Accounts Receivable

White paper

Rethinking Receivables

How to use AI technology to retain talent, secure revenue & realise your digital potential

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What's inside

This white paper examines the most significant obstacles (both internally and externally) preventing today's finance leaders and Accounts Receivable (AR) teams from maximising their impact on the invoice-to-cash (I2C) process and organisation. The white paper further explores some of the most effective strategies and technologies for accelerating cash collection and revenue recognition.

Introduction

Setting the stage for change

Process inefficiencies, delayed payments, customer frictions. For many finance leaders and AR departments, certain pain points are simply an unavoidable cost of doing business — until COVID-19.

Now, years removed from the acute phase of the pandemic yet still far from stability, finance leaders have a valuable opportunity to make the kind of proactive and transformative changes that twill enable their business to withstand even the fiercest future disruptions.

Technology as a driver of change

To support smarter growth strategies, finance leaders must aim to optimise the I2C processes that impact company cashflow, operating capital, and customer relationships. Doing so requires the use of digital solutions (often powered by AI technology) design to:

- Empower AR teams by transitioning from reactive to proactive customer service
- Inform financial decisions with real-time analytics and advanced reporting
- Connect siloed processes and enhance inter-department collaboration
- Deliver greater value to the whole business vs. being simply a back-office function

According to 2022 Gartner research, seventy eight percent of CFOs plan to maintain or increase enterprise-wide digital investments in the next two years.[1]

Mindset is everything

Technology, leadership and talent level all matter when pursuing financial transformation. However, the true linchpin for success is mindset. Finance leaders and AR departments cannot truly build a more sustainable future for their companies without making the shift from a functional, administrative mindset to a strategic one.

Current financial challenges

Ironically, many of the mounting pressures that have spurred the need to rethink receivables are the very things prohibiting the necessary digital investments to address them. While some pandemic-related challenges proved to be short-term aberrations, most have lingered like smoke from a still smouldering fire — clouding the plans, priorities and perspectives of today's finance leaders. These include:

External

Increasing inflation

Over 40% of CFOs cite inflation as their company's biggest external risk.[2] Why? Not only does it broadly increase business costs, its duration and trajectory can be opaque — making it harder to project and strategise long-term finance decisions.

Supply chain issues

Despite being nearly three years post-pandemic, many finance leaders still find themselves wading through murky supply chain waters. Internal contingency measures help, but even the best in the biz can't control the uncontrollable.

Geopolitical concerns

The Russia-Ukraine war. Talks of a looming global recession. Climate change. Even the most blue-skied optimist would admit that the future looks a little worse for wear. For finance leaders, it's all more fuel added to the fires of uncertainty.

Internal

Talent retention

The peak of The Great Resignation may be in the rearview but make no mistake: Things like unfulfilling, repetitive tasks are still forcing finance talent out the door. This not only interferes with AR continuity, but also a company's ability to stay competitive.

Digitalisation & innovation

Isn't the proliferation of technology a good thing for finance leaders? Ultimately, yes, but the burden of maintaining digital literacy and effective change management in an area of extended disruption can seem, at best, overwhelming and, at worst, impossible.

Increase in bad debt

The fallout from the pandemic resulted in bad debt increasing by 26%.[3] While the current landscape is not as dire, concerns among finance leaders are still elevated due to the maintained prevalence of delinquent customers on top of all future "unknowns".

Building a smarter, stronger digital foundation

Many AR teams were already on a path to digital transformation prior to the pandemic. But it begs the question: Were these investments really built for the current (and future) landscape? Furthermore, if initiatives were made in the immediate aftermath of COVID, did the strategy go beyond short-term survival? What are the alternatives?

Automation's lasting impact

The challenges may be enduring and vast, but by controlling what can be controlled (e.g., automating manual steps within the I2C process), finance leaders and AR departments can make significant headway in removing the obstacles that prevent timely cash collection and revenue securement.

This is precisely what today's automation solutions provide: A way to optimise AR productivity, efficiency and visibility while helping to build a stronger and smarter digital business foundation capable of withstanding any unexpected disaster.

