



Digitize and automate AR processes to free up working capital, boost employee productivity and improve the customer experience

by Antora-Fani Dima, Business Intelligence Specialist



**TRANSFORM  
YOUR ACCOUNTS  
RECEIVABLE**

# Contents

---

- 2 Executive summary
- 3 The state of Accounts Receivable
- 4 The root causes of AR challenges
  - Multiple, incompatible and inflexible systems
- 5 Costly and inefficient manual and paper-based processes
- 6 Drivers for change
  - B2C - customers want an array of invoice delivery options
  - B2B - buyers seek efficiency gains for their AP process
  - B2G - government regulations
- 7 Transform your Accounts Receivable
  - What technology is needed
- 8 Conclusion

---

*Better cash flow management, evolving customer preferences and process efficiency gains are pushing organizations to rethink their Accounts Receivable in a strategic way.*

---

## About Objectif Lune (OL)

OL is the largest global independent software creator specialized in Automating Business Communications. We provide tools for document design and composition, business process automation (BPA), multi-channel output management and capture / eForms. Our solutions produce communications that are personalized, relevant and consistent in batch, on-demand and interactive to achieve a better customer experience - the key driver of business growth in the digital age of the consumer.



# Executive summary

---

Accounts Receivable (AR) management is central to an organization's long-term success and that's why AR departments are under constant pressure to optimize their processes. Strategic goals are to shorten invoice-to-cash cycles, reduce costs, improve process visibility and release additional liquidity. Furthermore, changing customer preferences and government expectations are putting an additional strain on systems and processes.

Minimizing the reliance on manual, inefficient and paper-based processes, which lie at the core of AR inefficiencies, is high on the agenda. AR departments are looking at flexible technology to help them streamline their processes, empower their employees, and extend the functionality of core systems.

**This presents an opportunity for AR departments to recast themselves in a strategic role as a value-creation center by freeing working capital and actively contributing to the improvement of the customer experience.**



# The state of Accounts Receivable

Financial operations are an integral part of any organization and they are often at the center of process improvement initiatives. Accounts Receivable (AR) are ranked high on that list because they are one of the most important business assets. As the process that facilitates payment collection, AR is central in any effort to improve cash flow management and financial forecasting.

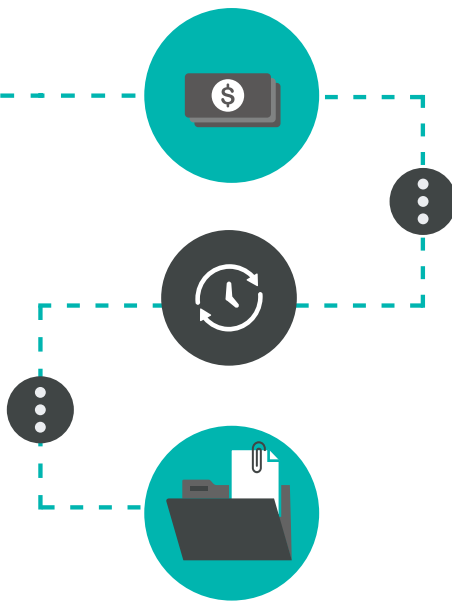
AR teams are busy with many activities that, when optimized, not only benefit the AR process itself but the organization as a whole. These activities include credit management, invoicing, tracking aging reports and payments, sending reminders, dispute resolution, maintaining accurate customer master data, cash application, payment collection, etc. As with all highly repetitive tasks, relying on outdated paper-based processes and manual intervention results in delays, high costs, errors, limited process visibility and the inability to support a consistent brand to customers.

Despite the well-documented disadvantages, most businesses rely on paper and manual processes to carry out their AR activities, seriously hindering their ability to invoice and collect money fast. This is evident when looking at the average time it takes to collect on credit sales, known as Days Sales Outstanding (DSO), **estimated at 66 days** by a Euler Hermes study.<sup>1</sup> Companies closer to the final customer seem to get paid faster but, for B2Bs further back in the supply chain, the average can jump above 85 days, which leaves them at a considerable disadvantage. The same study shows that one out of four companies, worldwide, is paid after 90 days. The result is that much needed working capital gets “stuck” in-between inefficient processes, or worse, written off as bad debt. Unlocking this capital is a significant driver for streamlining AR processes.

