

deluxe®

Thinking big in accounts receivable

Why success at automation requires
an end-to-end approach



Seeing the big picture in AR

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True transformation means streamlining the entire workflow

Automation.

It's the Holy Grail of goals for many treasury management and corporate finance professionals. Companies invest millions of dollars annually, looking for the technology and services that will transform their payment processing from cumbersome and paper-based to sleek, efficient and electronic.

Too often, they're disappointed.

In reality, the accounts receivable (AR) process is complicated. Keeping dollars and data connected is challenging. Much of the technology is misunderstood or oversold.

But one of the biggest factors holding corporations back is their overall approach to receivables.

Simply put, it's too small.

Instead of examining the entire order-to-cash lifecycle, from customer billing to cash application, businesses take a piecemeal approach:

- » The lockbox provider analyzes check receivables
- » The online bill pay service helps streamline consumer payments
- » The cash application team adds software to minimize exceptions
- » The IT team and the ERP vendor get involved to explore new data feeds
- » The bank recommends additional services





Instead of streamlining the entire order-to-cash lifecycle, businesses take a piecemeal approach

Every step makes small, incremental improvements—but there's little cohesion across the entire cycle. As a result, disappointment sets in and projects languish. Gaps appear. Workarounds persist. The true opportunity for automation, efficiency and straight-through processing remains elusive.

Solving that problem is why we're taking an in-depth, under-the-hood look at receivables automation in this guide, with an emphasis on separating the myths from the facts. We'll examine real-world challenges in receivables processing, show how to solve them and explain why taking a big picture, single-platform approach is the right decision for true AR transformation.



Untangling complex receivables cycles and systems

Manual processes, incomplete data and fragmented solutions plague AR teams

Corporations face a number of challenges with receivables processing, from slow cash flow and poor days sales outstanding (DSO) to incomplete data and numerous exceptions.

Few of these issues are new.

In fact, most businesses have taken steps to address their top AR pain points, working with a wide variety of third-party providers, ERP vendors, banks and fintechs.

Point solutions deliver only limited results

For most, the results are lackluster, primarily because point solutions tackle only a small part of the receivables cycle.

For example:

- » A lockbox provider can scan checks, make deposits electronically and standardize data for straight-through processing, but other payment methods still cause issues and exceptions.
- » A tech-savvy bank can apply artificial intelligence (AI) to re-associate electronic payments and remittances, but payments from buyer portals and bill pay services can still require manual work for retrieval.

Plugging numerous vendors and services into the process also adds complexity for AR to manage. Instead of one process for all receivables, each method ends up with its own steps, and usually, its own data feed.

Most efforts center on the ERP or accounting system

Another root cause of dissatisfaction arises from where companies apply solutions. Most organizations center their efforts around their ERP system or accounting platform. They aim to get receivables data into the system as quickly as possible and with the least effort for AR staff. Then, they attempt to apply cash, resolve exceptions,

improve data accuracy, support customer service and feed results to company stakeholders, all from the main ERP platform.

While this represents an admirable goal, it significantly limits the opportunities to streamline, automate and improve the receivables process. In fact, the earlier companies address issues of data accuracy, completeness and ease of use—typically outside the ERP system—the greater their gains.

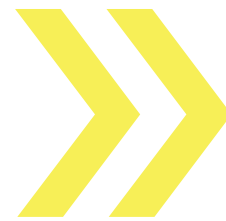
Cloud solutions offer more robust, flexible capabilities

Solutions that work in the cloud, for example, with a software-as-a-service (SaaS) model, offer flexible and robust options that can enhance receivables processing long before information ever reaches the ERP system. Another advantage of pre-ERP data enhancement is the ability to tackle all payment types—electronic and digital—in a consolidated environment. This coordinated approach reduces the vendors and resources required and helps AR tame the chaos that's often rampant at high-volume billers or in complex B2B payment situations.

Sub-optimal receivables processes cause problems for more than just the AR team. They can have a ripple effect across the business. Delays in cash application, for example, can reduce credit availability, hamper new sales and increase customer service issues for repeat buyers. Likewise, electronic payments that arrive without corresponding remittance details can trigger exceptions, trap cash in “unapplied” limbo and increase headaches for AR staff.

It's why businesses are now looking for new ways to inject efficiency and automation across the entire order-to-cash cycle.