67%

Firms that rely on manual AR processes vs. automation take sixty seven percent more time to follow up on overdue payments.[4]

AI: The great enabler

Despite the ubiquitous use of AI in our daily lives, many companies have barely scratched the surface in terms of leveraging the full potential of AI. In fact, a recent study found that companies identified as "AI Achievers" (i.e., those who heavily prioritise and champion AI investments) enjoy a 50% greater revenue growth on average.5

Therein lies another significant advantage: Leading automation solutions are often powered by AI technology. For AR teams, this means having a highly reliable and highly intelligent digital assistant helping to carry out all sorts of strategic functions, such as:

Data extraction

From extracting and routing remittances to optimising data recognition claims originating from debits, AI data capture and verification capabilities improve process efficiency while facilitating collaboration.

Predictive analysis

AI solutions also make intelligent suggestions (e.g., which collection calls to prioritise, where payments without remittances should be allocated, etc.) — freeing up time for your team and cashflow for your business.

Financial oversight

AI capabilities such as payment behaviour analysis provide collections teams with better visibility into payment predictions and deeper insights that aid in risk assessment and strategy adjustments.

Yeah but ... Is AR automation right for my company?

As proven and powerful as AI technology is, no one thing can solve every issue plaguing today's AR teams. But one surefire way of reducing risk and quelling the fears of failure is seeking a solution that not only uses the latest in AI and automation capabilities, but also promotes adaptability to your unique way of doing business. Look for solutions that:

Play nice with ERPs

Added complexity is the last thing finance leaders need when incorporating new applications alongside existing ones. The most effective automation solutions integrate with any ERP system via APIs and/or flat files — even in diverse multi-ERP environments.

Ensure global compliance

For businesses operating in a decentralised model or internationally, it's especially important to find a solution that supports multiple languages, sites and currencies, as well as regulatory e-invoicing compliance and global payment coverage.

Aren't one-size-fits-all

Whether you want to automate the entire I2C process or one element at a time, the solution should offer the flexibility to do so on your own terms. The same applies to processes outside of AR — the more robust the capabilities, the easier digital expansion becomes.

I2C processes

- Credit management
- Invoice delivery
- Payment
- Claims & deductions
- Cash application
- Collections management

Other business processes

- Supplier management
- Procurement
- Accounts payable
- Order management
- Customer inquiry management
- ...and much more

Rethinking receivables: 4 areas of I2C to prioritise

The I2C process includes all the activities performed by users or systems from the moment an invoice is created until the moment customer payment is reconciled. Translation: There's a lot involved. But thanks to AI-driven solutions, receivables teams can get themselves out of the "dark ages" of Excel spreadsheets, manual verifications, limited visibility and human error. Most importantly, it affords key stakeholders the opportunity to adopt a more modern mindset that aligns with AR's robust business impact. This includes the ability to:

1. Rethink processes

Is your DSO longer than the industry average? Are partial payments a normal occurrence? Do your team members lack engagement and/or struggle to stay on top of late-payment reminders? These are all tell-tale signs that your AR processes are not operating at a high level, leaving your company vulnerable to cashflow issues in the future. It's no wonder that one-third of AR leaders say their team manages too many manual processes at a time[6].

> **"Previously, a lot of our time was spent manually sending out payment reminder emails. Now, we spend that time focusing on more valuable tasks. It has saved our accounting department."**
>
> Mark Riggs, CFO | Fireproof Records Centre

Read success story

The beauty of digital solutions is their ability to address many of the process bottlenecks contributing to inefficiency — but it goes far beyond speed and accuracy. Filling in manual I2C gaps enables a collective reimagining of how the AR team spends its time, how cash is collected, and how the whole department delivers value to the organisation.

Instead of...

- Employees spending time on repetitive, low-value tasks (e.g., evaluating customer credit criteria, matching payments, claim resolution, etc.)
- Talent looking for more fulfilling work elsewhere
- AR remaining a back-office afterthought with an imperceptible impact on revenue and growth

Automation enables...

- Employees to focus on activities that truly impact business growth (e.g., customer relationship building, optimising cashflow, etc.)
- Higher employee satisfaction and retention rates
- AR to deliver transformational value to the organisation via optimised revenue and cashflow

2. Rethink collaboration

A football team can have the best players, smartest coaches, and most cutting-edge equipment and facilities, but without good communication, the performance on the field will inevitably suffer. Similarly, collaboration within AR and across other departments (e.g., sales, IT, customer service, etc.) is one of the most overlooked yet all-important factors in minimising cashflow risk and maximising the value to the business.

Facilitating a transparent, cross-functional line of communication requires ease of information sharing so that all stakeholders have access to the right data at the right time and the Best Possible Decision can be made at every stage of the I2C process. Failure to do so can breed distrust and resentment between teams and departments and, even worse, potentially result in significant financial losses.

