WHITE PAPER

# STATE OF AR AUTOMATION 2023


# KEY FINDINGS

- Over the next 18 months, 41% of credit professionals say their biggest focus is on developing stronger customer relationships to improve payment timeliness and reduce outstanding balances.
- Roughly two out of every five credit professionals say their business is somewhat resistant to accounts receivable automation but are open to discussion.
- Businesses must invest in improving AR processes with automation so the AR team is not stuck in a time capsule, unable to adapt to the evolving B2B trade landscape and unable to perform at the highest efficiency.
- The credit department's landscape is set to evolve, ushering in an era of smarter, more agile and data-informed credit operations.
- The top three projects AR departments plan to undertake in the future include digital credit applications (40%), digital payments (47%) and electronic invoicing (49%).
- As organizations recognize the transformative potential of technology, automated solutions are becoming a cornerstone of efficient credit management processes.
- Amid a world of massive amounts of data, investing in automation is no longer optional for businesses to remain competitive.
- AI is not a replacement for living, breathing credit professionals. Instead, it frees up time for credit professionals to focus more on the exciting aspects of the job. Credit professionals add emotion and humanize the job while building relationships, which AI cannot do.

# EXECUTIVE OVERVIEW

The accounts receivables (AR) department stands as a cornerstone within any business, playing a pivotal role that extends far beyond credit and collections. It serves as the financial heartbeat, where successful management ensures a healthy and sustainable operation. This department bridges the gap between sales and finance, orchestrating the flow of revenue into an organization. In essence, the accounts receivables department wields the power to drive revenue, fortify relationships and safeguard the financial health of the entire organization.

That is partly why businesses must invest in improving AR processes with automation so the AR team is not stuck in a time capsule, unable to adapt to the evolving B2B trade landscape and unable to perform at the highest efficiency. Automation can free up valuable human resources for strategic thinking and relationship building. As the synergy between technology and credit management intensifies, the credit department's landscape is set to evolve, ushering in an era of smarter, more agile and data-informed credit operations.

Companies are becoming more open to the idea of AR automation, but some hesitancy remains. Here we explore the current state of AR automation, trends, what the future may hold and how to get buy-in from upper management.

*"Resistance to change from employees or stakeholders within the organization is the main reason we did not switch to automation sooner. We just hope to have reduced processing times and increased efficiency with the help of automated tools."*

**Jon Hanson, CCE, CCRA**, VP-director of corporate credit at OVOL USA (Carrollton, TX)

*"Our current AR process is very manual and takes a lot of time, not to mention the errors we have. I'm looking for a faster, more accurate application so that the credit analysts can focus on resolving issues such as customer disputes, deductions and unapplied cash."*

**Joy Conrad, CICP**, global credit analyst at Franklin Electric Co. Inc. (Fort Wayne, IN)

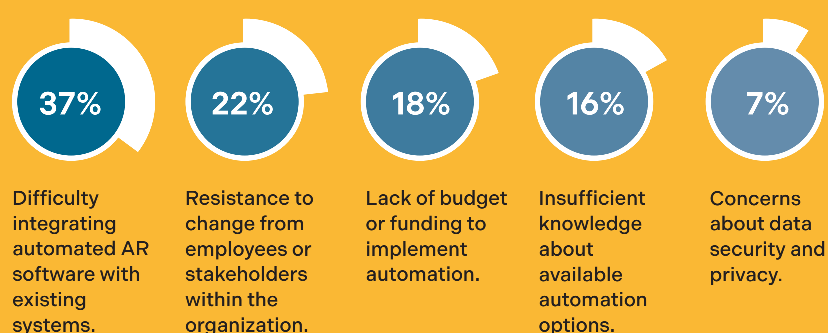
*"Ultimately, IT programming does not have the time to do it to help integrate new automation into our existing systems. My end goal is to reduce processing time, increase efficiency for payments and decrease DSO. We're mostly ready for automation, but we are also waiting on budget approval."*

**Sandra Logan**, credit and collections manager at Stanton Carpet Corporation (Calhoun, GA)

# AR AUTOMATION RATES REMAIN LOW

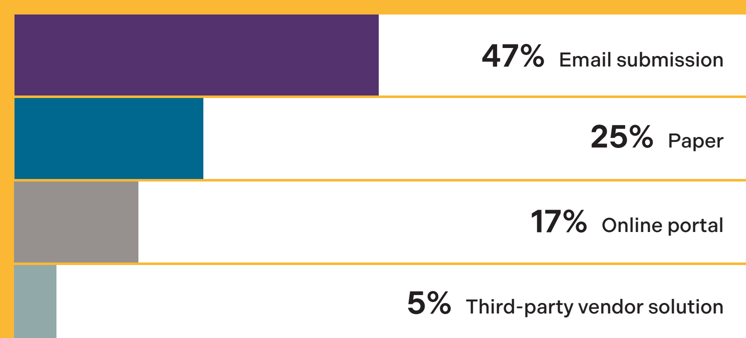
Most credit professionals understand the value of automated solutions, but a barrier still stands between credit and technology.

