Introduction

Businesses have shifted, adapted, grown and shut down in the past three years, due to market conditions no one could predict. It's impacted all facets of business, especially AR teams who rely on consistent processes and payments to keep the business afloat.

A few years ago, only the largest and most innovative companies were digitizing processes and offering flexibility in online payments. But COVID-19 pushed both consumer and B2B businesses to find new ways to provide services and connect with customers, which has led to businesses of all sizes and across all industries seeking digital solutions that help them meet their business objectives and support their customer base.

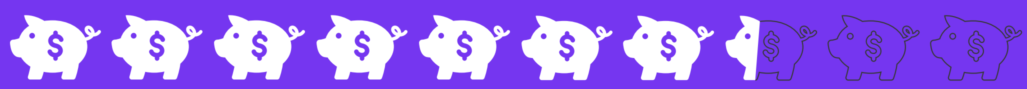
The automation of the AR process specifically has been slow to catch up. And yet it is one of the most critical areas for digitization and automation since it is the keystone to a business' cash flow. Moving from manual processes to digital can be an expensive and disruptive process, but with the right partner, it doesn't have to be.

Did you know? Nearly 93% of firms in the United States with at least $25 million in revenues are currently digitizing their AR operations. (PYMNTS, 2021)

As we head into another year of volatility and uncertainty, businesses will continue to navigate complexity in how they manage their AR processes. By keeping the focus on a few critical areas, companies can make a huge impact on the efficiency and effectiveness of their AR teams.

We are focusing on the collections part of the AR process because your collections team is pivotal to your business health. They impact cash flow, customer loyalty and churn, as well as process efficiency inside your organization. To ensure that you are taking full advantage of the necessary move into the digital world, we want to share with you five best practice strategies that will help you achieve success in the turbulent year ahead.

74% **of businesses cite delayed payments volume as a problem exacerbated by the pandemic.**



BEST PRACTICE #1:
Leverage data for a deeper understanding of your business.

It all starts with the data. The more information we have, the smarter decisions we can make.

You have the data, but are you using it effectively?

Most of us have a great deal of data about our customers locked in our various systems. But often, we're not using that data as smartly as we could be because we don't have access to it.

To leverage the information you're collecting about your customers in your ERP, in your accounting software and in your CRM, you need to leverage a payments platform that pulls the information together and presents it to you in a way that makes it usable.

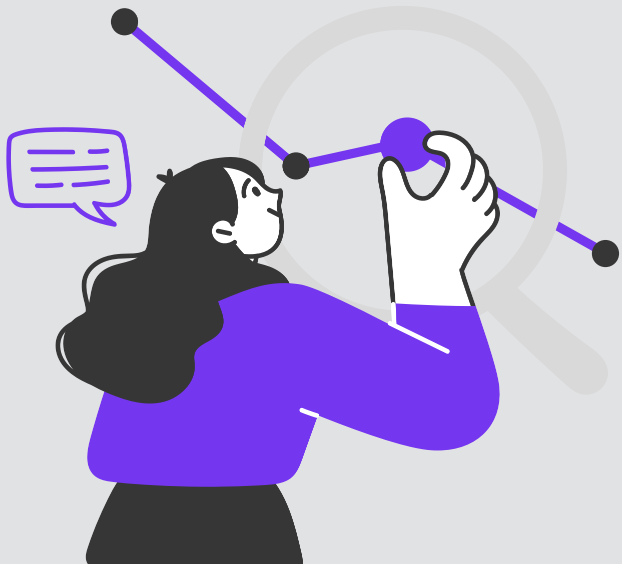
A smart AR platform is going to allow you to cut the data in ways that tell you how your business health is today, as well as where your customers' business health stands.

To get to the heart of this information, you should look at two important slices of data.

- **Customer segmentation:** Create segments of your customers that make sense for your business. You might look at the size of your customer's business by revenue, or employees, or you might look at what their spend is with your business. You might segment by geography or industry. Most likely, you're going to do some combination of those cuts to profile groups of your customers.

What could you save - and how much could you grow - using your customer segmentation data?

According to an HBS case study, MetLife estimated $800m in customer acquisition cost savings by using their customer segmentation data more effectively to target new customers.