Furthermore, with **10 to 15% of all invoices requiring a payment reminder**,<sup>2</sup> and nearly **half of B2B invoices becoming overdue**,<sup>3</sup> tracking outstanding receivables takes up considerable time from AR departments. Most organizations dedicate an employee solely to that task, even though this time could be better spent in value-adding tasks, because every overdue day costs money.

Consequently, AR processes are under constant pressure to shorten invoice-to-cash cycles, reduce costs, improve process visibility and release additional liquidity. This can only happen through digitization and automation, making the AR function a prime candidate for digital transformation initiatives.<sup>4</sup> Digitization and automation help organizations achieve these goals and also provide additional benefits such as freeing up AR professionals to pursue value-adding tasks and improve the customer experience.

What this white paper aims to achieve is understand what causes AR inefficiencies – most notably around invoice and related documents creation and delivery –, what technology can be used to address them and what benefits can be expected.



<sup>1</sup> Euler Hermes: “Payment Behavior Payment delays up 2 days globally,” Economic Research, May 2018.

<sup>2</sup> Bruno Koch: “Business Case E-Invoicing / E-Billing,” Billentis, February 2017.

<sup>3</sup> Atradius: “Payment Practices Barometer Americas 2017,” September 2017.

<sup>4</sup> Antora-Fani Dima: “Digital Transformation: Digitizing and automating manual paper-based processes,” Objectif Lune, September 2017.

