BEEBOT AI

eGuide

Accounts Receivable Automation and Process Best Practice

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Why AR is the most important area of your business – and critical to your success

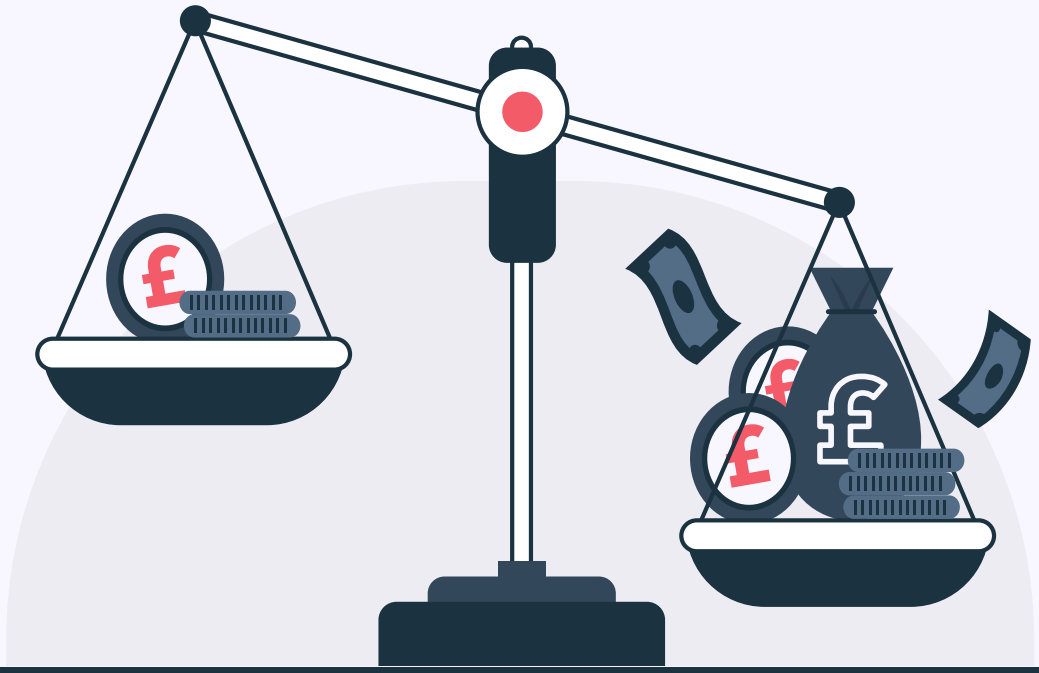
Accounts Receivable (AR) is an asset account on the balance sheet that represents money owed to a company for products or services that have been delivered or provided to customers.

AR can be one of the largest assets a company owns and it's often one of the most important areas of a business. The reason for this is simple: AR is the positive end of the cash flow cycle and the funds collected are essential for paying staff, operational costs and your own creditors.

However, most businesses do not expect to collect 100% of the money shown in AR – and the mountain they're attempting to climb is getting higher, as debt continues to soar since the arrival of the pandemic.

Since the pandemic, late payments have increased by 209%[1]. In fact, UK business debt has increased by an alarming 79% in just 12 months[2].

Sources: [1] Pressat, [2] FT



Good management of your AR processes will keep your finances in check, your company strong and growing. Cash coming in and out on time means your cash flow is fluid and you can use it to grow the business.

