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RECEIVABLES MANAGEMENT | CORPORATIONS

4 WAYS INTEGRATED RECEIVABLES MANAGEMENT FIXES BROKEN ACCOUNTS RECEIVABLES PROCESSES

Receivables management is critical to a corporation's liquidity and customer relationships.

EXECUTIVE SUMMARY

BUSINESSES ARE DEMANDING MORE OF THEIR TREASURY DEPARTMENTS

Inefficiencies in invoicing, collecting funds, resolving disputes, collecting past-due payments, managing credit risk, and responding to billing and collections inquiries strain client relationships.

And a corporation's effectiveness in resolving deductions, forecasting cash, and managing credit lines and alternative funding sources has a significant impact on its liquidity and risk management.

Yet the receivables processes at most corporations cost too much, take too long, generate too many exceptions, provide inadequate visibility, and negatively impact valuable customer relationships.

New payment channels and payment vehicles combined with increased regulatory demands are ratcheting up the challenge of effectively processing and posting payments and receivables.

This paper details the challenges corporations face in managing receivables, shows how integrated receivables accelerates working capital with straight-through processing across payment channels, and illustrates the benefits corporations achieve by deploying integrated receivables technology.

It is no wonder that receivables management is extremely labor-intensive. Corporations spend a staggering $89 billion annually on internal staff and services to manage their receivables.

RECEIVABLES ARE "BROKEN"

Despite its critical importance, receivables management is often a fragmented and decentralized operational activity. As an example, large property management companies may collect payments at its properties. In a fragmented accounts receivable environment – which may be divided by product, market or segment – technology and competencies are not scaled and activities are typically operational, with limited use of data for automation, governance and value-added analytics.

It is no wonder that receivables management is extremely labor-intensive. Corporations spend a staggering $89 billion annually on internal staff and services to manage their receivables. The fragmented and decentralized nature of receivables management also helps explain why more than 65 percent of corporations cannot post more than 20 percent of their payments straight-through.

Making matters worse, changes in receivables management have created additional challenges:

- New invoicing and payment channels
- The emergence of online purchasing portals
- Extended payment terms and the need for supply chain financing
- Limited capital budgets for receivables automation sales can be lost due to poor billing and accounts receivable processes, according to corporations surveyed by the firm.

As a result, the receivables management function at many corporations is "broken."

As a result, the receivables management function at many corporations is "broken," says Dave Robertson, managing director of research and advisory firm Novantas, Inc. Consider the insurance industry, where billing and payment satisfaction is a major driver of overall customer satisfaction, with a weighting roughly equal to that of price, product and service.

But many of the nation's largest insurers receive low marks from customers when it comes to billing and payment satisfaction, according to JD Power & Associates data for the top 20 U.S. insurers. no consistent processes for follow-ups, and no configurable time frames or workflow rules for dealing with invoice tracking and delivery issues.

JD Power Rankings by Competitor	Overall Satisfaction	Billing / Payment	Price
State Farm	★★★★★	★★★★★	★★★★★
Allstate	★★★★☆	★★★★☆	★★★★☆
Prudential	★★★☆☆	★★★☆☆	★★★☆☆
AIG	★★☆☆☆	★★☆☆☆	★★☆☆☆
John Hancock	★★☆☆☆	★★☆☆☆	★★☆☆☆

Source: JD Power & Associates (sample excerpt of 20 firm rankings)

"Receivables staff are so consumed with resolving exceptions that they cannot focus on value-added activities such as alternative funding options and revenue optimization," Robertson explains.

Robertson notes that insurers risk losing customers to competitors as a result of ineffective billing and payment processes. As a result, more corporations focus on scripting the customer journey through billing and payment.

Robertson adds that even small businesses face big challenges in managing receivables. Ineffective receivables processes create pain across the order-to-cash cycle, including generating and delivering invoices, monitoring and resolving disputes, receiving payments and remittances, posting cash, reconciling receivables and banking data, forecasting cash, and analyzing revenues and costs.

