



Less Resistance, More Collaboration.

# The CFO's Guide to Accelerating Collections



## The most important change businesses can make right now to increase their collections' effectiveness is to adopt a more collaborative approach.

Accounts receivable (AR) is a vital part of running a successful business. After all, it's the function that ensures the company gets paid. But problems with maintaining a streamlined and timely collections process are common, especially among businesses that continue to conduct this work manually.

Collaborative AR tools address a recurring problem that's often behind these collection issues: the AR disconnect. That is, the communication gap between a company's AR department and its customers.

The traditional AR collections process is a one-way street: the company tells the customer what to pay, after which ensues a less-than-satisfying exchange of back-and-forths over phone and email. This lack of effective methods for customers to open a dialog about billing creates a frustrating dynamic that so often leads to delayed payments.

This results in your AR staff spending time chasing payments, less available cash on hand for the business, and a greater need to carry out confrontational collections tactics. All the while, if you had just been able to receive input from your customers, you might have resolved the issue much faster.

This can be done by connecting your AR staff directly with your customers over the cloud. Customers who can engage in real-time discussions about the bill they've received and pay it in just a few clicks are more likely to pay on time.

Collections is an area that's primed for digitization—and perhaps more importantly, transformation. Companies are increasingly adopting automated solutions that help them track AR processes, reduce errors, conduct robust analysis, and—crucially—engage customers throughout the entire invoice to payment lifecycle.

This guide will help you understand exactly what a collaborative approach to collections looks like.



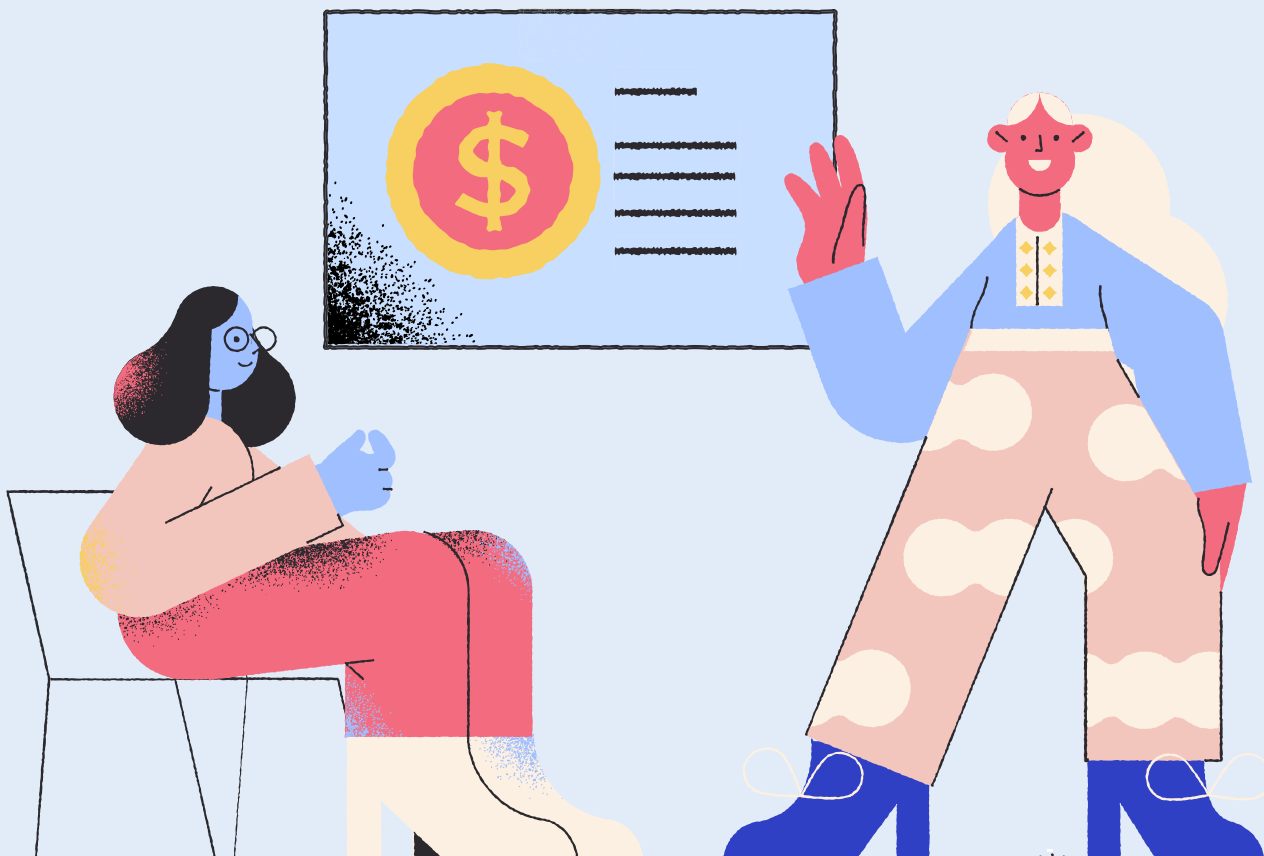
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## Chapter 1