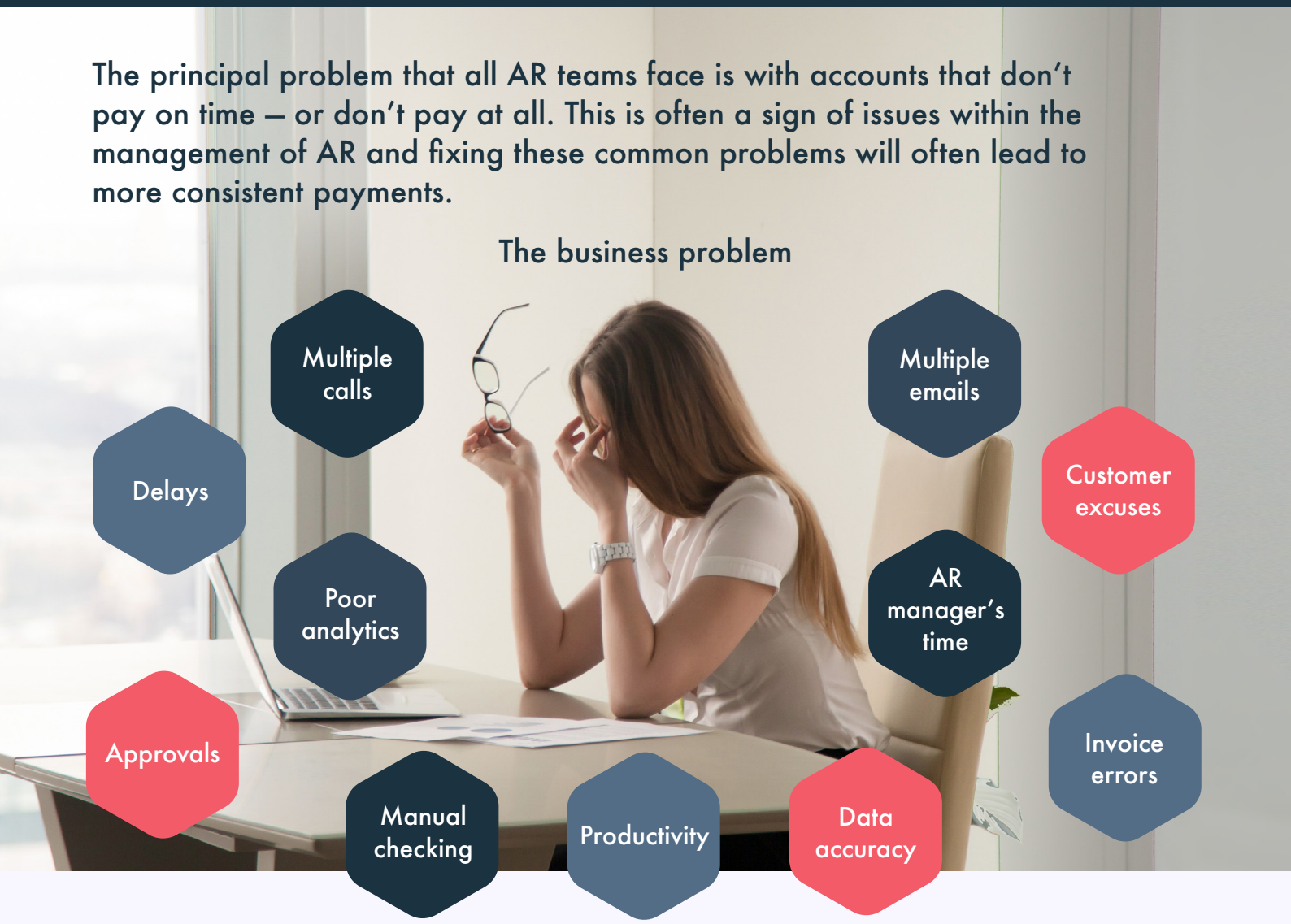
But there are a number of issues that can prevent your accounting department from collecting outstanding receivables properly.

And if debtor amounts within AR increase to a figure that is unsustainable for the business, this can cause serious cash flow problems, impact profit and ultimately undermine a company's long-term objectives.

Traditional AR process issues: What's going wrong?

The principal problem that all AR teams face is with accounts that don't pay on time – or don't pay at all. This is often a sign of issues within the management of AR and fixing these common problems will often lead to more consistent payments.

The business problem



Data accuracy: Many companies face major issues over whether the invoices they receive are presented correctly and state the right information.

Manual checking: Credit control has to manually check invoices and authorise them before they go out, which creates extra work and adds time.

Delays: If invoices are sent with errors, then more hold-ups will occur. Invoices may go to the wrong person. Employees come and go. Businesses move locations. Departments shift between offices. Over time, the people, places and email addresses on your invoices may change – and invoices that once got paid quickly may stop getting paid at all.

Customer excuses: People's responses about not receiving invoices or querying the details can increase in frequency.

Invoice errors: Unpicking the mess caused by invoice errors and trying to sync invoices with purchase orders – can be hugely frustrating and labour intensive for AR teams.

Extra work: Having to manually recreate invoices and statements, resend them as required and then chase by phone is extremely time consuming. And if the account was overdue already, then further rounds of conversations and corrections simply compound the problem.

Productivity: AR teams can feel as if they're wading through treacle – and morale plummets. They feel they should be doing more effective work.

Approvals: Getting late invoices approved for payment can be time-consuming and feel as if it's never-ending, especially if backlogs are growing.