Both payers and payees find the current receivables maze costly and frustrating



2/3

of corporations build in additional time to compensate for manual processing¹



1/2

of companies cite high operating costs as a significant challenge²

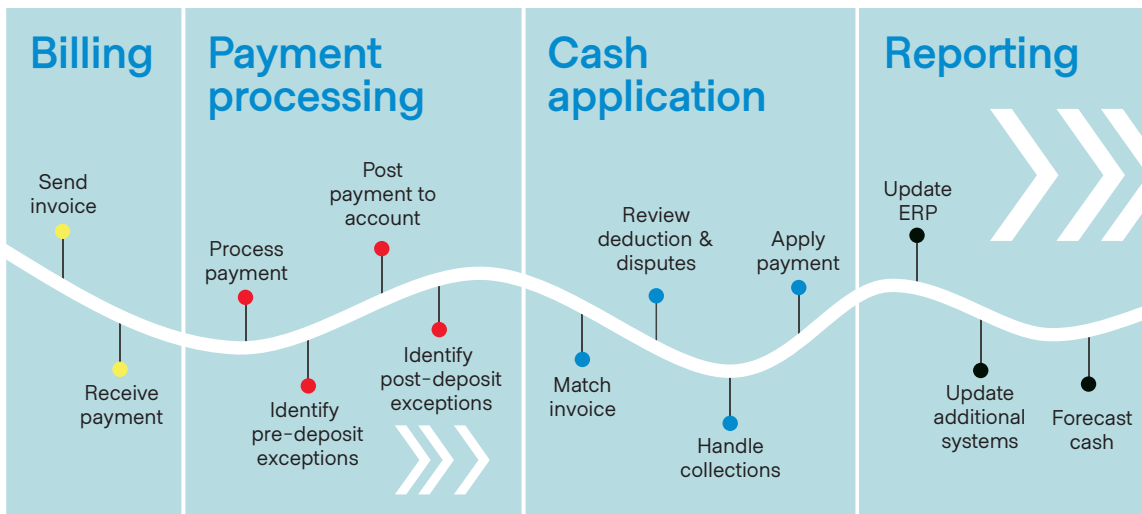
Rethinking the receivables cycle

How to find opportunities, close gaps and transform payments

Today, new providers and innovations give businesses more options. Instead of a fragmented approach to accounts receivable automation, there's opportunity for cohesive, end-to-end integration that can maximize results.

It starts by rethinking the entire order-to-cash lifecycle.

Typical order-to-cash lifecycle



At most companies, every step in the process is ripe for improvement. When viewed end-to-end, however, true transformation is possible.

Discovery requires a cross-functional perspective

Having the right individuals in the room is key. Too often, businesses bring together just a few members of the AR team. These individuals know the issues in their day-to-day work, but have a limited view of the entire experience. That hampers an organization's ability to identify gaps and optimize the flow of dollars and data.

Asking the right questions is also critical. Often, what seem to be minor delays or manual workarounds can have a sizable impact in other areas of the business. For example, an incorrect invoice can result in incorrect payment from the customer and issues with cash application. Likewise, errors made applying payments can trigger issues with cash positioning and forecasting. Understanding these linkages and dependencies across the accounts receivable cycle are key.

A whiteboarding session involving staff from billing, accounts receivable, treasury management, finance and customer service can be eye-opening. Questions like these, along with documenting the steps and time required for each stage of the receivables process, can quickly diagnose and prioritize opportunity areas.

Assess your receivables opportunity

Billing

- » How do you distribute bills and statements to customers?
- » What percentage are still printed and mailed?

Payment processing

- » What channels do customers use for payments?
- » How often does remittance data arrive separately from the payment—or not at all?
- » How quickly do you convert payments to available cash?

Cash application

- » What percentage of incoming receivables require manual activity to post?
- » How do you handle payments where remittance information requires using a buyer portal?
- » How do you verify customer deductions are accurate?
- » What types of inquiries do you receive around billing or payment issues?
- » How do you analyze and prioritize collection activity?

Reporting

- » How easily and accurately can you forecast cash?
- » Can you monitor credit quality and report it easily to stakeholders?
- » How quickly can you deliver analyzed data required for liquidity management?



Banks and payment experts add real-world expertise

It can be helpful to pull in outside expertise. Involving your primary receivables bank or payment experts from key technology providers will provide objective perspectives and real-world experiences from other organizations. It also enables everyone from the finance team to participate fully while the third-party expert facilitates the session.