Ineffective receivables processes also have downstream implications for the liquidity management value chain, Robertson notes. Ineffective receivables processes make it hard to determine account structures, conduct cash positioning, prepare forecasts, analyze cash position, assess payment types, track transactions, integrate data with legacy systems, or assess the execution of account structures.

"Receivables staff are so consumed with resolving exceptions that they cannot focus on value-added activities such as alternative funding options and revenue optimization," Robertson explains.

What's more, significant payment infrastructure changes are underway that will pose new receivables problems for corporations, Robertson warns. Without flexible, scalable and extensible financial operations, billers will be hard-pressed to navigate these disruptive changes.

For many corporations, these challenges are complicated by mergers and acquisitions, the need to integrate with multiple enterprise resource planning (ERP) platforms, and increasing globalization.

What's more, significant payment infrastructure changes are underway that will pose new receivables problems for corporations, Robertson warns. These payment infrastructure changes include: real-time payments, interoperability, mobility, electronic commerce networks such as Amazon and Alibaba Group, and the consumerization of billing and payments. Without flexible, scalable and extensible financial operations, billers will be hard-pressed to navigate these disruptive changes.

The Solution

Corporations are under pressure to improve their billing and payment experience, while enhancing cash visibility. Robertson says that "fixing" receivables management requires corporations to:

- Support all payment channels
- Support all payment vehicles
- Meet functional requirements for payments, receivables and treasury with a single platform

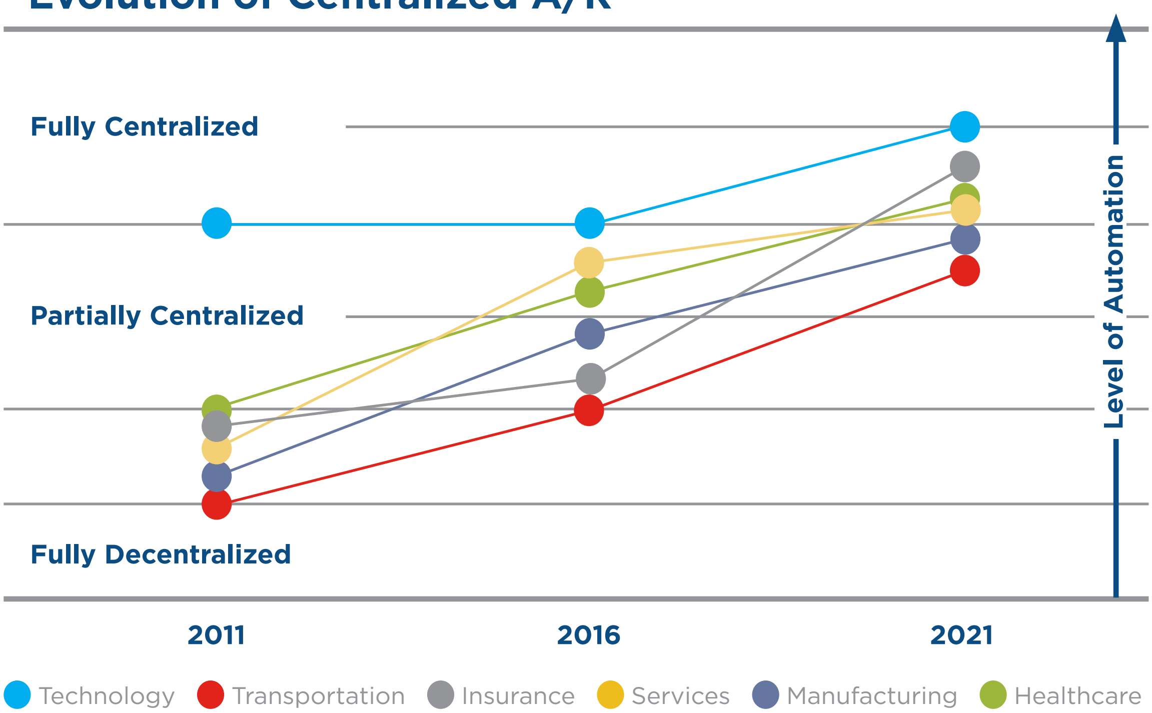
Accomplishing all this will require integration, automation, enhanced workflow, and analytics, says Robertson. More corporations are addressing these challenges by migrating to an integrated receivables environment that delivers enhanced intelligence and control, including:

- Capture and enrichment of relevant data from any site, including lockboxes, field offices, sales agents, delivery drivers and remote sites
- Normalization of data across payment channels and payment vehicles
- Digitization of customer correspondence and supporting documentation
- Automation of routine tasks such as matching, exceptions resolution, and cash application
- Enablement of value-added functions such as collaboration and working capital optimization
- Single view of all accounts receivables, payments and collections information
- Greater flexibility for the changing payments landscape

Some integrated receivables systems provide corporations with a wide range of deployment options, including in-house, hosted, and services through a business process outsourcing (BPO) provider.

Robertson notes that corporations already are centralizing their receivables, driven by automation and the need for improved revenue management. By 2021, the transportation, manufacturing, insurance, healthcare and services industries will have at least partially centralized their receivables function, and the technology industry will have fully centralized receivables, Novantas research shows.

Evolution of Centralized A/R



Source:
Novantas Analysis

Centralizing finance functions such as treasury and payables has enabled corporations to scale expertise and invest in automation and analytics to unlock efficiency and value-added activities.

Integrated receivables brings those benefits to the payments and receivables management.

4 Key Benefits Integrated Receivables Provides

Integrated receivables management provides corporations with four significant benefits:

1. **Increased efficiency:** Automating the receipt of purchase orders, payments and remittances via any paper or electronic delivery channel eliminates fragmented receivables processes, ensures 360-degree visibility into receivables, and provides customers with a migration path to more efficient electronic document submission. Integration with a single ERP system or multiple ERP systems facilitates automated decisions for accepting, rejecting or suspending transactions and matching information. "A lot of pain occurs at the end of the receivables process when corporations have to deal with disparate data and systems that don't talk to one another," Robertson says. Predefined and custom workflows route transactions to multiple points or approval queues for faster cycle times. Intercepting exceptions "in-line" at the point of capture combined with automated data lookups and on-line tools for resolving disputes and processing exceptions eliminate the back-and forth e-mails and phone calls required in paper-based environments, reduce posting delays, enhance customer service, and increase visibility into the status of receivables. Some corporations have reduced their exceptions processing time by 50 percent, and achieved a similar reduction in staff, as a result of deploying integrated receivables. Team productivity metrics such as volumes, exceptions rates keep operations on track. And automating cash application decreases the manual data entry and opportunities for misapplied payments because of keying errors.

2. **Revenue lift:** Automated multi-channel receipt, exceptions resolution and cash application increase the rate of straight-through processing and accelerate receivables cycle times, which, in turn, reduce DSO. On line tools for resolving disputes and processing exceptions help reduce unauthorized discounts. Applying cash faster frees up constrained credit lines. Dashboard views provide stakeholders with valuable business insights. And enhanced forecasting and receivables metrics improves working capital decision-making. "Getting control over accounts receivables enhances forecasting accuracy," Robertson notes.

3. **Risk reduction:** 360-degree visibility into payment receipt, exceptions resolution, and cash application enables corporations to more quickly identify receivables at risk. Integrated receivables platforms also provide a complete audit trail history, parameter-driven retention of audit information, and the ability to filter audit information by user, action, date ranges and more. Most systems also generate reports and extracts of audit information. And instant access to complete receivables data facilitates better management of customer credit risk.