Trying to solve the challenge

Most managers have concerns about cash flow and some believe that hiring temporary staff is the answer. But chronic shortages of skilled credit controllers mean that temporary staff often don't have the right capabilities and this increases errors within the system.

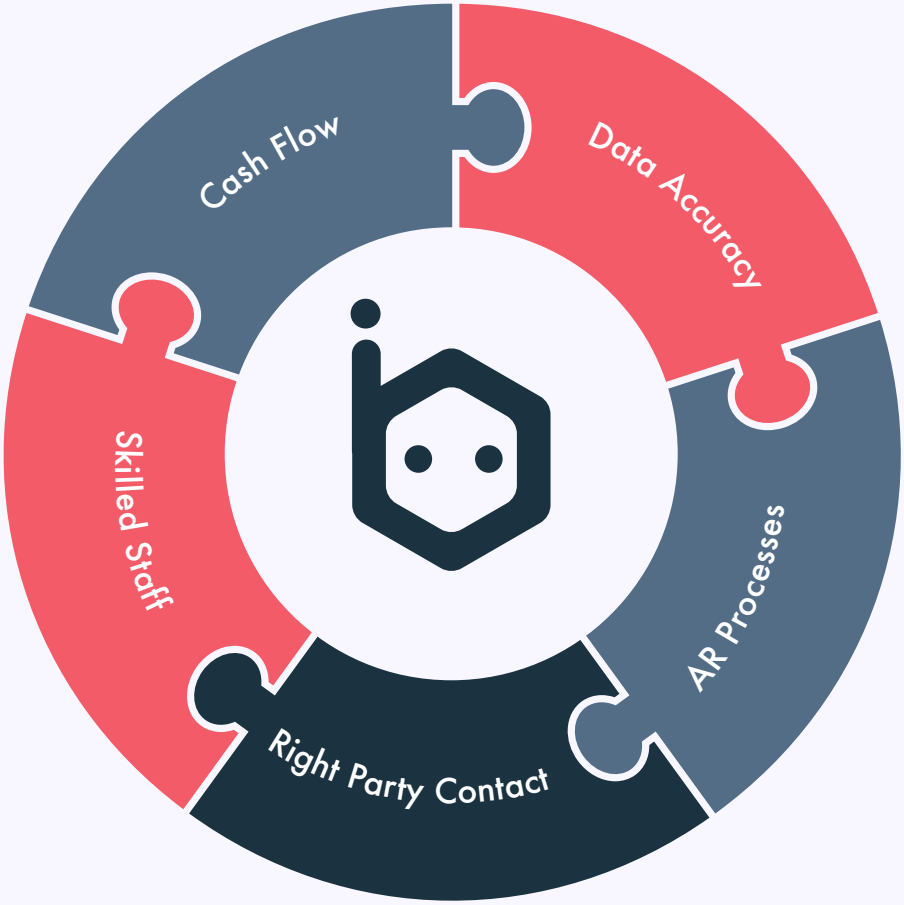
Using outside staff can typically create clunkiness around the AR process, a lack of insight and a tendency among temps to "do it their own way" using workarounds.

For example, when data accuracy issues come to light – such as a missing email address for the invoice – there can be a temptation among temp staff to input the wrong data simply to move through the screens. But these workarounds create their own problems within the system and cause costs to spiral further down the line. There are also debtor data accuracy issues to consider. Right Party Contact is time consuming to find and validate, with little auditability to manage the change process.

Chasing bad debt costs UK businesses over £6m every year.

Source: UK News Group

Key Accounts Receivable Challenges



Obstacles facing AR teams: How it looks on the ground

Retention of key AR staff is low and there is a shortage of good AR Managers – chiefly because of stress and frustration within the industry. Every day, staff face endless data challenges, reconciliation headaches, and the sheer monotony of repeating the same tasks over and over again. The right tools, analytics and dashboards are in short supply.

Finance professionals are fed up with outdated processes and lack of analytics.

40% say their inability to access real-time financial data and insight is the most difficult part of their jobs today.

Source: Pressat

Most companies handle AR processes in silos. The invoicing process, the debt recovery process and the legal process can be highly disjointed. There is a high level of human interaction required, like multiple calls, emails and internal sign-offs around the AR process, resulting in errors with no holistic file management.

A lack of real automation in enterprise resource planning (ERP) systems means manual intervention is required, while reporting and visibility can be poor. And since the arrival of the pandemic, working from home has exacerbated communications issues.