- **Customer behavior patterns:** Once you've segmented your customers, you can look at the behaviors and patterns that each segment exhibits. Analyzing this information can inform many business decisions, such as:
    - How you position your products/services to particular markets. Each customer segment might respond to certain benefits or features differently.
    - What their payment patterns look like. Do your current policies match the patterns evident in the segment? Do you need to adjust your policies to meet customer expectations and to create a more accurate forecast?
    - What their communications preferences are. While this can be done on an individual level with a smart AR platform, you should also look at the communication patterns for your segments. You may find that email marketing is most effective, or perhaps these are stronger text users. You might see who's more likely to use your online portal to manage their account, versus which customer segment needs a marketing campaign to encourage more digital adoption.

Ensuring access to your data and leveraging it to understand your customers will help you make decisions regarding how you interact with those customers, as well as the policies and processes you put in place to best serve them as well as your business.

Drill down even deeper. With the behavioral data, you can drill down another level and look at the behavior of your customers. Who's paying on time? Who's late? What type of payment methods do they prefer? Are they responsive to your emails?

Identifying behavior patterns across the segments of your customers and with individual customers can give you a great deal of useful information.

You might find that your small business customers are struggling to make their payments, perhaps they're your biggest group of laggards. Understanding first, what behaviors they exhibited that indicated they were going to be late-payers means you can get ahead of that curve, provide customer support and outreach early, and minimize the number of customers who actually DO fall behind.

You can also use the information to re-examine your own processes and policies, and see what improvements you can make that help both your customers and your business. Do you need more online payment options? Should you increase the frequency of your AR communications?

Leveraging data to be proactive about your business means making more intelligent moves to minimize the risk of a sluggish cash flow and potentially frustrated customers. You have clear insight into your business and how it's performing, as well as how your customers' businesses are doing. This knowledge gives you the ability to be agile and responsive in a turbulent, ambiguous market.

BEST PRACTICE #2:
Use forecasting to create and support your plans.

The connection between cash flow and collections is evident when it comes to forecasting. Forecasting allows you to understand how you are going to pay for monthly operating expenses like supplies, vendors or even investments into new projects. If you're not sure what your cash flow will look like in the future, you won't be able to make effective business decisions.

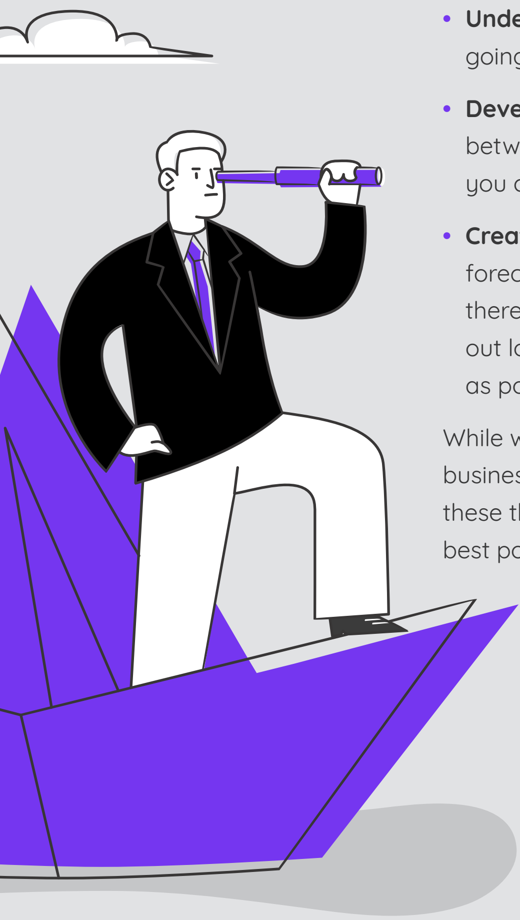
Accounts receivable forecasting can provide you with an accurate and reliable balance sheet forecast, which can impact your working capital. Knowing what your AR will look like in the future shows you your cash flow. And it shows whether or not you need to make some changes to your business, or your finance options, before you run into any real issues. Forecasting also gives you insight into how your customers' businesses are doing.