Streamlining receivables with an integrated approach

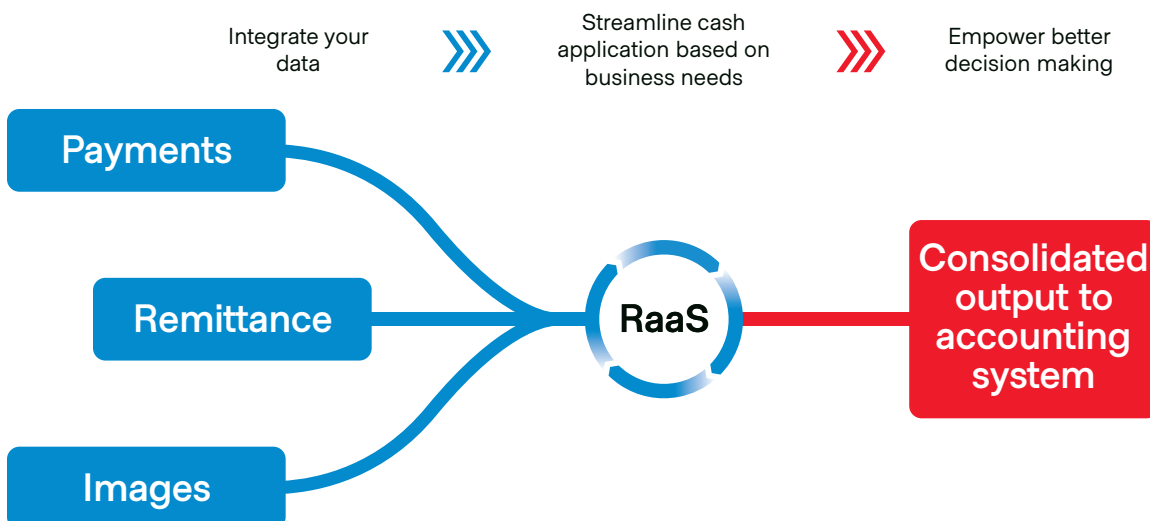
Modern tools leverage AI and cloud computing for unparalleled efficiencies

Injecting efficiency into receivables can seem overwhelming, especially when it requires managing numerous services, vendors and data feeds. Fortunately, fintechs, banks and solution providers are stepping up to the challenge with holistic, cloud-based solutions that take far less effort to implement or oversee.

Receivables as a Service (RaaS) from Deluxe® supports end-to-end automation through a single provider, while giving companies full control of their banking relationships, payment methods and ERP system. It provides a path to transformation so businesses large and small can build on their previous investments—and realize even greater results.

Tackle all payments and remittances through a single hub

The modern RaaS platform from Deluxe acts as a hub for payment and remittance data. No matter where payments originate—in paper or digital format—RaaS can ingest the information. Its intelligent core then optimizes and enhances receivables data to produce a clean, standardized and integrated file that's ready for import to the ERP system.



The powerful business rules and artificial intelligence capabilities in RaaS solve most common AR problems long before the data ever reaches the ERP system. And, the system can tackle multiple payment types and even include remittance data and images. This streamlined approach reduces exceptions, eliminates manual workarounds and accelerates cash application.

Must-have capabilities include data integration and AI

RaaS improves automation and straight-through processing with its ability to:

- » **Integrate data.** Instead of managing a separate channel and data feed for each payment type, RaaS can combine data files for checks and electronic payments. It works with payments from lockboxes, ACH, wire and EDI transmissions, online bill pay services, credit card providers and remote deposit capture. It can even capture check and remittance images.
- » **Re-associate missing remittances.** Stranded payments, or electronic transactions that arrive without corresponding remittance information, cause numerous headaches and delays. RaaS uses powerful AI capabilities to extract remittance data from emails, PDFs and other sources to improve accuracy and accelerate cash application.
- » **Match open invoices.** Intelligent capabilities enable RaaS to swiftly match incoming payments to a company's open invoice file for greater straight-through processing and swift, accurate cash application.
- » **Correct errors and omissions.** The more payments that route through the RaaS platform, the smarter it becomes. Its AI tools routinely identify duplicate data and amend common errors that can derail processing.

The solution can also incorporate step-by-step expert guidance from the Deluxe Advisory Services team. Receivables is just one of the places this team of experienced payment and technology leaders apply their skills. Working together, they help businesses and banks assess and prioritize opportunity areas, then create the most efficient path forward to achieving organizational goals.

Receivables growing in strategic importance to businesses, customers

Companies of all sizes now recognize the important role an efficient, intuitive and automated order-to-cash cycle plays in their business. From a positive customer experience to stronger cash flow and decision-making, taking the time now to create the right foundation will only fuel smarter growth and new opportunities in the future.





Automate your receivables processing and fuel stronger decisions

Learn more about optimizing your receivables with Receivables as a Service.

Contact your Deluxe representative or visit www.deluxe.com/payments/receivables-management/

Deluxe, a Trusted Payments & Business Technology™ company, champions business so communities thrive. Our solutions help businesses pay, get paid, optimize and grow. For more than 100 years, Deluxe customers have relied on our solutions and platforms at all stages of their lifecycle, from start-up to maturity. Our powerful scale supports millions of small businesses, thousands of vital financial institutions and hundreds of the world's largest consumer brands, while processing more than \$2.8 trillion in annual payment volume. Our reach, scale and distribution channels position Deluxe to be our customers' most trusted business partner. To learn how we can help your business, visit us at www.deluxe.com, www.facebook.com/deluxecorp, www.linkedin.com/company/deluxe, or www.twitter.com/deluxe.

1. <https://www.pymnts.com/news/b2b-payments/2020/study-manual-ar-processes-slow-payments-collection-by-as-much-as-67-percent/>
2. <https://www.pymnts.com/study/b2b-payments-innovation-readiness-report-american-express-september-2020/>



