Accounts Receivable

Ebook

5 Tips To Light Up Your AR Performance When the Outlook Is Gloomy

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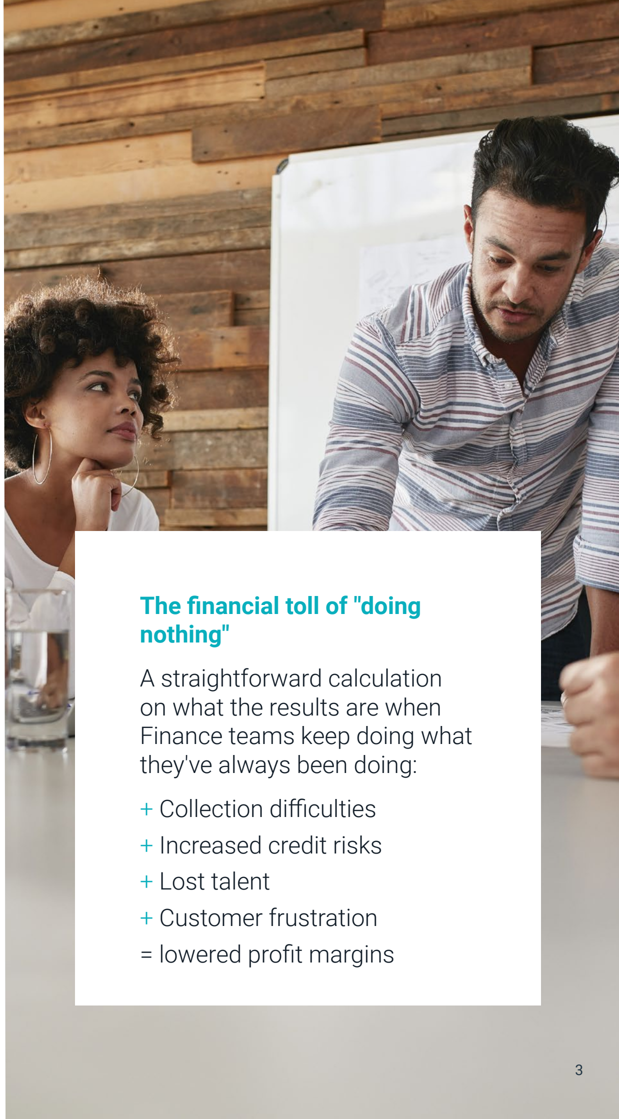
Introduction

Supply chain disruptions, inflation, geopolitical upheavals and the non-stop warnings about economic slowdown: These are the things that keep Finance leaders up at night. Unfortunately, there's no escaping the reality that these disruptions are not just transitory, but very likely just the "new normal."

Yet, businesses are operated by humans, and one of the most human traits is having hope. When faced with difficulties, our minds often create a vision of a better future, however faint that vision might be.

Hoping does not mean wishful thinking. Instead, it provides a goal to work towards, which, in turn, creates a path forward to reach that goal. When you devise a plan, and begin implementing the individual steps, you will most likely start seeing successes. Continuously measuring the progress and celebrating these little successes will reinforce the determination to reach that goal and eventually establish new ones.



The financial toll of "doing nothing"

A straightforward calculation on what the results are when Finance teams keep doing what they've always been doing:

+ Collection difficulties
+ Increased credit risks
+ Lost talent
+ Customer frustration

= lowered profit margins

Adapting to the "new normal"

Optimizing operations to reduce and prevent credit risk is a solid first step to take. This includes focusing on an efficient invoice-to-cash (I2C) process and implementing a solid collections effort. For the biggest impact, other departments such as Sales, Finance and Logistics should ideally be involved too.

Concerning market indicators have businesses turning to automation solutions to improve credit risk assessment and cash collections processes. We hear from various sources — our customers, accounts receivable (AR) professionals and the markets — that the interest in solutions that connect currently siloed processes — both internally (multiple ERPs, CRM) and externally (accounts payable [AP]/customer and regulatory agency portals) — is high.

Additionally, given the context of the current labour market and the need for qualified talent, it is becoming increasingly difficult to hire staff for positions that come with a high degree of repetitive, manual tasks that — let's be honest — can be frustrating, to say the least.

To give you an assist on this journey, we've compiled **5 tips to help AR managers assess their company's cash collections process** and be ready for whatever is coming next.

01

Reinforce credit risk management

A recent European Payment report reveals that 41% of businesses interviewed say that late payments from customers prohibit growth of their company, and 26% state that late payments threaten the survival of the business.[1]

Continually assessing (and reassessing) your customers' credit risk enables you to adjust the collections process and other business decisions accordingly.