Depending on the maturity of your data and dashboards, it may take a bit of effort to get to accurate forecasts, but it's well worth it. The benefits to having an accurate forecast for your business will more than pay for any time and effort spent to get the data organized in the first place.

Forecasting shares a lot of useful information about your business, and the three actions you can take based on this report, which help you mitigate risk and improve your business health, are:

- **Understanding your cash flow:** know exactly where you stand, where you're going, and make business decisions based on data.
- **Developing mitigation strategies for any risk:** when you can see the gaps between where you are and where you're heading, versus where you want to go, you can make adjustments to your plan ahead of any serious negative impact.
- **Creating future scenarios for longer term strategic business growth:** by using forecasting to play out different long term plans and your strategies for getting there. When you have an accurate forecast as your basis of data, you can map out longer term goals and determine your best options for reaching them - as well as potential pitfalls to avoid.

While we understand that accurate forecasting is a common headache for businesses, the fact is that it's vital information for you as a business leader. With these three pieces of information, you can manage and plan for your company's best possible present-day and future health.



Which forecasting data is most important to the growth of your business?

Here are the six most common forecast types you might use:

01 General business forecasting

04 Demand forecasting

02 Financial forecasting

05 Sales forecasting

03 Accounting forecasting

06 Capital forecasting

BEST PRACTICE #3:
Ditch the paper, digitize the process.

Do we really have to say this again?

According to the data, we do. Here are a few statistics on where businesses stand when it comes to digitizing their AR process:

- 32% are still FAXING invoices. Yes. Faxing.
- 40% mail out paper invoices
- 46% manually email electronic invoices

Those numbers are why we are still talking about ensuring your AR processes, including collections, are digitized and automated.

The fact is, the more time it takes you to share information with your customers, the more time they take to respond back to you. Slow. Days and weeks and even months can pass in this kind of communication exchange.

32% of businesses still fax invoices!

In addition, the options for making payments also impact the speed of payments. Paper checks average 7-10 days to process, once received by your business. That doesn't include the time it took for your customer to pay attention to your paper invoice, write and mail you that check.

These manual processes are slowing down your cash flow.

Once a customer is late with the payment, your collections team has to take the added time to communicate with them and solicit the payment due. In the world of collections, time truly is money. The longer we wait to collect on an invoice, the less likely we are to get paid. So it's very important that we look at our options for accelerating this process. Digitizing the process, offering an online portal for information, automated emails for reminders and updates, and the ability to take payments online, all solve this critical challenge.

When you can automate your collections process, you win on three fronts:

1. Invoices and payment reminders are delivered immediately and automatically, reducing time to manually process repetitive faxes and emails, or... paper! This acceleration increases your likelihood of getting paid faster and getting paid more.
2. The cost of paper, printing and mailing is eliminated. You have an immediate and noticeable cost-savings supporting your bottom line.
3. With a smart AR portal, you and your customers both have instant access to accurate information. This means you can manage your business together by looking at the same set of data. This improves communications with your customer, which builds trust in your relationship. And when customers trust you, they pay you.

If your collections process isn't digital, now is the time. Give yourself the competitive advantage, accelerate your cash flow and eliminate unnecessary costs.

How much could you reduce your DSO by automating your AR process?

According to PYMNTS, the average reduction is 40 days - what an impact that could have on your cash flow!

BEST PRACTICE #4:
Automate the payments process.

The formula is pretty simple. When it's easy for customers to pay you, and they have flexible options for how they pay you, you get paid.

24% of businesses are still making payments by paper check!

The first step in making it easy for your customers to find your invoices and track their account, is meeting them where they're at - and when they're doing business. If you offer an online portal, your customers are not limited by your business hours, or the post office pickup, or anything else. They can simply pull out their phone or their laptop and get business done, whether it's 2pm on Wednesday or 5am on Saturday.

Next, the ability to make payments directly from an online invoice streamlines the process even further. Making it easy for customers to both access their invoicing information AND pay their bills through electronic channels means you're a business partner that's easy to do business with. And your customers like that. So does your bottom line.