# 6 major developments in collections management

The collections landscape has been shifting in recent years, with changes only accelerated by the increasing digitization of businesses during the coronavirus pandemic.





**01**

Automation



**02**

Improved  
cybersecurity



**03**

AI-generated  
forecasting



**04**

ERP  
integrations



**05**

Payment  
digitization



**06**

Strategic cash  
flow focus

## 6 major developments in collections management

There are 6 major recent developments in collections management, which include:

### 01. Automation



Automation has been the most profound change for collections in recent decades. This shift has been a major benefit to businesses, helping increase cashflow while decreasing resources spent on collections. AR teams can proactively notify customers of an approaching payment date with automated reminders instead of mailing a dunning letter, drafting an email, or getting a customer on the phone.

### 02. Improved cybersecurity



Increases in automated invoicing and collections have been accompanied by a greater—and very necessary—focus on cybersecurity. Cybersecurity is a greater focus for finance teams now that more third-party systems are available to partner with to handle AR processes. Companies that can handle cybersecurity in-house—or whose software partnerships enable them to control payment experiences more tightly—are more equipped to ensure that their systems are safe from cyberattacks.

### 03. AI-generated forecasting



Some AR teams are using artificial intelligence to generate cashflow forecasts instantaneously, a task that may take businesses days or weeks to do manually. Scenario-planning tools can indicate where finance teams need to be alert for cash gaps and employ strategic decision-making. With smart forecasting and AI and machine learning tools, you can leverage technology

“More transparency in communications is better, and collaboration is a key method of achieving that. Versapay allows direct communication between suppliers and their customers *right on each invoice*, with options to ask questions, resolve disputes and attach documentation. This eliminates time-consuming back-and-forth emails and phone tag. Collaborating in a shared, cloud-based platform makes everyone’s lives (and collections!) easier—helping people get on with their days.”

Lynda Hsu, **Product Manager**, Versapay

**04. Integrations with ERPs and financial management systems**



As more AR automation vendors have emerged, so have their integration capabilities. Most vendors offer some level of integration with popular enterprise resource planning (ERP) and financial management systems to simplify the task of data reconciliation. These integrations can extend the capabilities of businesses' core accounting systems, providing added functions like invoice tracking, collections reminders, and automated cash application. Vendors are also focusing on enabling more integrations between accounts payable and accounts receivable portals to drive further efficiencies.

**05. Payment digitization**



In a post-COVID world where businesses can't be sure which customers are in-office, AR teams can no longer rely on physical invoices, dunning letters, or collections calls. Instead, they're turning their attention to digital tools to find ways to allow and encourage customers to pay online as quickly and easily as possible. There are tools out there that allow suppliers to present their invoices digitally and accept payment through a variety of methods online.

**06. Strategic cash flow focus**



Looking for further stability during the ongoing economic rollercoaster of the last few years, businesses are realizing that their accounts receivable can be a strategic lever, rather than just a back-office function. By focusing on digitizing activities like collections, AR teams can significantly influence cash flow. Other strategies teams are using to speed up cash flow include providing customers with discounts if they make an early payment.

**SUCCESS STORY**

**Payment digitization accelerates collections for the Research and Productivity Council**

The Research and Productivity Council (RPC)<sup>1</sup> provides services that help ensure food safety, air quality, and marine health in Eastern Canada and around the world. They were struggling with maintaining effective AR practices. Before implementing Versapay's AR automation system, RPC had \$800,000 worth of invoices more than 90 days overdue, in part because RPC's system didn't support a variety of payment methods. After using Versapay to collect payment from their customers, RPC slashed the number of accounts with invoices 90+ days past due by 70%.

