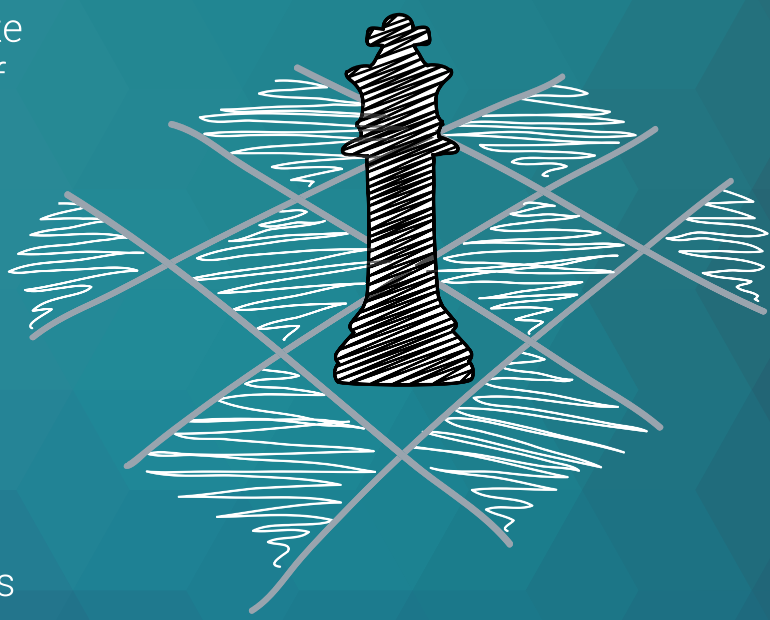
15 MINUTE READ TIME

8 ACCOUNTS RECEIVABLE MANAGEMENT STRATEGIES TO MAKE YOUR PROCESS BEST-IN-CLASS

INTRODUCTION

The impact of accounts receivable (AR) on business success is unquestionable. Not only is it one of an organization's largest assets, it deals directly with a different type of asset that doesn't show up on the balance sheet — customers. So why then, do so many organizations still run their AR processes like it's the mid-90s?

You have to admit, it is a bit ludicrous. Despite its vital importance, AR is consistently one of the most under-resourced and operationally outdated business processes. One recent study found that 50% of all businesses still use manual processes for managing their receivables[1].



Fortunately, as this eBook will explore, the reason for AR's stasis isn't an unsolvable problem; on the contrary, the strategies for overcoming these challenges are as simple as they are sensible, and any business can do them.

[1] Automating AP/AR Financial Processes — User Feedback on the Real ROI. (2014). AIIM. PDF file.

8 ACCOUNTS RECEIVABLE MANAGEMENT
STRATEGIES TO MAKE YOUR PROCESS BEST-IN-CLASS

1. Embrace Technology
2. Go Beyond DSO to Maintain Accountability
3. Push for e-Invoicing
4. Confirm Invoice Receipts
5. Follow Up Early & Often
6. Optimize Team Efficiency
7. Offer Self-Service Tools
8. Use Root-Cause Analysis

WHAT'S AT STAKE?

The fact that AR is behind the times isn't always obvious, given that most organizations have an ERP system in place providing basic electronic workflow functions. The problem is, these tools can only systematize so much. Without a more robust solution to minimize manual tasks across the board, it can mean:

1. Higher operational costs
2. Lower staff productivity
3. Increase in Days Sales Outstanding (DSO)
4. Greater risk for regulatory non-compliance
5. Lengthened dispute resolution
6. Limited control over post-sale collections interactions
7. No visibility for data tracking or reporting
8. Decreased customer satisfaction

Ok, enough of the status updates on the current state of AR.
Time to get to the heart of the matter.

WANT TO MANAGE YOUR AR PROCESSES LIKE A BEST-IN-CLASS COMPANY?