Can your customers pay by credit card? Are they able to submit an ACH payment? Electronic payments go a long way in reducing the time it takes to receive payment and minimizing late payments. Offering flexible payment options means your customers have a variety of ways to figure out how to get you paid. It means you've opened up their access to cash, which opens up your access to cash.

While there are related fees to these payment channels, there's also a benefit in speed of payment and access to cash, so factor that in when you evaluate which channels you can make convenient to your customers.

The end result: you get paid more quickly. Your customers are happy with an easy transaction that supports their business needs. Your business has faster access to cash.

Which digital payment channels can you offer your customers?

A recent survey by McKinsey shows that when companies combine digital payment options in their collections process, customers respond and take action 73% of the time.

BEST PRACTICE #5:
Communicate, communicate, communicate.

This is your most powerful and yet most overlooked strategy for improving the collections process: communication with your customers.

Your customers are busy. They are running their businesses, likely managing multiple vendors themselves, their own customers, their own operations.

Your customers are valuable to you because they pay you, and that money goes into the continuing operations of your business.

But how are you valuable to your customers?

You might be providing a much needed product or service, but it's likely you have competitors out there who can do the same.

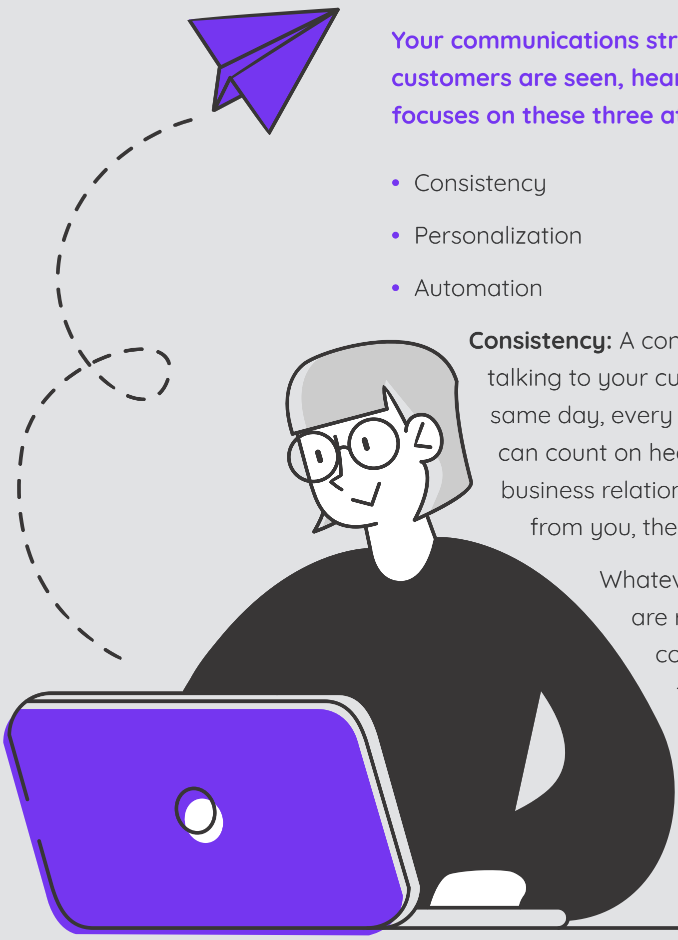
So... why you?

Customers do business with businesses they like. And they like you when they get to know you. They like you when they see that you care about their business. They like you when they feel like you listen to them and you know them. They like you when they feel that you are invested in your partnership.

Your customers are like all of us: they like to be recognized and treated as individuals.

Your communications strategy is the lynchpin to your success in ensuring your customers are seen, heard and understood. A smart communications strategy focuses on these three attributes:

- Consistency
- Personalization
- Automation



Consistency: A consistent communications plan means you are regularly talking to your customers. And by regularly, we mean at the same time, same day, every week. Or every day. Having a cadence of when customers can count on hearing from you builds trust, and trust is crucial in a healthy business relationship. The more frequently and regularly customers hear from you, the more that your name remains top of mind for them as well.

Whatever your collections policies are, you want to be sure you are relaying the same information consistently across all your communications channels: in your emails, on your website, on the phone when you speak with customers directly. Clear and consistent communication of your policies eliminates any potential friction around misunderstandings, and keeps everyone's expectations clear.