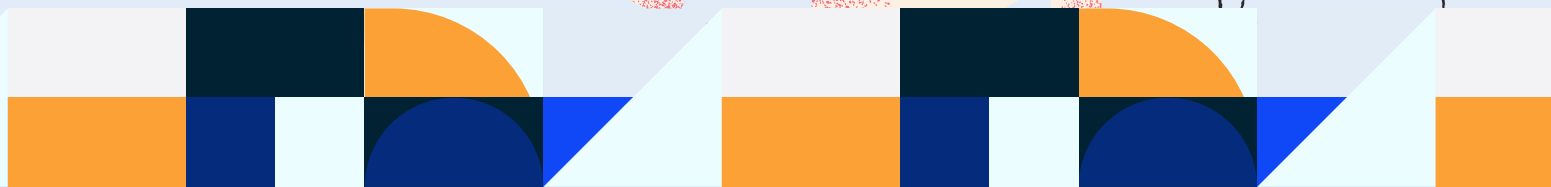
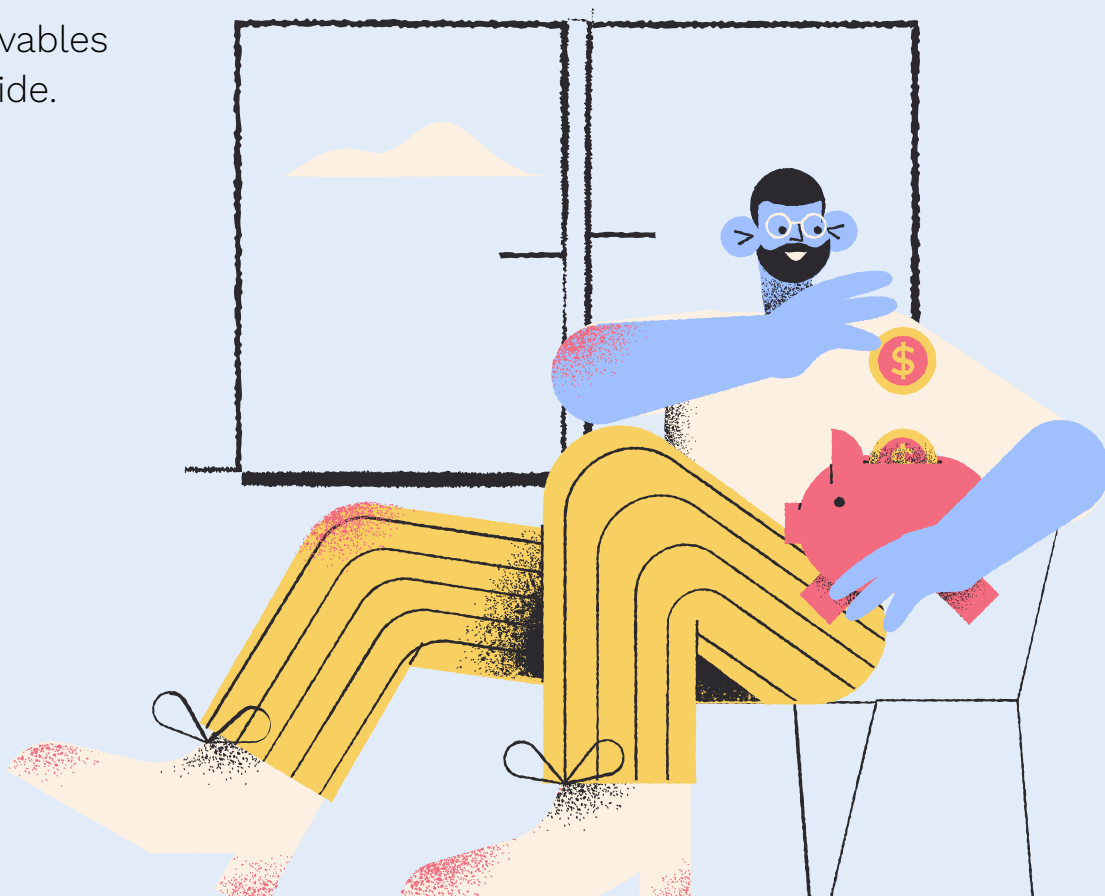
<sup>1</sup> <https://www.versapay.com/resources/cybersecurity-enterprise-transforms-manual-invoicing-processes-eliminates-labor>

## Chapter 2

# The business impact of collections

When the collections process runs smoothly, businesses can count on steady cashflow and the ability to forecast into the future. This helps finance leaders make strategic decisions for current spending, plan for future growth, and see opportunities for improvement.