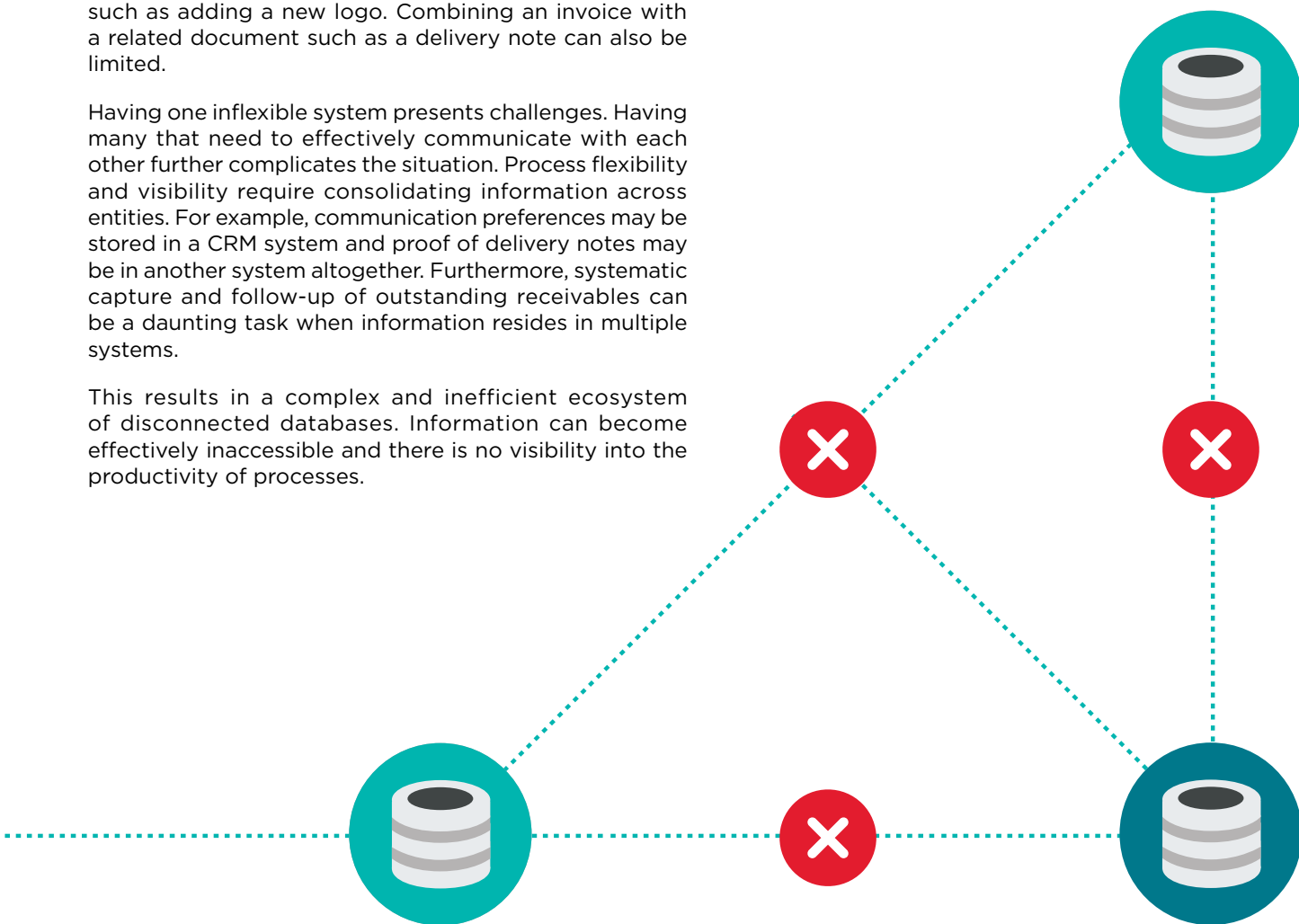
# The root causes of AR challenges

## Multiple, incompatible and inflexible systems

Central to the AR billing and collection functions are the systems hosting the information that important documents like invoices and payment reminders rely on. There is usually a mix of systems central to, or on the periphery of, AR functions (ERP, Finance and Accounting, CRM, logistics systems). Systems like ERPs form the backbone of the business. However, they do not support efficient workflows, are difficult to (co)operate and even harder to adapt to ever-evolving business needs. On the invoice creation front, there is no flexibility in layout (which may be different for each system) as it would require much time and resources to make any changes such as adding a new logo. Combining an invoice with a related document such as a delivery note can also be limited.

Having one inflexible system presents challenges. Having many that need to effectively communicate with each other further complicates the situation. Process flexibility and visibility require consolidating information across entities. For example, communication preferences may be stored in a CRM system and proof of delivery notes may be in another system altogether. Furthermore, systematic capture and follow-up of outstanding receivables can be a daunting task when information resides in multiple systems.

This results in a complex and inefficient ecosystem of disconnected databases. Information can become effectively inaccessible and there is no visibility into the productivity of processes.



## The root causes of AR challenges

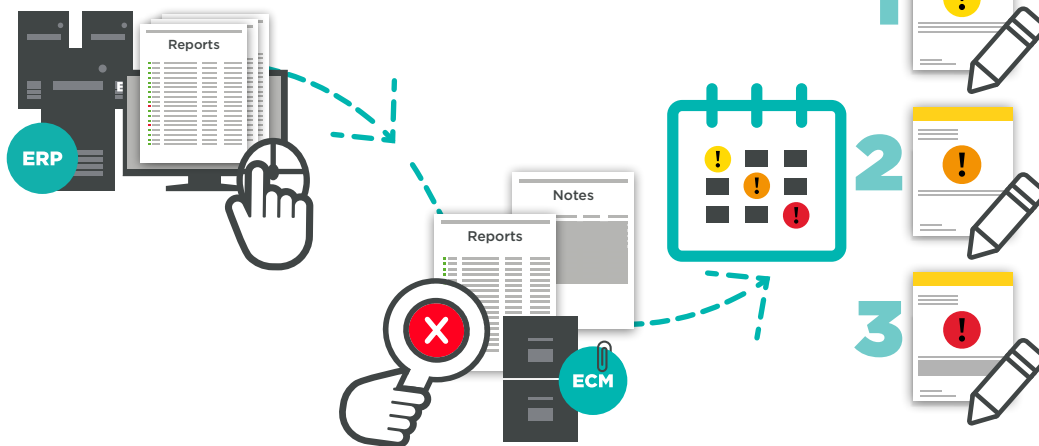
### Costly and inefficient manual and paper-based processes

There are 400 billion invoices issued annually (paper and electronic), which are the cornerstone of B2C, B2B and B2G transactions and an important vehicle for branding and establishing a superior customer experience. Yet more than 90% of all invoices worldwide are still processed manually.<sup>5</sup> Paper is still very much alive in this process, slowing down the whole invoice-to-cash cycle. Paper can be easily lost or misfiled, thus creating compliance and security issues. In addition, there are all the additional costs that it brings: different studies estimate the cost to create, print and send a paper invoice to be US\$11.15,<sup>6</sup> and US\$ 12.5 including reminders and archiving.<sup>7</sup> And these are just conservative estimates.

