management, supplier management, and payments. The company also recently acquired TermSync, a cash collection and AR management platform.

Esker's TermSync's AR platform includes an EIPP tool, a customer-facing invoice payments portal, an online credit application tool, and a strategic collections management platform. The company has taken a CRM-like approach to its AR platform, automating AR's most time-consuming tasks while enabling staff to optimize their collections management processes.

Esker reports an average of 29 percent reduction in DSO for clients that have used the TermSync platform for at least 6 months. It also reports that its clients' AR departments have been able to manage more accounts per staff member after adopting it. Esker offers month-to-month contracts for new TermSync customers so that they can become acclimated to the solution before making a long-term decision.

About PayStream Advisors

PayStream Advisors is a research and advisory firm focused on business process automation in sourcing, supply chain management, procurement, accounts payable, payments, and expense management. PayStream's team of experts provide targeted research and consulting services to address the changing needs of finance and procurement professionals. In short, PayStream is dedicated to maximizing returns and minimizing risks associated with technology investment. PayStream's research reports, white papers, webinars, and tools are available free of charge at www.paystreamadvisors.com. PayStream Advisors is a division of Level, an IT consulting firm specializing in technology strategy, design, architecture, and DevOps.