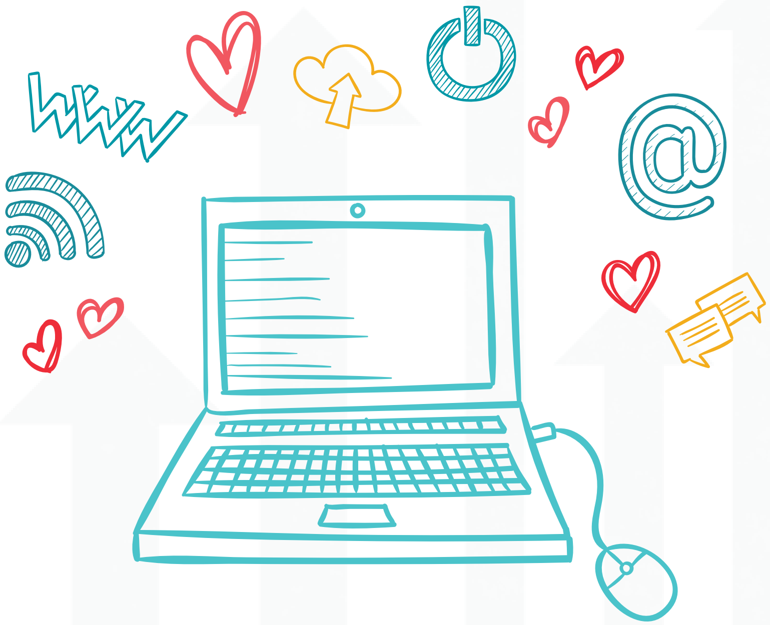
You can't go wrong with these eight strategies …

1. EMBRACE TECHNOLOGY

This strategy is the linchpin that holds all other AR management strategies together. Today, too many AR departments view technology as a threat to their existing staff rather than what it more accurately represents — a highly specialized team member.

Imagine if you had the opportunity to hire someone who could immediately help your AR department **get paid faster, reduce processing costs and improve customer relationships**. Not only that, this employee would improve the productivity of all your staff members and not even need a single day off!

Of course, no employee with a pulse could do this. Thankfully, an automation platform most certainly can. Instead of replacing your current staff, you can automate parts that should be automated, allowing your team to optimize their time on more value-added and business-critical tasks.

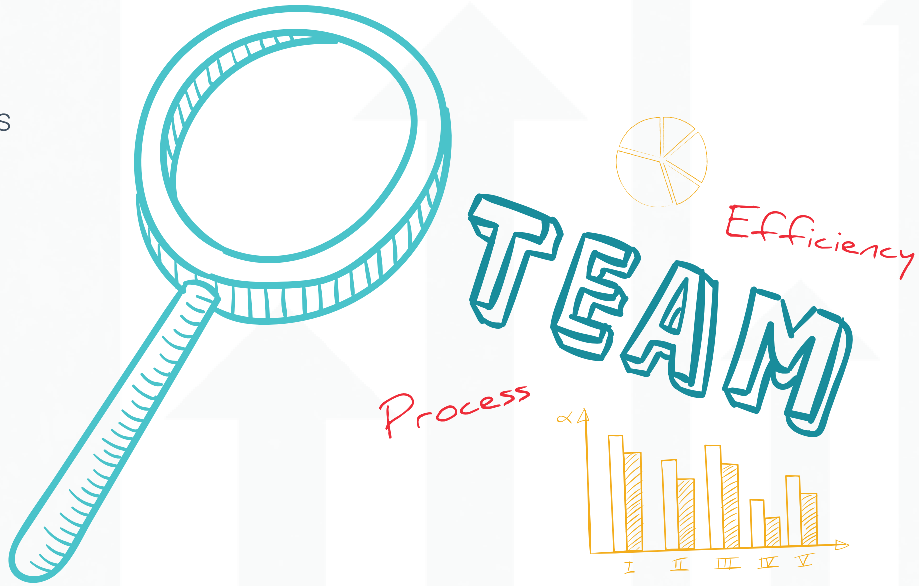


2. GO BEYOND DSO TO MAINTAIN ACCOUNTABILITY

Much like embracing technology, keeping your staff accountable is something that's intrinsic to the success of all subsequent strategies. If you can't measure or monitor how well your staff is implementing a strategy, a lot of value is left on the table.

