



Rethink, Reduce, Recover:

The True Value of Streamlined AR Processing

Provided by:



In search of reduced costs, increased visibility and improved cash management, a growing number of companies are automating their accounts payable operations. However, for a variety of reasons, less automation is occurring in departments responsible for companies getting paid.

Industry research indicates that a third of corporations have no dedicated accounts receivables workflow automation or payment management system. Many of the rest are said to rely on existing systems that aren't specifically designed for the job and require extensive manual intervention. The consequences of those approaches include unnecessary delays and costs and the loss of millions of dollars each year that should be collected – with the right tools.

Addressing these issues means rethinking accounts receivable, reducing manual processes and their associated costs, and recovering the considerable sums that existing systems simply cannot find.

Challenges in Accounts Receivable

A report based on a survey by The Association for Information and Image Management (AIIM)¹ spells out some of the serious challenges facing organizations responsible for accounts receivable:

- **More than 35 percent** said they had no dedicated AR workflow automation or payment management system.
- **Less than 15 percent** of respondents surveyed said their original purchase orders, customer correspondence, supporting documentation and contracts were immediately linked to the workflow and available online to their AR and payment collections staffs.
- **An average of 2.7 percent** of income was being lost annually to short payments, late payments, out-of-time discount claims, tax disputes, contract disputes and unrecoverable debts. In the survey, among those organizations with no AR system in place, 24 percent reported Days Sales Outstanding of 40 days or more. Only 8 percent of organizations with an AR system in place reported DSOs that high.

Among the report's conclusions:

"Businesses of all sizes are losing money and customer reputation due to slow and erroneous payment and collection processes, and yet AP – and particularly AR staff – are still hampered in their efforts by manual processes and poor access to all of the related case documents, particularly those users working inside the ERP or finance systems with no direct links to content management and CRM systems."



Existing systems simply have not kept up with the evolution of the business-to-business remittance and payment market. Difficulties in back-office integration and a lack of automated reconciliation have hampered the adoption of electronic payments. As a result, according to a survey conducted by the Remittance Coalition in 2012², some 67 percent of B2B payments are still made by check. Manual intervention is still required on 43 percent of all remittances, paper and electronic. That's 6.7 billion remittances a month in the United States alone.

Despite all the forces conspiring against electronic payments, their volumes are increasing. This creates its own set of challenges as electronic payments come through a variety of channels, including card, ACH, and wire transfer. Many of the financial systems in use today are set up to handle only some of these transactions.

Some Attempt to Rely on Existing Systems

Among those companies in the AIIM survey that reported having a dedicated AR workflow automation or payment management system, the most popular approach by far was one from their financial system provider.

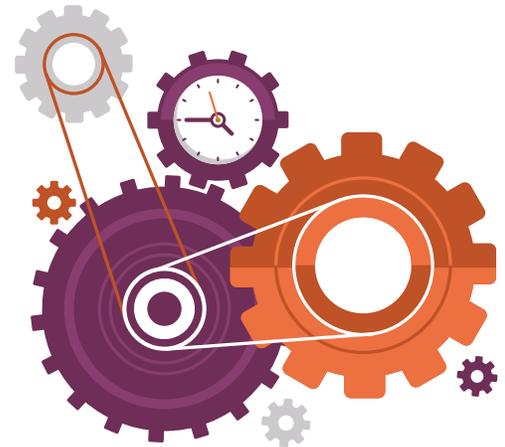
But what if that financial systems or ERP vendor does not have an AR module that is designed to accept all channels? What if it doesn't have a good exception management module that is designed to avoid the arduous task of loading the file, identifying a posting error, fixing the error, trying to load the file again only to get another error over and over until you find all the errors? And what if it doesn't store the supporting documents so they can be used to help resolve issues or answer questions?