The alternative of using debt recovery agents or invoice factoring comes with a high cost and, as such, the percentage of debt write-offs is increasing. Companies could have substantial aged debt such as £250k, even beyond £1m at any one time, which seriously affects the running of a business.

Worse still, companies often don't know where to prioritise their resources. A lack of reporting means there's no clear picture across AR that shows which accounts have a higher propensity to pay their debt. This makes it extremely difficult for finance leaders to adopt any meaningful strategy in this area that could transform the long-term performance of AR.

The siloed approach to AR processes

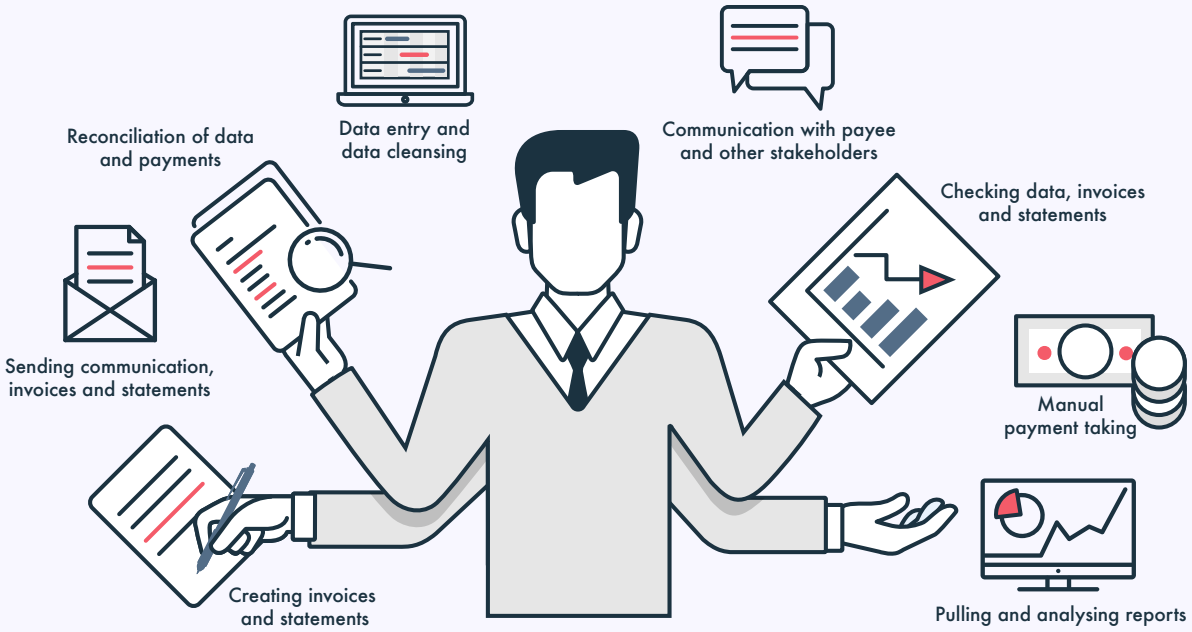
"We knew we needed to connect the dots between these processes to drive better efficiency in our AR."