But as most finance teams can attest, collecting on receivables is often a bumpy ride.

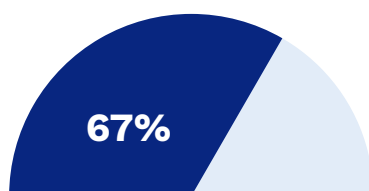




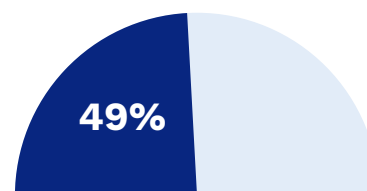
## The business impact of collections

There are two major areas of weakness in the traditional AR collections process. One is the ineffective execution of AR policies—that is, when AR professionals are not following through on collecting receivables in a timely manner. The other is the inefficiency of the collections process itself, where manual processes and siloed communications make it difficult for AR teams to track the status of collections.

According to a study by PYMNTS.com and American Express, firms that use manual processes to follow up on overdue payments take 67% longer to collect than those that employ automated AR tools.<sup>2</sup> Nearly half of firms—49%—identify manual processes as one of the three most problematic elements in their AR management.



Take longer to collect than those that employ automated AR tools



Identify manual processes as one of the three most problematic elements in their AR management

Businesses that don't emphasize follow-through on overdue receivables are often those whose cultures prioritize sales. They are apt to extend credit to customers, offer them discounts, or waive payment requirements to get new sales on the books. Another reason behind companies' failing to pursue collections in a timely manner could be their manual processes.

In either case, the result is sluggish collections, which effectively provides customers with free financing at the expense of the business's bottom line. Money that your business would otherwise be able to invest in capital improvements, boosting shareholder dividends, or launching new products or services is instead captive on your balance sheet.

**“In terms of business impact, the effect of delayed collections is simple—cash flow is decelerated, making it more difficult for your company to perform the impactful work it has set out to do. Manual processes are a massive driver of failures to pursue collections, as AR teams are occupied by more tedious work rather than focusing on *delivering superior customer services which will in turn boost collections.*”**

Adam Dyrda, **Product Manager**, Versapay

## Chapter 3

# Exploring the collections workflow

Any snags at any point in the receivables lifecycle can have potential downstream effects on your cash flow.