Personalization: We are in a time where personalization is everywhere. And there's a reason for it. Personalized messages show your customers that you know who they are and what they're about. A smart AR platform can use the data pulled from your different data sources, such as your ERP and CRM, to ensure the messages going out are tailored to each specific contact. This added bit of "I see you" makes the customer feel like they matter in your universe. And they do. So when you see them, it increases their desire to work with you and also builds trust.

Automation: An automated communications plan saves time and money. And it keeps your employees happy. Leveraging a smart AR platform, you can automate customized cadences for your collections process.

Here are some key areas to consider for automation in your collections process:

- **Payment reminders:** Reminding customers to pay you, in a professional, friendly and timely way, helps encourage on-time payments. You can use automated communications to send friendly "upcoming payment due" notices, as well as past due reminders. These notifications can be done via email or text.
- **Inbound requests:** Automated responses to common inbound requests over email or through your AR system can save your team a lot of time and manual effort. With smart machine learning technology that recognizes the type of request received, you can automate a response to ensure quick resolution - simple requests that could be managed through automation include things like unsubscribe requests, payment link requests, invoice copy requests or PO number requests.
- **Repetitive processes:** Cadences and workflows can be automated for follow ups and dunning letters, to track open rates, report on bounces and support internal and external notes, eliminating duplicative efforts when multiple resources are interacting with the same customer.
- **Process clarity:** By implementing automation as part of your collections process, a systematic approach is established. Having a set process that is consistent and clearly communicated ensures that customers know what to expect in the collections process, and this supports friendly, positive interactions with the customers.

Whether you're looking to reduce costs, improve efficiency or decrease your Days Sales Outstanding (DSO), automation is a valuable strategy to support your business. As you look at how you're currently managing customer communications today, keep these three pillars in mind: consistent, personalized and automated.

What would it take for you to regularly email your customers?

***A recent FICO survey shows that 60% of customers prefer email as their main form of communication.
Are you meeting your customers where they're at?***

Why focus on collections best practices now?

When you consider making improvements to the credit-to-cash process, data, automation and communication can drive huge benefits:

- You can reduce the cost of invoicing by up to 94%
- You can improve your Collections Effectiveness Index (CEI) by up to 20%
- You can improve your AR team's efficiency up to 3X
- You can increase cash flow up to 26%

With the change in business conditions due to COVID-19, the need for a centralized, cloud-based system to manage back office functions has become critical. With AR and collections teams now distributed, or with limited in-office interactions, they require access to various AR systems and data sources to do their jobs effectively. And they need to be able to communicate with each other, and with customers.

They especially need support for managing the process most often overlooked when businesses evaluate updating and improving their AR process: **collections.**

According to a recent study by PYMNTS and American Express, 44% of businesses have struggled with collections since the onset of COVID-19, and DSO increased from 39 to 43 days.

The processes impacted most by the pandemic were payments acceptance (47%), followed by customer credit checks (45%) and then collections (44%).

It takes 67% more time to follow up on payments in a manual process than an automated one. In addition to the time factor, PYMNTS estimates the added financial cost to be between 1-3%, which means you're eating right into any profitability.

This is why we are focused on 5 collections best practices to minimize risk in turbulent times. These strategies support the other improvements you're already considering in your credit-to-cash process, and will have a direct and significant impact on your overall business.

If you are among the 54% of innovative business leaders who intend to invest intelligently in a more efficient and cost-effective way to manage their credit-to-cash process, then you're taking a closer look at your collections process and realizing that improvements here can go a long way to accelerating your cash flow, improving customer loyalty and ultimately, scaling your business for future growth.

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Elevate credit-to-cash with Quadient AR by YayPay

Quadient Accounts Receivable Automation by Yaypay is a leading accounts receivable automation solution providing intelligent credit-to-cash software, payment processing and industry best practice. Our end-to-end platform ensures process efficiency, team productivity and customer delight while accelerating cash flow. Quadient supports hundreds of thousands of customers worldwide in their quest to create relevant, personalized connections and achieve customer experience excellence.

For more information, visit [www.quadient.com/ar-automation.](http://www.quadient.com/ar-automation)