

HOW AUTOMATED CASH APPLICATION DELIVERS THE BENEFITS CFOs NEED



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Navigating the economic downturn has been hard on CFOs.

But the toughest challenge for CFOs lies ahead: positioning the business for growth and success.

Businesses expect their CFO to be more than a financial scorekeeper. Today's CFO must be a partner in devising strategies to drive revenue growth, higher profits, and greater market share.

Accounts receivable automation is one way that CFOs can help the business achieve its objectives.

An automated cash application solution delivers the strategic and operational benefits that CFOs need, while delivering a fast payback and a setting a solid foundation for future business growth.

This white paper details the importance of receivables management in tough economic times, the cash application challenges that businesses face, and the benefits of automated cash application.

Read on and learn how your proposal for automated cash application can impress the CFO.



Fifteen industries indicated that more than 10 percent of their accounts were more than 90 days past due as of the end of Q3 2020.¹

Why Receivables Management Matters More

What's keeping CFOs up at night?²

- **40 percent** of AR leaders believe that cash flow analysis is their CFO's top priority.
- **28 percent** of AR leaders believe that mitigating risk is top of mind for their CFO.
- **20 percent** of AR leaders believe that managing liquidity tops their CFO's agenda.
- **12 percent** of AR leaders believe that reducing costs is their CFO's primary goal.

These statistics underscore the impact that the economic downturn has had on businesses.³

- **Average** days late has grown
- **Aging** balancing are higher
- **Customer** disputes are increasing
- **Bad** debt is ballooning
- **Suppliers** are rejecting more credit applications

Incredibly, twenty-four percent of AR leaders report that their business' Day's Sales Outstanding (DSO), a measure of the average amount of time it takes a business to collect its receivables, has increased by more than 10 days since the start of the recession.⁴ DSO has grown at 79 percent of businesses. That is millions of dollars in cash that is trapped in the accounts receivable cycle.

Not surprisingly, many businesses are experiencing cash flow disruption. In fact, cash flow insolvency is a threat for small- and mid-sized firms that don't have large lines of credit draw upon.

¹ Dun & Bradstreet, A Quarterly Report for Benchmarking AR Performance

² Institute of Finance and Management (IOFM) online survey, 5/21

³ Institute of Finance and Management (IOFM) online survey, 2/21

⁴ Institute of Finance and Management (IOFM) online survey, 2/21

Clearly, accounts receivable management means more in times like this.



Cash flow is among the top three concerns among 66 percent of senior execs.⁵

The Cash Application Challenge

The problem is that most AR departments have their hands full with their own challenges. Chief among them is the struggle of receiving customer payments and matching them to open invoices.

Why is cash application so hard, even as more payments and remittance become digitized?

- Customers control how when they make payments.
- Most businesses receive many types of payments, including cash, checks, Automated Clearing House (ACH) transactions, card payments, and wire transfers.
- Payments and remittances can arrive through a variety of channels.
- Remittance details may arrive separately from payments (“de-coupled”), requiring AR staff to match remittance documents with payments.
- Most remittance data must be rekeyed into an AR system or ERP application.
- Customers may take unauthorized discounts, short-pay invoices, pre-pay invoices that haven’t been issued yet, or make a single payment for multiple outstanding invoices.

Making matters worse, most receivables departments manually process and apply customer payments. Only 25 percent of AR departments use an automated cash

application solution.⁶ As a result, AR professionals spend their workdays bogged down by repetitive, unfulfilling tasks such as keying remittance information, shuffling paper, and chasing down information to resolve exceptions.



52% of AR leaders believe that too many manual processes contribute to receivables moving to collections in their business.⁷

Concerns about the length and complexity of an automation project are the biggest reason that AR leaders say their department hasn’t deployed cash application technology.⁸ Other AR leaders say they are skeptical of the business case for automation, fearful that automating cash application could jeopardize their job, and that they haven’t found a solution that meets their department’s needs.

The automated solutions used by most AR departments only deliver marginally better results. While many technology providers claim that their software can process any payment type, received through any channel, most of these solutions try to accomplish this by piecing together multiple applications branded from one company, resulting in the same inefficiencies and unnecessary complexity.



Businesses spend \$100 billion annually on their receivables processes.⁹

It is no wonder that cash application is the biggest challenge faced by AR teams. Or that half of AR leaders are at least partially dissatisfied with their current

⁵ CFO Research Survey, March 26-April 2, 2020

⁶ Institute of Finance and Management (IOFM) online survey, 2/21

⁷ Institute of Finance and Management (IOFM) online survey, 2/21

⁸ Institute of Finance and Management (IOFM) online survey, 5/21

⁹ Aite Group

receivables processes.¹⁰ What AR departments need is a single receivables platform to manage all payment types and channels.