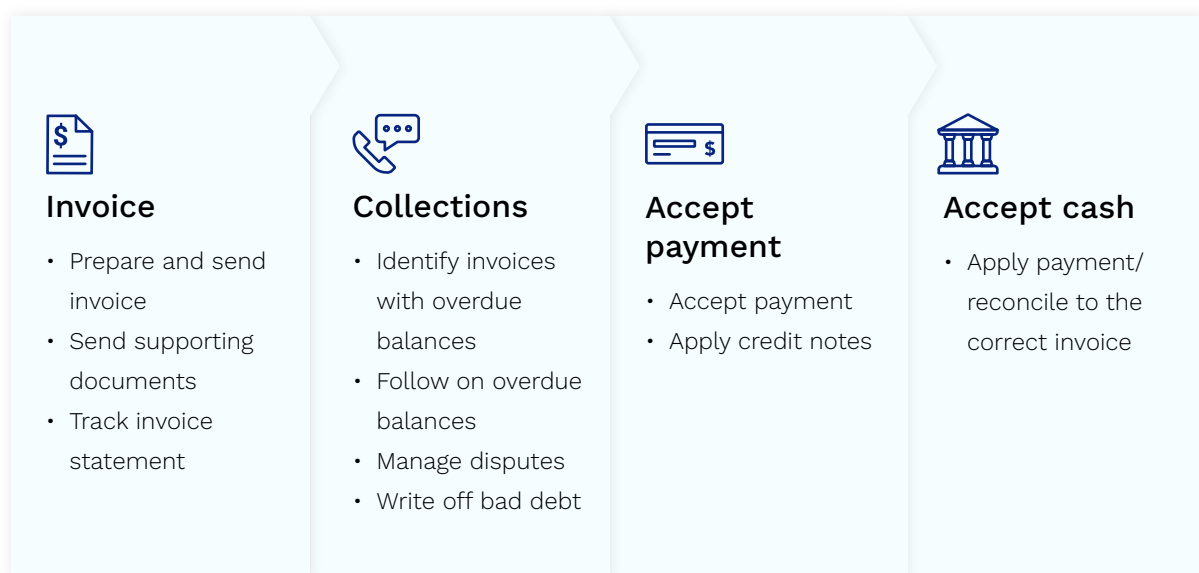


## Exploring the collections workflow

A delay in customers' receipt of their invoice delays their payment terms. A delay in applying payments can mean customers' credit doesn't get replenished, preventing them from making more purchases.

As you can see from the following chart, many elements of the collections workflow require communicating with customers, which is made far more effective with the use of collaborative AR processes.

### The collections workflow



Let's take a closer look at the elements of the collections process that would most benefit from enhanced communication and collaboration with customers. These tend to be AR teams' biggest sources of frustration in the collections process.

### Collections methods

The methods companies use to collect on outstanding receivables run the gamut from paper letters to digitized communications. The options include dunning letters, emails, and collections calls. Automated processes have grown in popularity with finance teams in recent years, but only when you've bridged the AR disconnect will such efforts bear the maximum fruit in terms of customer responsiveness.

### Prioritization

Businesses need to be mindful of maximizing the return on their collection efforts. With only so many hours in the day, AR professionals must prioritize which accounts they engage with. For example, do you choose to prioritize the most overdue or delinquent accounts, or prioritize those with the highest outstanding dollar values?

At smaller companies, a single late payment can have detrimental effects on the business, so they're likely to tackle overdue invoices with equal prioritization. At larger companies with more cushion for late payments and a high volume of overdue invoices, AR teams might only go after the payments that are worth their while. But relaxed collection policies such as these mean companies leave thousands of dollars on the table.

Making decisions on how to prioritize collections efforts using manual processes can be aggravating and imprecise. Collaborative AR software can help finance teams track all their overdue receivables, plan how to direct their attention and resources, and delegate follow-up to colleagues.

#### SUCCESS STORY

### Network security provider only collecting on overdue invoices greater than \$100,000 due to manual processes

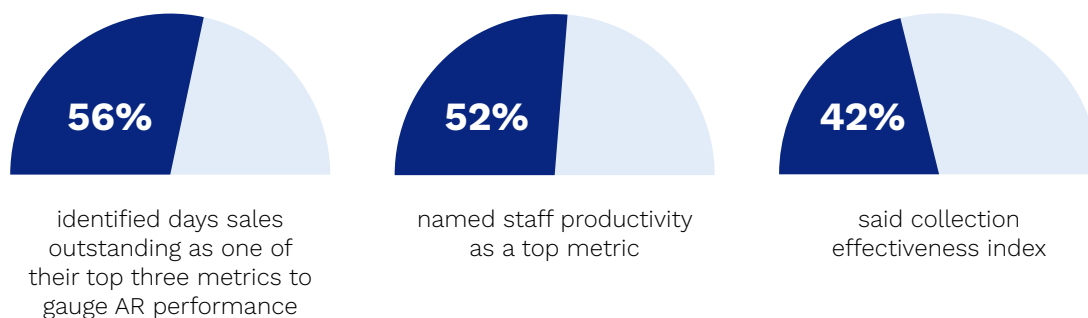
At a leading U.S. computer and network security solution provider<sup>3</sup>, their accounting team was spending more than 50 hours per month manually preparing invoices and collecting payment. The team was sending out almost 3,000 invoices a month, which meant that they only had time to pursue overdue payments on invoices greater than \$100,000. After implementing Versapay's collaborative AR automation software, the company successfully got 99% of their customers paying via a new digitized portal, which tripled their revenue and saved 50+ employee hours a month in dealing with accounts receivable.