4. **Strategic:** Automating the management of receivables makes it easier for corporations to centralize receivables processes and buyer relationships. A consolidated dashboard view of receivables information with graphical breakdowns of accounts and payment information across date ranges and entities enhances decision-making. The insights delivered by integrated receivables platforms help corporations expand into new geographic markets and verticals, speed time-to-market, scale with demand, and cut costs. Additionally, integrated receivables improves customer service satisfaction by empowering agents to look up payments directly from a billing system and resolve inquiries in one call. Receivables automation also accelerates a corporation's ability to integrate newly acquired entities. And aggregating receivables information enables faster investment decisions and facilitates alternative funding sources such as factoring. Freeing up credit through faster cash application also increases buying capacity for business-to-business clients.

Multi-channel Payment Receipt → **Resolve Exceptions** → **Apply Payment**

Customer Payment Flexibility	Service and Dispute Resolution	On-line Exception Processing	Monitor Client Risk	Forecast A/R	Report A/R Metrics

EFFICIENCY

- Reduce errors in application of cash
- Automate cash application
- Accelerate resolution of exceptions and disputes
- Reduce paper via migration of customers to electronic PO's payments and remittances

REVENUE LIFT

- Reduce unauthorizes discounts
- Free up constrained credit lines via faster application of cash
- Improve DSO through enhanced receivables management

RISK REDUCTION

- Faster identification of at risk receivables
- Enhanced credit risk management via faster/better info

STRATEGIC

- Accelerate ability to integrate newly acquired entities
- Improve ability to centralize receivables and buyer relationships
- Improve ability to factor receivables as alternative funding source

CASE STUDIES

HERE IS HOW THREE REAL-WORLD CORPORATIONS HAVE BENEFITED FROM DEPLOYING INTEGRATED RECEIVABLES:

A $1 billion-revenue corporation deployed integrated receivables and reduced its DSO by three days, improved its cash application rate from 72 percent to 92 percent, slashed the percentage of unauthorized deductions taken by customers by 50 percent and lowered its bad debt expense by 25 percent. It also achieved a $4 million revenue lift and a $5.4 million efficiency gain. Overall, the corporation has a earned a 325 percent return on its investment.

A $250 million-revenue corporation reduced its DSO by seven days, improved its cash application rate from 54 percent to 88 percent, and slashed the percentage of unauthorized deductions taken by customers by 50 percent as a result of deploying an integrated receivables platform. What's more, the technology provided the corporation with a $2 million revenue lift and a $1.7 million efficiency gain. As a result, the corporation has achieved a staggering 480 percent return on its investment in integrated receivables.

A $25 million-revenue company deployed an integrated receivables platform and reduced its DSO by 11 days, improved its cash application rate from 78 percent to 94 percent, slashed the percentage of unauthorized deductions taken by customers by more than 75 percent and reduced its bad debt expense by 33 percent. Integrated receivables also helped the company achieve a $500,000 revenue lift, a $300,000 efficiency gain, and $100,000 reduction in risk. Overall, the company has achieved a 300 percent payback on integrated receivables.

INTEGRATED RECEIVABLES PROVIDES BENEFITS, REGARDLESS OF A CORPORATION'S SIZE OR INDUSTRY.

Integrated receivables enables corporations to increase efficiency, achieve higher revenues, reduce risk, and achieve strategic objectives with straight-through-processing across all payment channels and payment vehicles.

THE BOTTOM LINE

Corporations have too much riding on their receivables processes to rely on fragmented, decentralized processes. The proliferation of payment channels and payment vehicles, combined with increasing regulatory demands, are making the challenge even greater. Integrated receivables enables corporations to increase efficiency, achieve higher revenues, reduce risk, and achieve strategic objectives with straight-through-processing across all payment channels and payment vehicles. Importantly, the technology empowers staff with the intelligence they need for value-added activities that will drive a corporation's competitive standing, regardless of the market conditions.

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Industry-leading companies rely on Deluxe Treasury Management Solutions to accelerate working capital, improve straight through processing, better serve their customers, control costs and drive profitable growth with in-house or outsourced offerings for receivables management, remote capture, treasury management onboarding and payment processing services.