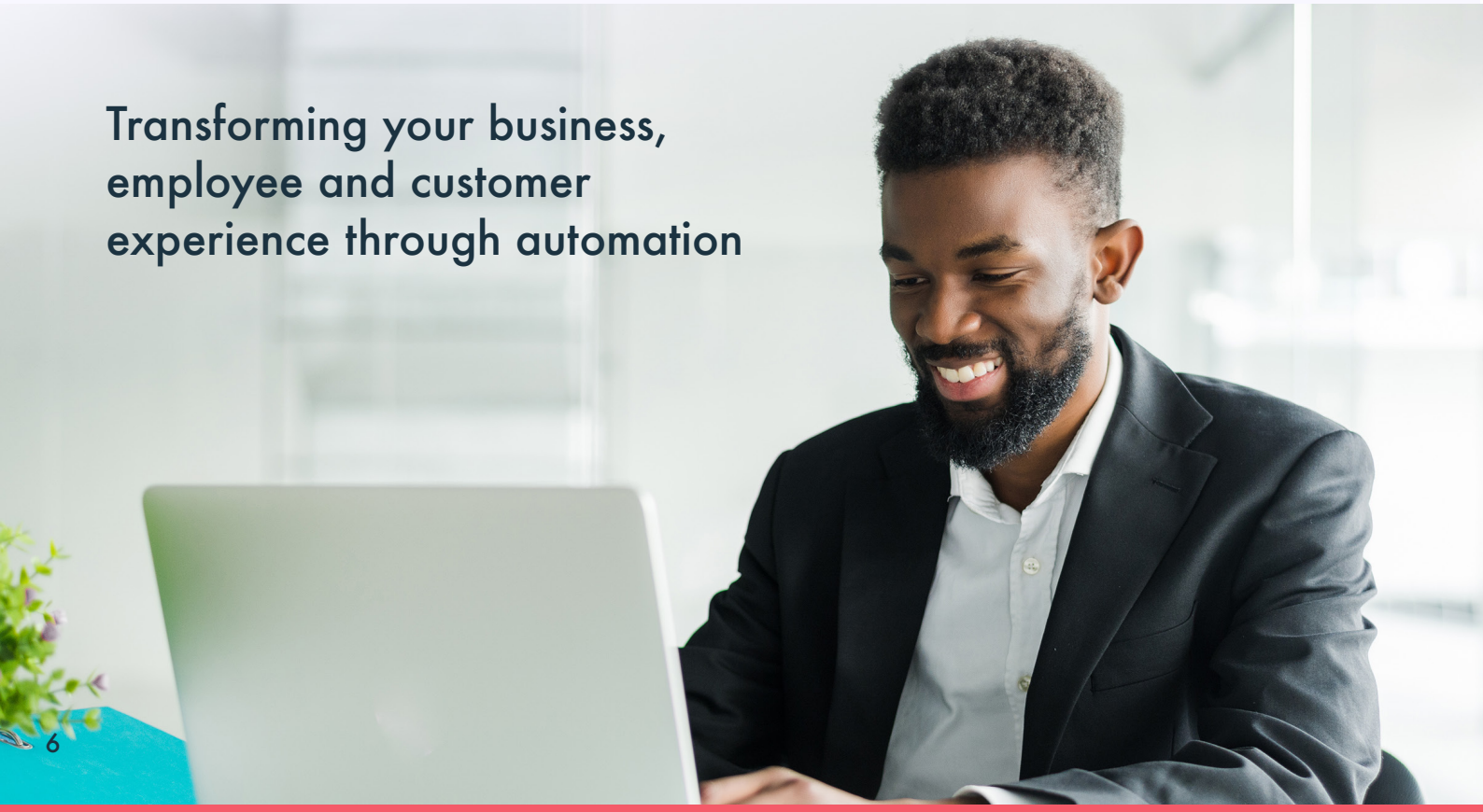
Bill Bartley - Fusion OH

The day in the life of an AR Manager

There are numerous manual repetitive tasks that an AR Manager faces daily which stifle productivity.

- Creating docs
- Sending docs
- Reconciliation data and payments
- Data entry and cleansing of data
- Internal sign-offs
- Multiple calls
- Communication with payee and other stakeholders
- Checking data
- WFH–IT issues/payment gateways – using home devices/wifi





The shift towards digital and what this could mean for AR

Inefficiencies and other problems around traditional tasks have been amplified by the pandemic. Companies cannot rely on historical data to predict future outcomes. In these uncertain times, they have to be more proactive in the way they use data and technology to create a more resilient business model. COVID-19 has heightened the leadership status of the finance team, but it also increased expectations that they could predict the financial future.

The ongoing pressure from executives for Finance departments to provide higher volumes of data and quality of insights, and at greater speed, coupled with frustration over their own outdated manual processes, led many UK financial leaders to rethink their digital strategies. Driving the company's digital transformation is now many CFOs' number one goal.

In "The Digital CFO", a recent research report, Jonathan Howell, Group CFO at Sage noted that:

> "Those at the forefront of digitalisation understand the benefits that automation and cloud bring to the finance function. The rest of the finance community are very fast followers, because best practices spread."

Improving AR processes and integrating intelligent automation and conversational AI.

Advances in automation, artificial intelligence and analytics have transformed the way the finance function operates.

Finance teams are now moving way beyond being the 'keepers of historical records' to supporting value-driven activities. These include the continuous automated creation of key performance metrics and data analytics to support better company-wide understanding and decisions that will shape the business.

The pandemic proved that these bespoke digital capabilities not only speed up repetitive processes, freeing up teams to focus on more analytical problem-solving, they also give the finance function a competitive edge through the insights they provide.