<sup>3</sup> <https://www.versapay.com/resources/cybersecurity-enterprise-transforms-manual-invoicing-processes-eliminates-labor>

### Tracking and reporting

AR teams must be adept at tracking and reporting on collections performance. To do this, it's vital to know which metrics or key performance indicators (KPIs) to track. These might include AR turnover ratio, collection effectiveness index, or days sales outstanding (DSO).

In a survey of business and finance leaders conducted by Versapay<sup>4</sup>



But it's not enough just to have these numbers. It's also important to understand the factors that contribute to them, such as:

- The volume of past-due invoices your business is dealing with
- The number of delinquent accounts in your customer base
- The amount of customers with unapproved discounts
- How often your sales team overrides standard credit terms

Having a way to give your entire AR team transparency into the above can help you tackle collections more effectively because you'll have the full context of what's creating payment delays.

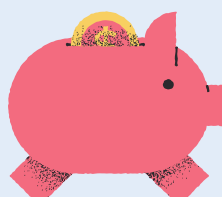
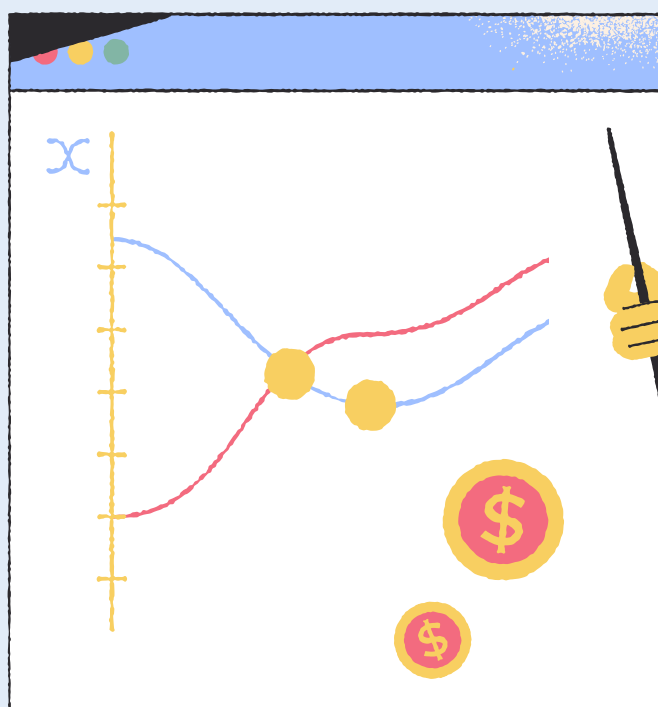
“Versapay’s intelligent collections software provides AR teams with a variety of ways to surface pertinent information and quickly identify accounts that require more attention. Using real-time data, these teams can surface overdue accounts—for example—send timely email reminders and segment high-risk customers. *This helps them prioritize collection activities so they can focus on more strategic tasks.*”

Lynda Hsu, **Product Manager**, Versapay

## Chapter 4

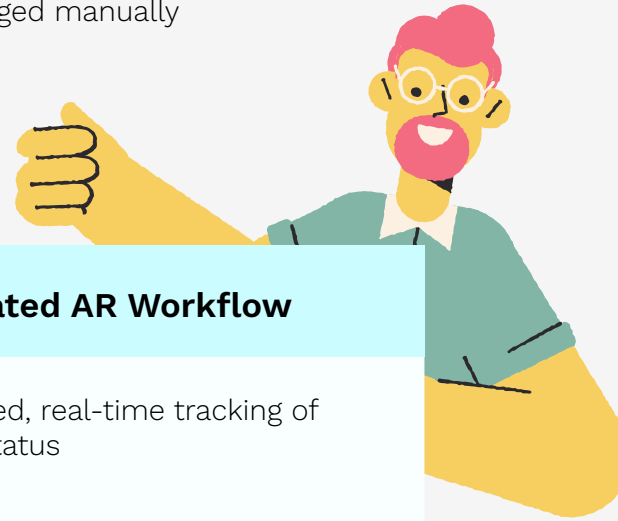
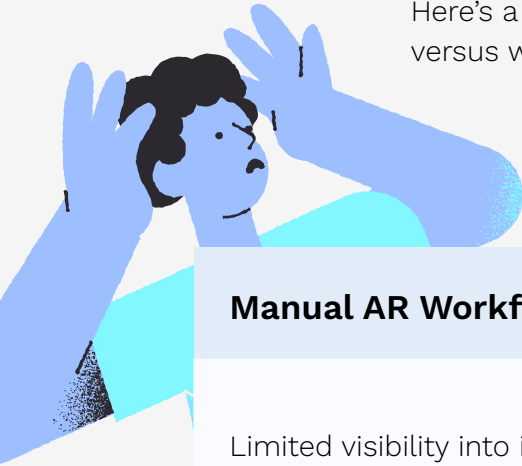
# AR collections: manual vs. automated