Using metrics to improve performance is not a new or radical concept. Sales teams don't limit themselves to just tracking the number of sales made the previous quarter — a multitude of underlying metrics are involved. In fact, 83% of sales teams use CRM solution to better manage their workflow[2].

Find ways to go beyond DSO (whether they relate to technology or not) that can help you **track performance, hold your team accountable, and get the results you want**. Examples of this can be seen in the "Key Metric" sections on pages 8-13.



[2] The Adoption Rate Challenge. (2014, March 1). Retrieved April 7, 2015, from http://www.destinationcrm.com/Articles/Columns-Departments/Reality-Check/The-Adoption-Rate-Challenge-94828.aspx

3. PUSH FOR E-INVOICING

Studies have shown that e-invoicing can result in cost savings of 60-80% compared to traditional paper-based processes[3]. With this in mind, it's easy to see why best-in-class companies are abandoning the manual mindset.

What makes this strategy a particularly easy one to enact is that virtually everyone nowadays has email capability and Internet access. The only "work" required to push e-invoicing is going beyond broad objectives (e.g., trying to send less paper invoices), and creating a specific plan to facilitate the transition to e-invoicing.

This can include strategies as simple as:

- **Setting defined goals** (e.g., increasing e-invoice delivery via email by 20% over four months)
- **Collecting accounts payable (AP) email addresses** from all new customers
- **Reaching out to existing customers** in order to convert them from paper to email (make e-invoicing an expectation, not a request)

> Every business has a handful of customers that require paper invoices. The key is to not let the exception become the rule. Each month, track the **% of new invoices delivered via email.**
>
> **KEY METRIC**

[3] Koch, Bruno. "E-Invoicing / E-Billing: Entering a New Era." (June 5, 2015). Billentis. PDF file.

4. CONFIRM INVOICE RECEIPTS

Of all the reasons customers give for making late payments, one of the most commonly heard is "I never received the invoice." Companies at the top of their AR game don't have to worry about this excuse thanks to e-invoicing.

Not only do intelligent e-invoice delivery tools allow users to track invoices from start to finish, they enable them to identify the exact moment when a customer receives the document — something that is virtually impossible in a paper-based system.

What's more, the data can then be used to set up workflow rules. For example, you could teach your system that any unopened invoice (based on when it was sent, dollar amount, customer group, etc.) should show up in a list to your team. They can then reach out to the customer to ensure they received it, eliminating the issue of lost invoices.

This capability **accelerates collection times while also helping your team identify potential problems early** before they snowball into larger issues.

Setting up workflow rules to confirm invoice receipts can work wonders … but only if you also hold your team accountable. We suggest keeping track of the **% of invoice receipts confirmed by [x] number of days.**

KEY METRIC

5. FOLLOW UP EARLY & OFTEN

Limited time and staff make it challenging to notify slow-paying customers on or near their payment due date. However, best-in-class companies have a solution that makes sure they stay on the coveted "vendors who need to get paid on time" list.

Most companies would love to contact their customers before 15-20 days past the due date but can't because of how time-consuming those manual touch points can be. Automation tools allow you to easily achieve on-time payments via automatic friendly payment reminder emails so that no human involvement is necessary.

Payment reminders can be customized to match your company's unique brand and message, giving it a more familiar, personable touch for your customers. The tone of the emails can also be escalated as you see fit.

Did you know? Only 16% of companies have an automated process that sends out a majority of their payment reminders[4]. Sounds like a great opportunity to gain a competitive edge!