Tracking outstanding receivables and collecting payments is another AR function that heavily relies on manual activities.

#### The process typically goes like this:

Every two weeks AR professionals download the aging reports from their ERP(s) or financial system(s), usually a spreadsheet that lists unpaid customer invoices based on past due duration (e.g. 30, 60, 90, 90+ days).



At this point AR professionals may need to consult a previous version of the spreadsheet for notes, copy and modify those notes to the new file, and then manually follow up on each outstanding receivable by sending payment reminders.

It is understandable that collection rates are not going to be optimal if the process driving them looks like the one we just described. In fact, any process or inflexible system that leads AR professionals to informal and manual workarounds, like billing outside of the system and managing processes on spreadsheets, is going to hinder process visibility and speed.

A manual and paper-based invoicing process results in a lot of extra work and introduces many points of failure that naturally lead to collection delays. For example, a study by Atradius has shown that for 10 to 20% of delayed payments, the issue was incorrect information in the invoice, and even worse, for 7 to 15% the invoice was sent to the wrong person.<sup>8</sup>

Manual processes affect the big picture as well. At any given moment, organizations need to have visibility into the status of outstanding receivables and their cash flow across the order-to-cash cycle. These are important metrics of the financial health of the organization. Real-time visibility helps AR departments shorten processing times, control and track better, and plan ahead strategically.

Now, depending on the past due duration, the language of the reminder will get increasingly stronger. This means different communication templates are used for each aging bucket, often stored locally and thus prone to inconsistencies.

To create the reminder, AR professionals must then manually key account information into the communication template, further increasing the possibility for error. They may even need to re-produce the invoice or accompanying documents like proof of delivery notes and attach them to the payment reminder. Especially in cases of dispute, documents like proof of delivery notes are crucial in proving the delivery of a service or good.

<sup>5</sup> Bruno Koch: "E-Invoicing / Electronic Invoicing E-Billing / Electronic Billing," Billentis, May 2017.

<sup>6</sup> Mary C. Driscoll: "The Cost of Invoicing: Spending Too Much to Invoice?" APQC, May 2016.

<sup>7</sup> Bruno Koch: "Business Case E-Invoicing / E-Billing," Billentis, February 2017.

<sup>8</sup> Atradius: "Payment Practices Barometer Americas 2017," September 2017.

# Drivers for change

---

Achieving process efficiency and increasing process visibility are the main drivers for organizations looking to improve their AR function. But they are not the only goals. Customer preferences and experience, both in B2C and B2B environments, as well as government mandates are increasingly shaping AR strategy.

## B2C – customers want an array of invoice delivery options

Great customer experience is a key sustainable competitive advantage and differentiating factor.<sup>9</sup> Part of offering a great experience is giving your customers choice. Customers have come to expect choice in how they receive their communications and how they interact with organizations, be it via print or electronic means. This element of choice is fundamental in a B2C relationship.

High-volume industries like telecommunications or e-commerce give their customers many options on how to receive their invoices and statements, such as email, SMS, apps, customer portals, and of course, traditional mail. Things are more difficult for smaller organizations who don't have the means or the technology needed to offer many choices, and they usually opt for paper or PDF attached to emails.

## B2B – buyers seek efficiency gains for their AP process

Within the B2B context, customer preferences matter just as much. Upon reaching the buyer side, invoices or statements go through the Accounts Payable (AP) process in order for the company to get paid. For the past few decades, AP departments have also been on a mission to improve their efficiency. Their major challenge is that they receive more than half of the invoices in a format that requires further manual processing (paper, PDF, email, fax)<sup>10</sup>; in this light, an image-based PDF is not drastically different from a paper invoice from an AP perspective.

Various technologies have been used to gradually automate invoice processing on the buyer side, such as scanning and Optical Character Recognition (OCR). But more and more organizations, especially larger ones, are taking their automation efforts one step further by asking their suppliers to submit invoices in a true electronic format, be it E-invoices, EDI/XML or web portal. Invoice

data in a structured format can be directly integrated into their AP system enabling straight-through-processing, where receipt, processing and approval of invoices occur without human intervention.