Finance teams with a great deal of manual AR processes face a slew of challenges that those who are using automation don't have to deal with. These challenges have downstream effects on the entire collections lifecycle.



## AR Collections: Manual vs. Automated

Here's a look into AR workflows when managed manually versus with collaborative AR automation:



### Manual AR Workflow

Limited visibility into invoice status

Accepting payments by phone

Insufficient backup documentation and information when managing disputes

Difficult collection calls to get customers to pay on time

Increased days sales outstanding

Time-consuming and frustrating dispute resolution

Negative impact on cash flow and working capital

### Automated AR Workflow

Automated, real-time tracking of invoice status

Streamlined digital payment acceptance with cost-efficient processing

Robust backup documentation and information readily available to manage disputes

Automated payment reminders and prioritized collection activities

Payments received faster resulting in lower days sales outstanding

Resolve issues that hold up payments quickly

Improved cash flow and working capital

## Chapter 5

# How to accelerate receivables collection (a two-step process)

While automating some of your collections processes may help reduce the strain on your AR team, making your entire AR workflow more effective requires more than just automation.





## Step 1: Get sales and finance on the same page

The first step in accelerating AR collections is to have finance and sales collaborate on developing payment terms that work for both the company and your customers. These teams can also work together to define KPIs and metrics that will be the touchstones for assessing the success of your AR policies.

Sales and accounting can accelerate collections by collaborating on:

### 1. Methods for issuing credit

It's important to carefully lay out and document policies for extending credit to customers and recovering debt. There may be circumstances in which overriding credit limits or placing accounts on hold is justified. Sales and accounting should agree on those parameters and be empowered to enforce them.

### 2. Processes for maintaining customer data

Your billing and collection systems should be set up to maintain customer information such as address, contact info, credit limits, payment terms, discounts, and tax rates. Ensuring the accuracy of this data is important for prompt invoicing and payment.

### 3. Invoicing and billing protocols

It's vital for invoices to be accurate and consistent in look and feel, and have late-fee policies clearly spelled out. Without proper automation, companies can struggle in this area. And without specific protocols for generating invoices, things can get confusing fast, resulting in customer frustration, disputes, and missed payments.

### 4. Cash application processes

When payments come in the door, there must be a process in place to make sure they're applied to the correct invoice. When doing this manually, errors are commonly introduced, which can result in false collections outreach or overlooked late payments.

A massive time-commitment is also needed for manual cash application, especially when dealing with thousands upon thousands of monthly invoices—all the more reason for your finance team to embrace AR automation.

### 5. Collections procedures

What good are your established procedures for collections if you don't reliably enforce them? Many companies get tripped up by weak collections follow-through, which makes it difficult to determine which accounts are collectible and which are in danger of defaulting.

All these elements of the accounts receivable process can be made more effective with both appropriate automation and closer collaboration between Sales and Accounting.

## Step 2: Collaborate with your customers over the cloud

Beyond your sales team, enhancing your AR team’s collaboration with customers can go a long way in streamlining your operations.

While embracing automation alone will ease some of the pains in your AR process, it won’t fix the issues that arise from the AR disconnect. AR automation paired with an emphasis on customer collaboration can completely change your AR team’s approach to collections.