Some companies leverage their enterprise content management solution for AR document management. While these solutions are great at storing documents and perhaps even good at extracting data from the documents, they don't have a means to act on the data collected or manage any items that are missing required data elements. Generic ECM solutions are not payment aware, so you can't optimize payment workflow or derive payment-based insights into the

accounts receivables process. Additionally they may not possess the output management capabilities required to create the posting file for ingestion into the financial system.

The next-most-commonly used approach to AR involves in-house solutions, but here organizations are merely solving for point problems. And in-house solutions are always limited by in-house expertise.

All these approaches require a lot of manual intervention, multiple imaging process steps, and dispersed repositories of information. Automation can reduce the amount of manual processing involved, but that improved efficiency and savings is greatly enhanced by centralizing the processing and normalizing the data then leveraging the data to streamline item processing and reduce exceptions.



Consolidate, Re-Associate, Reconcile and Manage Exceptions

Truly streamlining accounts receivable requires a platform that captures information from all incoming payment channels and normalizes the data into a consolidated solution. This would include capturing the paper from lockbox or print streams, as well as capturing all electronic remittances and payments received via ACH, EDI, fax and email, electronic bill-pay sites or even mobile payment channels. Once received, paper-based items need to be converted to data. The electronic remittances need to be ingested. All data needs to be normalized across all the payment types into one standard format. Documents such as the original purchase order, the invoice, delivery notices, packing slips, etc., should be captured and the data extracted so that all elements of the transaction can be re-associated for search and retrieval. This also allows the system to leverage data contained in these documents to insert missing data elements in the remittances as they are processed and before a manual exception process is initiated. Deposit information from both the paper and electronic activities at the bank can also be ingested and reconciled against the data received in the remits.

A normalized data set and the reconciliation of the payment information coupled with the use of business rules to speed exception processing pave the way for the delivery of a 100% clean posting file. Items that do not meet the need of the targeted financial system will be routed to a Pre-Posting Exceptions Manager, where any missing data or other issues can be resolved prior to posting.

With a consolidated platform, not only do organizations realize benefits from streamlining their AR process, they also get a centralized archive of all the data elements, whether they're paper or electronic in origin. They also have the ability to find each of documents (i.e.

purchase order, check, remit, emails, etc.) related to the transaction as well as see how those items relate to one another. With access to all of the data, new visibility into the operation of the AR process can be achieved. Now there are answers to questions such as: What is the lifecycle of a payment? How long is it taking to get paid? Who does not pay us on time? Who does not pay the full amount? Where were discounts applied or taken? How is that impacting revenue?



- Multichannel Payment Support
- Payment and Remittance Reconciliation
- Exception Resolution Tools
- Event Notifications and Alerts
- Executive Dashboards
- Consolidated Reporting

Beyond Benefits – Value

Having one system capable of capturing from any source creates a huge advantage for organizations seeking a centralized, consolidated AR processing platform.

Managing exceptions with the automatic addition of missing data, application of business rules or the Pre-Processing Exceptions Module streamlines AR operations, speeding posting, reducing Days Sales Outstanding, and ensuring the collection of all outstanding balances.

Why eGistics?

For more than a decade eGistics solutions have been used by thousands of users at hundreds of companies to manage their lockbox-based AR exceptions through a highly secure, scalable cloud-based platform. Our integrated receivables solution, Receivables Cloud, delivers all the advantages of a cloud-based service, keeping your costs low. Receivables Cloud is remittance-process focused, designed from the ground up to handle the capture of all payment channels, normalize the data, manage exceptions, and deliver a standard posting file for your financial system.

To learn more about how Receivables Cloud can help your organization improve your straight through processing rates, leverage all the data you have available, and streamline your exceptions process, contact us at info@egisticsinc.com.

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AUTO-POSTING



EXCEPTION MANAGEMENT



VISIBILITY



REPORTS

¹ Automating AP/AR Financial Processes – User feedback on the real ROI
 © AllIM 2014 www.aiim.org / © ASG 2014 www.asg.com

² Payments Update: The Remittance Riddle
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