The point here is that internal AP challenges may dictate the format a B2B buyer expects their invoices and related communication to use. The larger the buyer, the more clout they carry. Therefore, suppliers, especially to those supplying larger organizations, need to be flexible in order to accommodate their customers' preferences.

## B2G – government regulations

The government is also driving E-invoicing adoption in about 50 countries<sup>11</sup> (in the US E-invoicing adoption rates are comparable to Europe at 25%, though the main driver is organizations seeking to optimize the end-to-end process)<sup>12</sup>.

There are two ways governments around the world are doing this:

- To battle tax evasion, suppliers in many countries are required to produce (structured) invoice data to tax authorities and, directly or via service providers, to the buyers. These requirements may also include other related documents such as bills of lading and proof of delivery notes.
- Public sector organizations (e.g. France with Chorus) seeking efficiency gains from streamlining their Accounts Payable processes require that their suppliers submit invoices only electronically and, in most cases, they ask for structured invoice data. This is crucial when 45 to 65% of all companies in a country are suppliers to the public sector.<sup>13</sup>

These mandates acknowledge the fact that SMBs can't catch up as fast as larger organizations, by allowing them more time to get there. Nevertheless, they are required to comply eventually. In any case, organizations are faced with a complicated web of government mandates and E-invoicing standards that any business operating on a national or international level should take into account.

9 Antora-Fani Dima: "Insight into Customer Communications Management," Objectif Lune, April 2016

10 Andrew Bartolini, Christopher J. Dwyer: "The State of ePayables 2017: Convergence," Ardent Partners, June 2017.

11 Bruno Koch: "E-Invoicing / Electronic Invoicing E-Billing / Electronic Billing," Billentis, May 2017.

12 Payments, Standards and Outreach Group: "U.S. Adoption of Electronic Invoicing: Challenges and Opportunities," Federal Reserve Bank of Minneapolis, June 2016.

13 Bruno Koch: "Business Case E-Invoicing / E-Billing," Billentis, February 2017.

# Transform your Accounts Receivable

---

## What technology is needed

Organizations need to think strategically about their AR function. AR departments need the tools and the processes that will empower them to keep a healthy cash flow while at the same time ensure that their customers experience a smooth invoicing process via the channels of their choice.

The solution: non-intrusive technology to extend the functionality of the systems already in place, replace manual workarounds with standardized automated processes, and free up AR professionals' time to pursue value-adding activities.

In terms of functionality this would include:

- **Overview Dashboard** – A consolidated and actionable view to AR within one single page that aggregates information from multiple systems and allows users to add notes. Combining aging reports from multiple systems increases the visibility of outstanding receivables and enables AR professionals to proactively reach all outstanding accounts in time. Collaboration between AR professionals is also improved with a central location for notes, helping them to stay up to date with each account, identify exceptions and handle disputes more efficiently.
- **Multichannel Delivery** – Optimize print output, but also extend system functionality to include electronic invoice presentment. The key driving factors for moving to electronic invoice presentment are to minimize processing costs, reduce DSO, and increase efficiency and productivity. From PDF attached to an email, to SMS, EDI, XML, E-invoices and portals, flexible technology will be needed to support all cases.
- **Standardization and Automation** – Instead of using a traditional month-end batch print, generate and send invoices electronically as soon as the proof of delivery note is ready. Or automatically send statements and payment reminders with increasingly stronger language based on the aging bucket the customer belongs to.
- **Customer Portal** – Customers can securely log in to a single location from where they can access all paid and outstanding invoices and manage their communication preferences. Transitioning to digital is much smoother and there is a reduction in manual hours dealing with cash application, disputes, collections, etc.
- **Invoice Suppression** – Easily recognize paid invoices from a month-end batch using customer responses and payment confirmations, and avoid sending the invoice again to the customer, which creates confusion and undermines their experience.
- **Visibility into adjacent processes** – AR processes don't happen in a vacuum; they are part of the extended order-to-cash cycle. This requires that systems and the information or documents needed are always easily accessible. For example, automatically attaching the respective proof of delivery note when sending out an invoice increases transparency and builds up trust with customers.