Automated payment reminders are great, but you can only use them if you have the AP emails of customers on file. Tracking the **% of new invoices with an AP email address on file** ensures you'll get the most out of your follow-up strategy.

KEY METRIC

[4] 2015 B2B Billing & Collections Guide: 15 Key Benchmark Survey Takeaways, 2015. TermSync. PDF file.

6. OPTIMIZE TEAM EFFICIENCY

Forward-thinking companies rely heavily on technology to improve billing and collections, but they also understand you can't automate 100% of AR. That's why it's critical to make your staff as efficient as possible.

As much as **one-third of an AR representative's time can be spent prioritizing who to call and searching for contact and account information**. Not exactly "time well-spent" for a department that is usually understaffed and strapped for resources.

Fortunately, automated AR management solutions can drastically increase productivity by prompting staff members with to-do lists based on customized rules (e.g., risk levels, account balance, aging, etc.). As a manager, you will know your staff is calling who they're supposed to be calling, and can assign tasks to other team members and departments as needed.

Start tracking the **% of calls made on time**. Not only will it improve team efficiency, it ensures accountability & well-informed decision making.

KEY METRIC

7. OFFER SELF-SERVICE TOOLS

Organizations like to think highly of their "one-of-a-kind" customer service, but facts are facts: Approximately 72% of people prefer self-service over phone or email support[5]. Failure to meet these expectations means fewer satisfied customers.

It makes sense considering the mobile, touch-of-a-button world we now live in. Your customers are no different — rather than speak to a rep or get put on hold, customers would rather make an invoice payment or get a question answered online and on their own time.

For companies, it really comes down to a simple question: Are you easy to do business with? Those who are have self-service tools in place for customers to:

- **View invoice information online**
- **Make payments electronically**
- **Apply credits to open invoices**
- **Sign up for auto-pay functionality**
- **Get questions answered rapidly**

Self-service doesn't mean hands-off for your staff members. Measure the **% of customer questions responded to in one day or less** to make sure questions are getting answered in a timely fashion.

KEY METRIC

[5] North American Technographics Customer Experience Online Survey. (October, 2009). Forrester. PDF file.

8. USE ROOT-CAUSE ANALYSIS

Late payments. Customer disputes. Deductions. Every AR department has certain things they'd like to avoid. But rather than crossing your fingers and hoping for the best, a more effective approach is identifying how a problem starts in the first place.

Using automated AR management tools, your team can identify, track and categorize root causes for late-paying customers, deductions management and other areas.

Over time this data can be aggregated, allowing you to pinpoint customer patterns while improving processes on your end by identifying and fixing any problem areas originating from your department.

Keeping with the trend of team accountability, it's a good idea to track the **% of issues that were categorized**. If your team is only categorizing 30% of late payments, for example, you're not learning all there is to know.

KEY METRIC

CONCLUSION

These eight strategies are excellent starting points for any business interested in achieving best-in-class AR management. But they should be viewed as just that — a starting point.

For best results, we suggest periodically reviewing your process to make sure your approach is on point. This will give you the opportunity to identify additional process improvements that can be made and challenge team members to contribute ideas for improvement.

The bottom line is this: There is nothing overly complex about the strategies outlined in this eBook. Any organization that wants to modernize its AR processes can do so. All it takes is a little help from technology and a willingness to evolve beyond the status quo.

WE ARE TERMSYNC.

TermSync is an Esker company that connects over 400,000 businesses through an intuitive, cloud-based platform.

Operating in tandem with existing workflows and systems, TermSync helps organizations of any size improve customer relations, reduce administrative costs and get paid faster — it's our commitment to bring AR into the 21st century!

TermSync is headquartered in Madison, Wisconsin. For more information about our services, visit www.termsync.com.

ABOUT ESKER

Esker, TermSync's parent company, is a worldwide leader in cloud-based document process automation software. Founded in 1985, Esker operates in North America, Latin American, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin. For more information, visit www.esker.com.

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