Here are some capabilities that automated, collaborative collections software can provide your team, and how they compare to traditional collections tactics:

| The manual approach   |  | The collaborative approach  |
|---|--|---|
| Chasing down customers after they fail to pay and sending increasingly dire warnings  |  <p><b>Collections</b></p>          | Targeting customers with automated communications before they become delinquent and providing them with feedback in ample time to satisfy their debts             |
| Sending emails or making calls after the payment is delinquent, initiating a lengthy and frustrating game of tag that results in massive delays and annoyance on both sides               |  <p><b>Dispute management</b></p> | Communicating with customers in real time over the cloud to manage disputes and answer questions, thereby preventing issues from escalating                       |
| Notifying customers of their outstanding payments after the due date, guaranteeing that any response from the customer is also adding to a delay in the collections process               |  <p><b>Notifications</b></p>      | Gently notifying customers of their payment automatically, before and after the due date—with options for customers to customize which notifications they receive |
| Collating data from various sources to get a holistic view of AR status—a process so onerous it tends to go neglected, resulting in an incomplete understanding of collections priorities |  <p><b>Data visibility</b></p>    | Getting a centralized view of customer data and interactions via an online portal, giving AR staff a bird’s-eye view of collections priorities at a glance        |
| Using spreadsheets to analyze which customer accounts need the most attention and intervention  |  <p><b>Priority analysis</b></p>  | Tracking collections activities through a central online portal and delegating collections activities to team members via collaboration tools                     |

## Chapter 6

# The power of an automated, collaborative AR process

Collaborating more closely with your customers throughout the billing and collections process doesn't just improve customer sentiment—it also boosts your business' bottom line.



## The power of an automated, collaborative collections process

When you focus on AR automation paired with customer collaboration, you can expect:

### Major efficiency improvements

Aligning your AR team and customers with common expectations and effective, real-time communications can make all the difference in turning a sluggish AR collections practice into a smart and efficient one.

### Massive reductions in DSO

When customers feel that they are being respected, involved, and communicated to effectively, they are more likely to cooperate in resolving an outstanding bill. Collaborative AR processes tend to make customers more willing to engage, resulting in reduced DSO and improved cashflow.

*“Digitizing collections helps you get paid faster, which has an immediate, positive impact on cash flow. Quicker payments equate to better receivables turnover, which means cash is available for operating activities and investments rather than being tied up in outstanding invoices.”*

Karli Vold, VP Client Services, Versapay

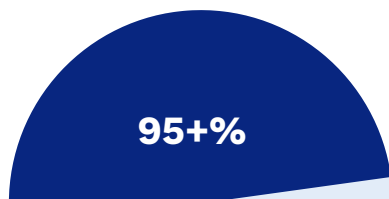
#### SUCCESS STORY

### The power of collaborative AR for Boston Properties

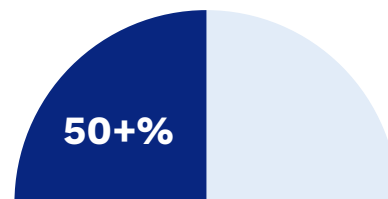
Boston Properties, a real estate investment management firm, used to send their 2,000+ tenants' invoices through the mail every month. Along with this manual process, the company's AR team spent a disproportionate amount of time handling tenant calls and inquiries about invoices. The cost of these processes was exceedingly high, and payments were frequently delayed. After automating their invoice delivery and collections outreach with Versapay, Boston Properties collected 99% of office rents billed in 2020 while reducing their costs from \$0.55 cents per paper mailing to \$0 (easily saving over \$1,000 a month).

## Improved customer experience

In a recent Versapay survey<sup>5</sup>, 95+% of respondents reported seeing customer experience as important in their AR process, with 50+% saying they see it as either very or extremely important. When you give customers a way to communicate any questions or issues with you involving their invoices and payments, collections become a much less adversarial experience.



95+%  
reported seeing customer experience as important in their AR process



50+%  
see it as either very or extremely important

Ultimately, the story is clear: collaboration is the key to faster, easier, and more satisfying collections processes. That’s why ditching manual AR processes in favor of collaborative AR automation processes has the following phenomenal effects:

50%

reduction in manual work

30%

decrease in past-due invoices

25%

increase in speed of payment

“Effective tracking and reporting make it easier for AR teams to internally collaborate. And when using tools like Versapay—for example—fewer manual interventions are required, creating better customer experiences by ensuring collection teams always have the most up-to-date information. Teams can proactively look at their data and *identify opportunities for improvement across the entire collection processing, reducing DSO and ADP.*”

Jodi Bergman, Senior Product Manager, Versapay

Learn more about what Versapay can do to transform your processes, improve your bottom line, and make your customers’ lives easier at [Versapay.com](https://www.versapay.com).