**What has stopped you from automating the AR process so far?**



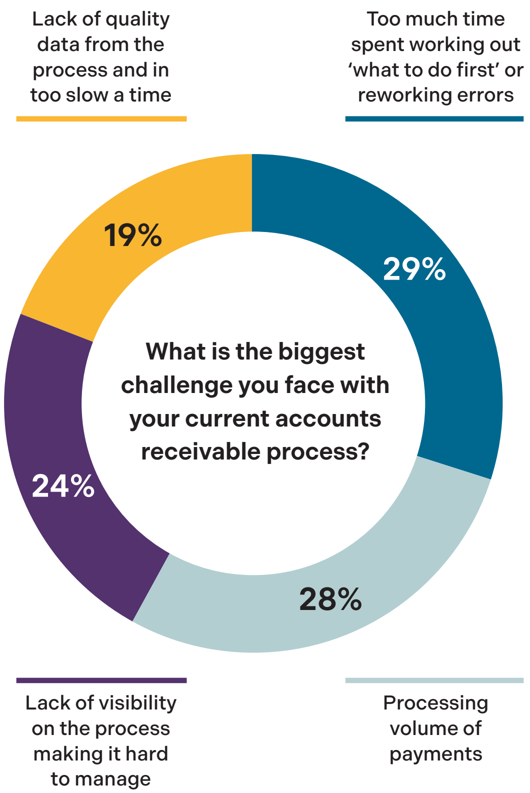

B2B trade is highly dependent on paper documents and manual processes despite efforts to digitize over the years.

**How do you process customer credit applications?**



# MODERN CREDIT MANAGERS NEED AUTOMATION

Credit departments are under constant pressure to do more with less as the business environment becomes more competitive. Two of the most important credit functions—cash application and collections—are managed by a limited number of staff. Most credit departments (82%) have only 1-4 team members involved in cash application, and 61% have between 1-4 in charge of managing collections. Nearly half of all businesses use collectors to apply payments at the end of each month, sucking even more resources away from collections.