A Better Approach to Cash Application

An automated cash application solution makes it possible for AR departments to process and apply customer payments directly to their ERP, without the need for human operator intervention.

- All incoming payments are captured, including check, ACH, cards, and wires.
- Electronic remittances can be received in multiple formats, including PDF and CSV.
- A browser and attached scanner scans checks and paper remittances.
- All collected checks are immediately deposited.
- A feed from the biller's bank lockbox provider is received, if one is used.
- Remittance data is re-associated to deposited payments.
- Machine learning matches payments to open invoices.
- A posting file is created to update each customer's AR.
- AR leaders have complete visibility across the AR lifecycle.

With automation, payments and remittance data can flow straight-through for posting. With cash applied accurately and quickly into your AR system, you'll have more accurate visibility into customer payments, customer credit is replenished sooner allowing new orders, and fewer payments end up as future collection cases.

That's music to a CFO's ears!

More AR leaders recognize the value of deploying automation across all payment types and channels. Thirty-six percent of receivables departments that

manually process and apply their customer payments are considering deploying an automated cash application solution.

Improved staff productivity and the opportunity to free frontline staff to focus on higher value activities such as data analysis are biggest reasons to automate cash application in the eyes of AR leaders.¹¹ Reduced DSO (identified by 21 percent of AR leaders), operational savings (identified by 17 percent of AR leaders), and better customer relationships (identified by 8 percent of AR leaders) are other benefits that AR leaders believe an automated cash application solution can deliver.

The Benefits of Automated Cash Application

Automating cash application delivers the operational and strategic benefits that CFOs crave:

- **Reduced overhead.** Business leaders are watching the bottom line more closely these days. Automated cash application dramatically reduces the cost of processing payments. A cash application solution can automatically match and apply any payment from any channel. In fact, best-in-class solutions enable AR departments to post more than 90 percent of the payments they receive without the need for human operator intervention (touch-free).



Automating cash application can save AR teams hours of time every month.

- **Accelerated cash flow.** More businesses receive more checks in the field. Delays in getting checks received in the field to the AR department can impact cash flow and stand in the way of new customer orders. And no one wants field teams spending lots of time going to the bank to make deposits. There also

¹⁰ Institute of Finance and Management (IOFM) online survey, 2/21

¹¹ Institute of Finance and Management (IOFM) online survey, 5/21

is a chance that checks received in the field could become lost as they are being transported to the bank for deposit. Automation makes it possible to use a mobile device to apply and post payments received in the field, with updates to an ERP. Mobile capture also allows customers to pay the way they want and increases valuable face time with your customers.

- **Faster revenue growth.** Businesses are looking for ways to fuel sales growth. Automated cash application does just that. By applying customer payments more quickly, AR departments can remove credit holds faster and clear the way for new customer orders. Automation also results in faster and more accurate posting of payments to AR, fewer payments ending up in collections, and collectors having more up-to-date information. This further reduces both DSO and collections write-offs.



The number of people using digital wallets will increase to nearly 4 billion, or 50 percent of the world's population, by 2024.¹²

- **Enhanced customer experience.** The consumer payment experience has raised expectations for the type of experience that businesses deliver in a business-to-business setting. More customers are willing to take their business elsewhere if they don't receive the payments experience that they expect. Automated cash application provides customers with flexible payment options, fewer delays that necessitate inquiries, and faster credit replenishment. It readies a business to allow customers to pay using their preferred payment method.



Payment options give customers another reason to keep doing business with you.

- **Better productivity when staff work remotely.**

The shift to remote working underscored the need for business continuity and security. Many businesses are accelerating their digital transformation initiatives.

Automated cash application and remote deposit capture, mobile AR payments, a customer payment portal, and real-time analytics keep processes and cash flow moving, regardless of whether staff work in the office, at home, or on-the-go. With payments moving through the cash application process quickly and accurately, a business can have greater confidence that their AR is up to date.



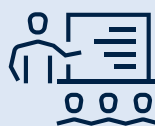
54% of CFOs plan to make remote work a permanent option.¹³

- **Greater scalability.** The operational efficiencies provided by an automated cash application solution enable AR departments to process more payments as their business grows, and address increasingly complex payments requirements, without having to add more staff.



Vet each vendor's implementation process to ensure it will support a fast payback.

- **Fast payback.** No CFO has the appetite for a long and potentially risky automation project. Automated cash application solutions are a quick win. Many businesses achieve return on investment within months of automating. The technology offers clear payback fast and requires minimal time commitment from IT resources overwhelmed by tech projects.



CFOs love pragmatic automation proposals that target day-to-day challenges.

¹² 2020 Treasury Perspectives Survey Report

¹³ PwC US CFO Pulse Survey, June 2020

Each of the benefits of automated cash application is impressive. Together, they help CFOs improve visibility into cash flow, mitigating risk, better manage liquidity, and reduce operational costs.