> **"We have a monthly meeting to discuss collections activity on certain key accounts, and Esker's ability to instantly pull that information for our reports has been a game changer for us. It's all right there."**
>
> Amber Twarek, Credit Manager | Palmer Holland

Read success story

Automation fits the bill in terms of a smart, simple AR solution for improving communication and helping finance become a true business partner for sales and the organisation. Below are just a sample of some of the areas of AR where digital, collab-friendly capabilities play an impactful role.

Collaborate anytime, anywhere

Many automation solutions enable out-of-office sales reps to easily request credit checks via their mobile device — helping secure revenue and support the business.

Easily start & save conversations

Users can also start a conversation with coworkers to get input, share suggestions, etc., while ensuring it is all 100% traceable for future audit purposes.

Support multi-solution scenarios

Examples include creating a deduction for investigation directly from the cash app process or triggering a priority collection call when an order is blocked for overdue payment.

3. Rethink analytics

Data and analytics have long been a part of AR teams and processes — particularly for CFOs. But with finance leaders rapidly pivoting from transactional number crunchers to more strategic value-drivers and insight-providers, there is an increased demand for more advanced data-driven business planning and forecasting tools. Case in point: A study surveying CFOs found that 82% of respondents indicated that “advanced data analytics technologies and tools” were a top priority.[7]

Once again, AR automation solutions fit the mould in terms of helping finance leaders and their teams reimagine the role data plays in their organisation — utilising AI and other cognitive capabilities to marry the day-to-day (making informed, data-driven decisions) with the long-term (anticipating risk and forecasting via predictions).

Performance monitoring

No major metric goes unnoticed thanks to custom dashboards to track:

- DSO
- BPDSO
- CEI
- Disputes
- Root-cause analysis
- Team goals
- Collections forecast by 30-60 days

Customer insights

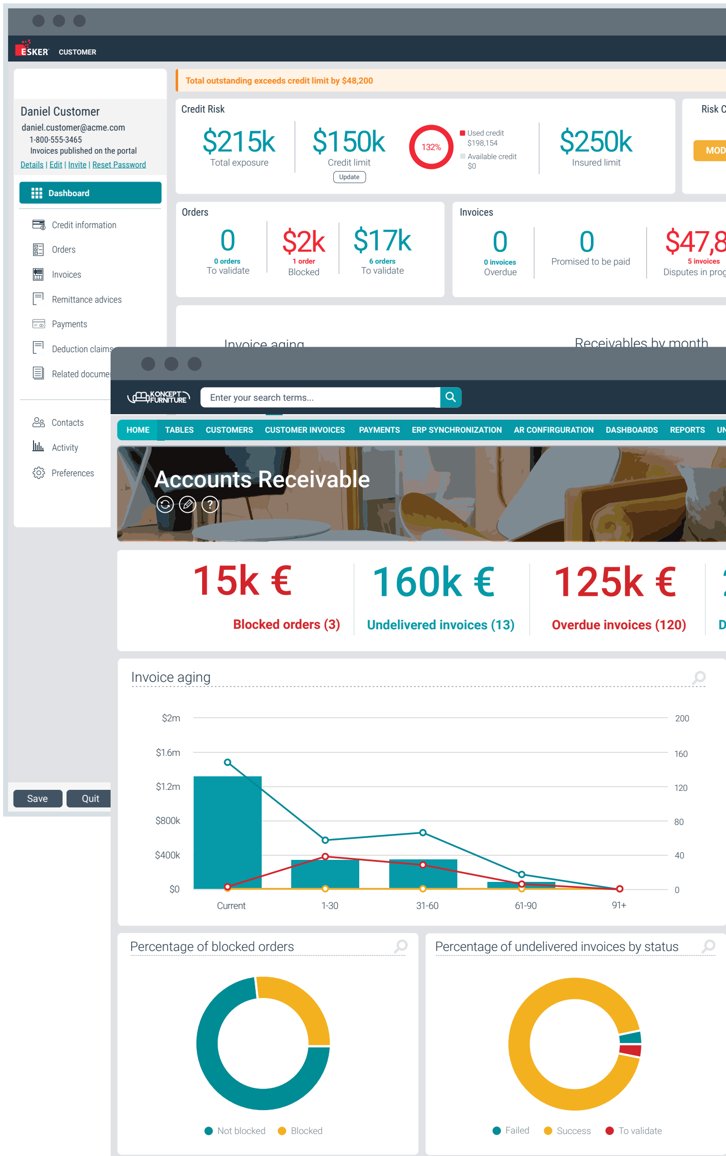
Dig into data that provides direct insight into customer activities and patterns:

- Business history
- Payer performances
- Credit risk management

Predictive analytics

Get a more accurate AR roadmap thanks to forward-looking analytics such as:

- Payment predictions
- Collections forecast



4. Rethink customer experience

The role of customer experience (CX) doesn't necessarily have to be tied to finance and AR teams within the organisation but make no mistake: Their impact on building loyalty among existing customers and differentiating the company from competitors is undeniable.