This can involve:

- Making the customer onboarding process smooth and simple with easy credit application and review processes
- Staying up-to-date with risk status through alerts and regular assessments

1. European Payment Report. Intrum. June 2022.

How AR automation can help

- With tools that automate the credit review process such as scorecards and approval workflows
- Through credit reviews that are triggered by predefined, customizable events, such as alerts from credit bureaus, blocked orders, exceeded credit limits or for new customers
- By fully digitalizing the credit application and customer onboarding processes to help you understand your customers better and prioritize and control next steps

Be pragmatic with payment collection

Comparative global analyses show that, on average, 43% of invoices are paid late, and nearly 7% of invoice balances are written off completely. This means that only 50% of invoices are paid on time and in full.[2]

Enhance your collections process with fact-based, measured figures to stay flexible and aligned with your strategy when circumstances change for your customers or your receivables situation.

Keep an eye on factors such as:

- Customer credit risk status
- Payment behaviors
- Flexibility of your collections procedures

2. Payment Practices Barometer (WE Atradius, 2022).

How AR automation can help

- AI-supported to-do lists prioritize steps and action items such as collections calls
- Visibility over the entire process, available resources and milestones, lets you keep an eye on the goals and adjust them when necessary
- Enabling management of collections groups based on risk category, with customers automatically (re-)assigned to the appropriate collections group/strategy if their risk category changes

03

Connect your AR team to the business environment

Making sure that money keeps coming in should be a priority for everyone in a company. Effective cross-departmental communication is a key element to a successful collections strategy and requires the right infrastructure so that everyone is on the same page.

Connecting all information flows — from all internal teams involved in the I2C process, customers and external stakeholders such as credit bureaus, insurers and the greater business ecosystem — creates effortless collaboration as well as internal visibility.

How AR automation can help

Internally, by:

- Enhancing cross-departmental visibility (e.g., ensuring that promise-to-pays are correctly logged and viewable in the cash application solution, and displaying blocked orders and suggesting collections calls for blocked customers)
- Facilitating communications and issue resolution with internal conversations, task management and approval workflows
- Promoting collaboration between Sales and Finance departments by integrating various tools like credit risk assessment, Salesforce and mobile applications
- Streamlining the entire customer management process

Externally, by:

- Ensuring connectivity with other IT and business applications that can post and retrieve information and documents from portals of credit companies, customers, governments, etc.
- Providing accurate information from the customer and the ERP, such as credit limits, blocked orders, disputes and received payments
- Enhancing communications with customers through preferred channels like portals, collaborative tools and other features that promote a better customer experience

04

Pay attention to details: small things matter

Generally, a few low-amount invoices or short payments are not a big deal.

However: small + small + small = big

It's not uncommon that bad habits creep in, such as letting a few late or short payments slide. But these bad habits have a tendency to stick. Add to that a case of increasing inflation and a side of market volatility and it becomes imperative to actually collect on outstanding invoices — no matter the amount — rather than just writing them off ...

To break any financially unhealthy habits you should:

- Track invalid deductions
- Be mindful of even small receivables amounts
- Monitor payment behaviors and trends

How AR automation can help

- Configuration of rules to manage deductions such as early payment discounts and short-payment tolerances so that exceptions can be quickly identified
- Root-cause analysis keeps track of "small things" that can lead to big problems
- Human error and inaccuracies are taken out of the equation
- Automated reminders address small receivables amounts "touchlessly"

05

Keep staff happy

It can't be said often enough: Employees are a company's greatest asset. Attracting good people and keeping them needs to be an absolute priority. By providing them with tools that offer visibility and efficiency, and by removing stressors such as disorganization and repetitive manual tasks, your business will have an easier time retaining and recruiting talent.

Providing your people with a sense of accomplishment and motivation creates a positive feedback loop that reduces turnover and allows the business to focus on its mission.

How AR automation can help

- Dashboards, KPI tracking and predictive analytics promote proactive practices and prevent errors
- Connectivity boosts efficiency and effectiveness when collaborating with other teams and stakeholders
- AR team members spend less time chasing down customers and doing rote data entry, and more time doing work that matters and that they enjoy more

Conclusion

When was the last time you heard someone say that managing data with spreadsheets and phone calls was crazy efficient? Just as we no longer use hourglasses and sundials to tell time, efficient cash collections requires present-day tools.

When a company makes strategic and well-considered investments in its digital infrastructure, it can provide ease-of-use, visibility and flexibility into its key business processes. I2C automation solutions strengthened by AI enable effective risk planning and will play a key role in addressing the enormous shifts currently underway in how business is done.

So, don’t give up hope, and start taking some solid steps towards a future in which you have the right tools that help you weather whatever storms come next.

Hi, we're Esker

Founded in 1985, Esker is a global cloud platform built to unlock strategic value for Finance and Customer Service leaders and strengthen collaboration between companies by automating procure-to-pay (P2P) and order-to-cash (O2C) processes.

38

years of experience with 20+ years focused on cloud solutions

1,000+

employees serving 850K+ users & 1,700+ customers worldwide

15

global subsidiaries with headquarters in Lyon, France

€159.3

million in revenue in 2022, with 90+% of sales via SaaS activities

Business success is best when shared

At Esker, we believe the only way to create real, meaningful change is through positive-sum growth. This means achieving business success that doesn't come at the expense of any individual, department or company — everyone wins! That's why our AI-driven technology is designed to empower every stakeholder while promoting long-term value creation.

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