56% of CFOs say strategic technology investments will improve their companies' long-term performance.¹⁴

Carter Lumber

Carter Lumber, the nation's 10th largest lumber and building materials supplier, is one business that is benefiting from automated cash application. Over the past few years, Carter Lumber has grown at a 70 percent rate. As Carter Lumber's footprint expanded, it became harder to provide its customers with immediate credit. As a result, the company implemented several manual cash application steps for posting payments to its ERP. The company also opened accounts at local banks to deposit its growing volume of checks. Salespeople would report the remittance details of any checks that they deposited locally over the phone or through fax. It didn't take long for Carter Lumber to realize that the entire process was inefficient and costly and was making it hard to deliver exceptional service.

That's when Carter Lumber decided to automate its cash application with a Software-as-a-Service (SaaS) solution that included mobile payment capabilities. The solution captures payments and remittance documents from the field, matches them to open invoices, and deposits payments.

Salespeople no longer have the administrative burden of depositing checks at a bank or faxing copies of remittance documents to the company's centralized office. Carter Lumber's more than 400 field personnel now use their mobile device to take a picture of the check

and remittance document; the transaction is processed just as if AR staff received the payment. Automating cash application tasks also enabled Carter Lumber to reassign more than half its AR staff to credit and collections. And processing deposits for all payments on a single platform has streamlined cash concentration.

Haas Door Company

Haas Door Company, a garage door manufacturer, is another company that has used cash application automation to support its growth. Like many companies, Haas Door Company used to rely on a completely manual cash application and reconciliation process. Haas Door Company also received most of its payments via check. As the company grew, it wanted to free its accounting and credit management teams from the burden of manually matching, applying, and reconciling payments.

That's why Haas Door Company deployed an automated cash application solution that includes an online invoicing portal. The solution uses provides electronic payments workflows and uses artificial intelligence to match payments to remittance details received via e-mail, PDF, or file upload. Payments are matched automatically, regardless of whether they arrive via check or ACH. An integrated electronic payments portal presents bills electronically and supports electronic payment.

Haas Door Company now posts nearly 70 percent of its payments straight-through. What's more, automating cash application has freed Haas Door Company's credit manager to focus more time on bringing on new customers and having proactive conversations with existing customers.

Wurth

Automation also has helped Wurth, an automotive, trucking, manufacturing, and construction company, significantly reduce the amount of time it spends on cash application and reconciliation.

¹⁴ PwC US CFO Pulse Survey, June 2020

With 40,000 customers across Canada serviced by more than 470 representatives, the Montreal-based company needed an efficient and cost-effective way to collect check payments in the field and reconcile those payments with each customer's account. It's not unusual to collect 50 checks per day in the field. Depending on the representative's distance from Wurth's head office, it was costing the company between \$10 (CAD) and \$50 (CAD) to courier the checks for processing.

Automated cash application provided Wurth a better solution.

The solution provides streamlined processing of all check and electronic payments, highly automated reconciliation, and comprehensive reporting. Mobile capabilities enable sales representatives in the field to deposit checks within a minute. And instant online access to every payment processed by the system empowers AR staff to quickly respond to inquiries, resolve discrepancies, or fulfill audits.

Automation has enabled Wurth to reduce the time it spends on AR by 75 percent. Staff now spend more of their workday on higher-value activities such as inbound

customer information requests and following up on credit inquiries and applications. Collectors also have eliminated some administrative tasks. The efficiencies provided by the automated cash application solution also has made it possible for Wurth to process more payments without the need to hire additional AR staff.

Additionally, Wurth is saving up to \$15,000 (CAD) per month on courier fees.

Conclusion

A CFO's job is harder in times like these. AR can be an integral partner in helping CFOs navigate the economic downturn by providing tools that improve visibility into cash flow, manage liquidity, mitigate risk, and reduce operational costs. Automated cash application makes this possible.

By eliminating friction in the processing and application of checks and electronic payments, AR departments can speed cash flow, free staff to focus more time on growth-generating activities such as data analysis and credit management, reduce write-offs, and deliver a better customer experience.



About DadeSystems

DadeSystems helps businesses unlock the possibilities of smarter AR.

Today's AR teams are challenged by the explosion of digital payment types alongside the persistence of check and a complex payment reconciliation process that wastes time and money.

With an easy implementation and straight-through cash posting rates of 90%+, DadePay ensures that finance leaders can quickly solve their most pressing AR challenge – manual cash application. As a result, businesses can focus on more strategic areas of AR, improve customer relationships, and optimize key metrics like DSO and per-payment processing costs.

Recognized by Celent and Aite Group for advanced machine learning, AI, and mobile capabilities, DadePay is used by businesses across industries to streamline AR and delivered to corporate clients through 6 of the top 55 U.S. banks.

Learn more about DadeSystems: dadesystems.com

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