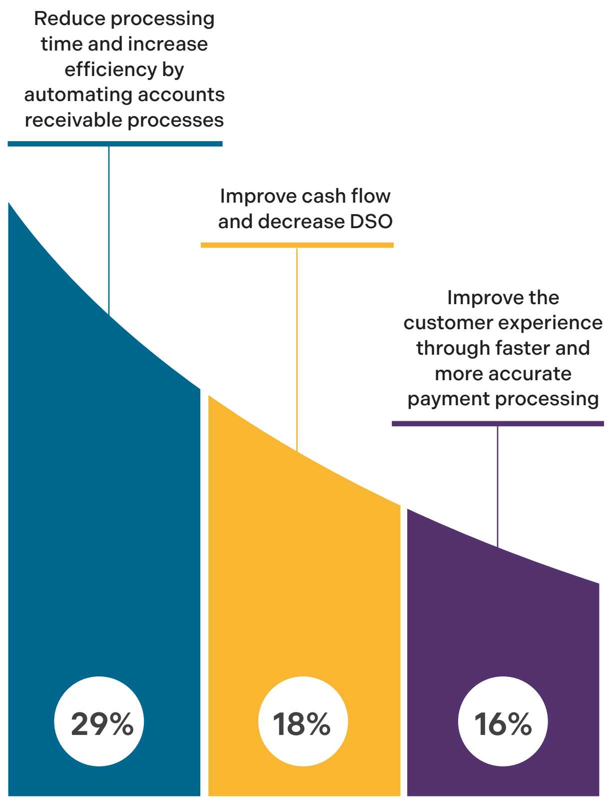


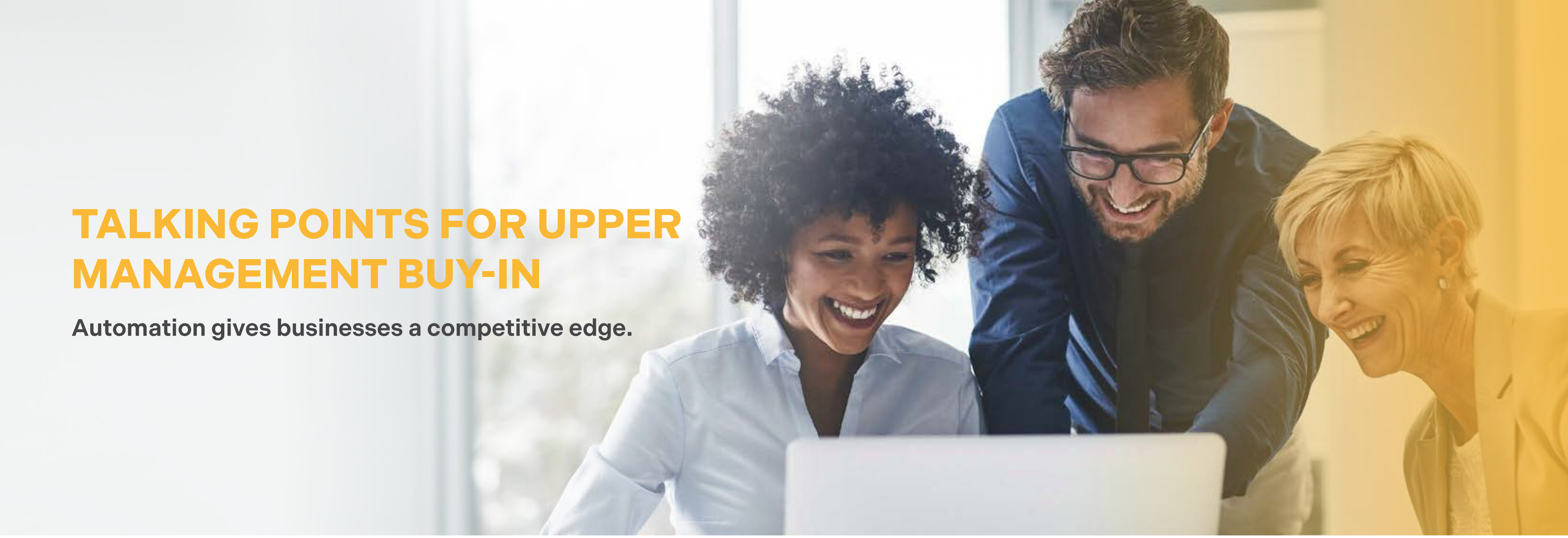

If staff is limited and work volume is high, automation is one way to fill the gaps. Yet many businesses are not leveraging automation to help. The shortage of staff and limited use of automation reveal a disconnect in understanding how automated tools can assist the AR department.

**Excel is still the most used tool in finance, but it does not allow teams to take full advantage of the rich data contained within AR processes.**


For example, 43% of businesses use Enterprise Resource Planning (ERP) with no automation to manage cash application, and 41% do not have a formal process for managing collections, instead relying on ad hoc methods such as contacting customers individually when debts are overdue. This presents a prime opportunity for businesses to unlock the full benefit of automation to drive improvement and address challenges.

**What do you hope to achieve through AR automation?**





# TALKING POINTS FOR UPPER MANAGEMENT BUY-IN

**Automation gives businesses a competitive edge.**

## Efficiency

The credit and collections industry can feel a bit outdated when it comes to driving innovation, but that's where automation makes a difference. It reduces human error and improves productivity. Amid a world of massive amounts of data, investing in automation is no longer optional for businesses to remain competitive. With increased business growth comes more work for the credit department. Having solutions in place to offset those demands allow employees to have a reasonable workflow that can be accomplished daily.

## Accuracy

Automated systems can continuously monitor customer payment behaviors, providing real-time insights into credit risks. This proactive approach helps credit departments detect and address potential issues promptly. It also ensures that credit assessment processes follow consistent criteria, reducing the potential for biases or errors that can arise from manual evaluation.

## Cost Savings

Revenue is often top of mind for senior management, and it is no secret that automated tools can be expensive. But digitization can help save your business money in the long run. Especially in a market where it is harder to fill positions and wages are increasing, digitization can be used to redirect and better utilize existing team members without having to significantly add more people or expenses.

## Improved Customer Service

A common misconception is that automation takes away from positive, personalized interactions with customers, but it actually does the opposite. Technology can be used to improve the customer experience at every stop along the order-to-cash process—from credit applications to disputes, collections and payments. The traditional approach to collections relied on persistent calls and generalized communications that reminded customers of overdue payments. Automation can lead to faster credit decisions, which allows customers to receive quicker responses regarding credit approvals or limits, improving their satisfaction and loyalty.