# Conclusion

---

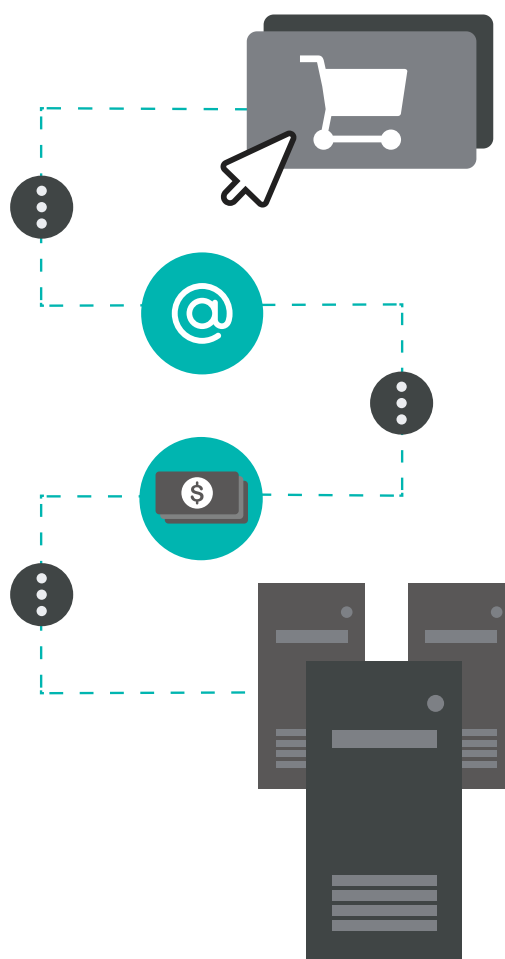
Accounts Receivable professionals, processes and systems should be at the forefront of digital transformation initiatives. Leveraging technology to empower people, improve “but also rethink and redesign” AR processes, and extend the functionality of core systems will be central to transforming financial operations.

First, empowered AR professionals are now free from repetitive manual tasks that lead to errors and hamper their productivity. But more importantly, the closer AR gets to straight-through-processing, the more time AR professionals can dedicate to value-adding tasks. Keeping in mind how costly it is to run finance functions (as much as 2% of total revenue for bottom performing organizations where personnel costs account for about two-thirds of that)<sup>14</sup>, process improvements represent a tremendous opportunity in cost savings and additional revenue by better utilizing AR professionals’ valuable time.

Second, streamlined, digital and automated AR processes lead not only to lower DSO and improved cash flow, but can also help AR professionals contribute to the improvement of the customer experience. By offering a single point of reference for invoices and statements, and an easy way to adjust their preferences, the invoicing process and dispute resolution becomes more efficient and transparent, both for customers and AR professionals.

Finally, AR departments can extract more value from the systems already in place. Flexible technology can help centralize data streams and extend core system functionality without tampering with these valuable assets. This can increase transparency, eliminate the need for complex workarounds, help improve financial decision-making and forecasting, and allow organizations to respond to customer and government requirements.

Accounts Receivable departments have an opportunity to recast themselves in a strategic role and help shift the AR department’s perception from a cost-center to a value-creation center. Flexible technology and a strategic vision of finance executives is needed to transform processes and inspire people.



<sup>14</sup> Mary Driscoll: “Metric of the Month: Cost to Run the Finance Function,” APQC, June 2017.

**Antora-Fani Dima**  
Business Intelligence Specialist  
OBJECTIF LUNE

bi@eu.objectiflune.com

**Disclaimer/Copyright**

This white paper contains views and opinions of the author and the author's interpretation of information sources believed to be reliable and credible. As an assembled work, views and opinions may not reflect the opinions of referred authors of external information sources.

Objectif Lune makes no warranty, expressed or implied, as to the completeness, accuracy, adequacy, or use of the information. The author and contributors of the information and data shall have no liability for errors, inadequacies or omissions contained herein or for interpretations thereof. The opinions expressed herein are subject to change without notice.

This publication may be distributed without permission as long as it is as a whole and the content is not altered in any way. When information from this white paper is quoted, referencing is required.



objectiflune.com

OL is a registered trademark of Objectif Lune Inc.  
All registered trademarks displayed are the property of their respective owners.  
© 2018 Objectif Lune Incorporated. All rights reserved.