But that doesn't mean AR departments have been furnaces of ambition when it comes to putting CX front and centre in their priorities. While many have automated areas of their processes which does ultimately benefit customers, they often fail to address some of the core pains that today's customers want alleviated.

Perhaps predictably, this is where AI-driven automation comes into the equation. Digital solutions enable finance leaders and their teams to think holistically about receivables — improving CX at every stage while reducing DSO and increasing retention rates in the process. For example, with AR automation, you can:

Let customers pay you in their preferred method

Fewer obstacles equals happier customers. Digital solutions give customers the choice of using cards or direct debit payment options, while also offering early payment discounts and auto-pay.

Put transparency and data accessibility on a pedestal

Automation solutions are synced with convenient online portal where customers easily track invoices, make payments, view account statements and more — preventing contentious disputes.

Become a company that's easy to do business with

Whether it's faster customer onboarding via digital credit applications or timely payment allocation, AR automation makes doing business together a far more enjoyable experience.

"On top of receiving automated reminders every week, it's now all right in front of them via the portal. A lot of our customers say it's the first place they go in the morning."

Steve Morrison, Controller | Connor Sport Court

Read success story

Impact on stakeholders

All of this rethinking is not merely a mental exercise. The end result is tangible benefits that span across finance and outside of the business and have a direct impact on real people, teams and even global causes.

Within Finance dept.

Chief Financial Officer

For CFOs, there's a lot to love in AR automation. Not only does it help retain top talent and simplify cash forecasting, it facilitates the one thing on top of every CFO's priority list: securing revenue to support new growth and investments

AR managers/leaders

Digital finance solutions empower AR leaders to be true partners to their business by optimising virtually every area of AR that impacts cash collection (e.g., process efficiency, team motivation, collaboration, analytics, etc.).

AR team members

By eliminating low-value tasks from the equation, AR team members can be more strategic in their efforts to collect cash and maintain customer relationships — benefiting the business but also their job satisfaction.

Outside of the business

Customers

Rocky customer relationships get a whole lot smoother when automation is involved thanks to its promotion of immediate and accurate payment allocation, easy access to data, and transparent terms and conditions from the start.

Suppliers

Cash coming in affects cash going out. That's why optimising the AR process makes life a whole lot easier on your customers' AP teams as well. With cashflow secured on the AR side, suppliers are ensured faster payment.

Planet

When it comes to environmental sustainability, every bit counts. Automating the AR process equates to using less paper for invoicing, dunning letters and account statements while also supporting work from home models (i.e., reducing travel requirements).

Conclusion

The digital transformation of AR is nothing new. It was going on prior to the pandemic and will continue for years to come. But one thing is for sure: This isn't a time to dip your toes into the pool. The world is rapidly changing and when the next major "sink or swim" disruption occurs, the future of many companies will depend on just how efficiently AR can secure revenue, just how content and collaborative your team of talent is, and just how satisfied your current crop of customers are with their experience.

With AR automation, companies don't get a magic bullet or a cure-all or even a guarantee. What they do get is a proven, pragmatic and foundation-strong solution, powered by the latest in AI technology, that's built to speed up collections, empower employees, improve customer experience and, ultimately, nurture business growth in the harshest of conditions.

And remember: If you can change your mind, you can change your future.

Hi, we're Esker

Founded in 1985, Esker is the global authority in AI-powered business solutions for the Office of the CFO. Leveraging the latest in automation technologies, Esker's Source-to-Pay and Order-to-Cash solutions optimise working capital and cashflow, enhance decision-making, and drive better collaboration and human-to-human relationships with customers, suppliers and employees.

39
years of experience with 20+ years focused on cloud solutions.

1,000+
employees serving 850K+ users & 2,500+ customers worldwide.

15
global locations with headquarters in Lyon, France, & Madison, WI.

€178.6
million in revenue in 2023, 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.

Sources

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