Finance leaders who were already on a digital transformation journey were in a much better position to provide guidance to their C-suites. Finance leaders who want to continue to deliver value, through the pandemic and beyond, must do so by championing technology, embracing automation and communicating to stakeholders how these tools will help to drive better business results.

Nearly 70% of workers say the biggest opportunity of automation lies in reducing time wasted on repetitive work.

Source: Smartsheet

Envisioning a brighter digital future for AR

Accounts Receivable automation could mark a step-change for the industry. It sets out to optimise the process of sending and receiving customer invoices. Put simply, it enables more of your processes to be handled at speed and scale in a hands-free fashion.

Best practice AR processes and automation combined is the silver bullet for collecting 90% + of outstanding debt showing in AR.

With the right AR automation tools, you can offer omni-channel communication and ways to pay such as embedding payment options directly inside a digital invoice, text message or a conversational AI message. The easier a bill is to pay, the faster it should be paid – via the channel preferred by the customer.

The latest tech can provide a digital footprint of the order to cash received process. It automates manual tasks, streamlines processes and accelerates outcomes that can transform AR in a host of ways:

The new world of Automated AR Process Management

What does best practice AR management look like?

Finance and AR automation can transform the role of AR Managers by shifting their focus to one of strategic planning across accounts. They can review accounts by aged debt, propensity to pay, and a wide range of other useful indicators. These can be used to create collection rules by account, if they wish to reduced aged debt over time.

Ultimately, this nuanced, insightful and data-driven approach can help to:

- Reduce debtors and bad debt write offs
- Maximise cash flow
- Improve account health
- Incentivise the right accounts for early payment
- Improve Profit & Loss

Up to

200%

ROI from automation in 12 months

McKinsey Digital

AR Automation

5 Tips to Improve Your Accounts Receivable Process

1. Invoice regularly and accurately. If invoices don't go out on time, money will not come in on time.
2. Always clearly state your payment terms, and set a period for a customer to advise if an invoice is correct.
3. Offer multiple ways to pay.
4. Set a clear system that is consistent and rigid for debt collection.
5. Consider offering discounts for prepayments.
6. Invite Account Managers and Sales Representatives to support you in collecting the debt.

What's in it for us? The long-term benefits of automation and best practice AR management are compelling

Once AR processes are freed from silos, connected and automated, then everyone benefits – from AR managers to customers. The business itself can also enjoy significant financial advantages.

Benefits for AR managers

- Transformed work environment with reduced stress levels leads to greater staff retention
- Manual tasks are replaced with analytical problem-solving
- Increased productivity enables staff to focus on value added tasks and improving customer relationships

Benefits for customers

- Brands can deliver a superior and consistent customer experience, available 24/7
- Digital multi-channel debt recovery communications and payment options make it easier to pay, providing quality and convenience

Strategic finance benefits

- Greater digital transformation increases overall business agility
- Reduced DSO (Days Sales Outstanding) improves cash flow
- Write-offs can be minimised through efficient early debt collection
- Operating costs can be reduced through highly efficient processes and invoice disputes being handled through automated communications
- Process bottlenecks can be identified quickly
- The costs of invoice discounting, factoring, and using temporary staff can be avoided
- Credit risks and other enhanced business insights become available through real-time analytics
- Business performance trends can be monitored in real-time, emphasising cash flow importance

Discover more today

AR automation is the logical next step in digital transformation for finance departments. With many companies finding themselves constrained by high debt levels, the business case is overwhelming. Finally, brands can conquer the issue and deliver processes that are accurate, consistent and cost effective.

But AR automation isn't simply a smart new fix for a stubborn problem. It goes further – by elevating the role of AR managers and arming them with a wealth of tools to sharpen their company's competitive edge, making business more agile and responsive.

Suddenly, you can understand more about your customers, where to target your resources, and how to recoup funds faster. And this can lead to a dramatic and sustainable improvement in cash flow – leading to increased company growth and performance.

About Beebot AI

We are on a mission to help more UK businesses transform their operations through automation.

Founded by tech gurus and customer experience experts, Beebot AI is backed by IT Capital.

Our team has a deep understanding of customer engagement with extensive experience implementing software-as-a-service (SaaS) technology.

We have the passion and expertise to help businesses gain the benefits of automation through robotic process automation (RPA) and conversational AI. We're able to enhance human experiences with advanced yet easy-to-use technology and services.

We operate in a marketplace that's growing fast in new and exciting ways – and our development roadmap includes end-to-end platforms for businesses of all sizes across verticals.

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Find out more from Beebotai:

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