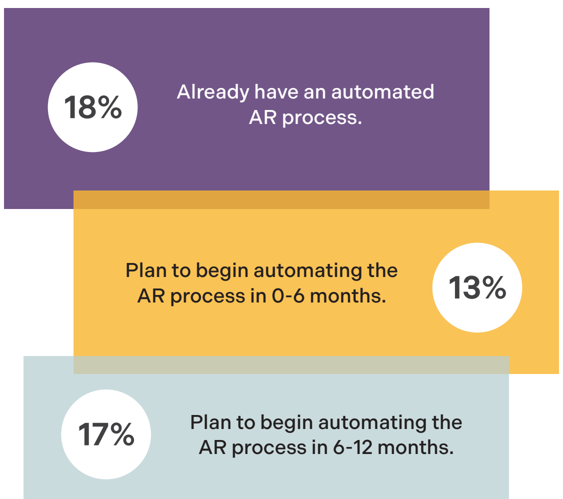
# THE FUTURE OF FINANCE IS AUTOMATED

The prevalence of automated tools is expected to surge, reshaping the way credit departments operate. As organizations recognize the transformative potential of technology, automated solutions are becoming a cornerstone of efficient credit management processes. With the ability to swiftly assess creditworthiness, monitor payment trends and predict risk, these tools are poised to become an indispensable asset.

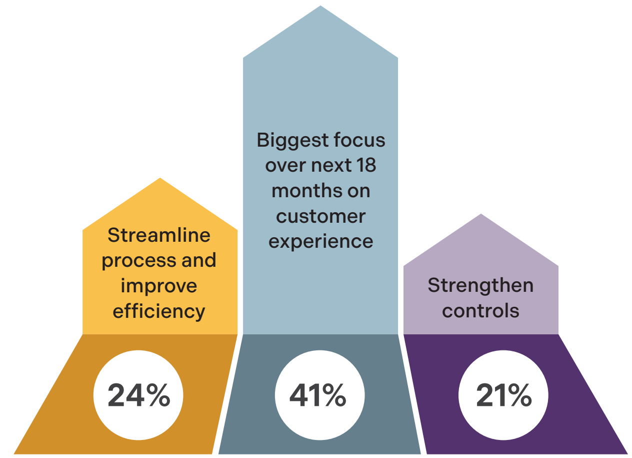
Automated workflows and decision-making engines can expedite credit approval processes, reducing delays and ensuring that sales teams can proceed with business transactions quickly. These tools can leverage data analytics to provide data-driven insights into credit limits, terms and strategies, enabling credit departments to make informed decisions based on historical trends and predictive models.

By integrating automated tools, credit departments can better serve their organizations, customers and stakeholders while contributing to overall business success.

**What are your plans to automate?**








**AR goals for the next 18 months**

*"We, as creditors, are always asked to do more with less. The time-saving process AI can provide is the number one item in a credit function to be able to take away the extras of daily compiling and other tasks that eat up your time in a given day."*

**Scott Chase, CCE, CICP**, global director of credit at Gibson Brands, Inc. (Carthage, NC)

**As different forms of AI gain popularity in the finance sector, credit professionals must become experts on how AI can support their role and simplify workflow. AI is not a replacement for living, breathing credit professionals. Instead, it frees up time for credit professionals to focus more on the exciting aspects of the job. Credit professionals add emotion and humanize the job while building relationships, which AI cannot do.**

# REAL-WORLD SCENARIOS

*"Wesco operates in a multi-currency industry, and initially, we assumed the Cash Application software would not meet our high expectations. However, the team discussed our requirements in depth and reconfigured the software to create a solution that was customized for us. We now enjoy an 85-95% multi-currency match rate which allows the Accounts Receivable team to focus on debt collection using clean, accurate, and up-to-date sales ledgers."*

**Carol Pollard**, EU credit manager at Wesco Aircraft

*"With Cash Application, all parts of the process—application rates, turnaround time, unapplied cash, and team performance—are monitored and measurable. When we see an area for improvement, we can identify exactly what needs to be done and predict how the customer will benefit. Onboarding new employees and acquisitions used to be quite challenging. Now, it's easy because Cash Application does most of the work."*

**Chritoph Koenig**, director of I2C, service delivery EU and global process owner at Brambles

*"We found that one of the key differentiators of BlackLine Cash Application was the auditability of BlackLine's pricing structure," says Lopes. "The other vendor billed based on remittance lines. This was difficult to get a sense of because you want to see the correlation between your payment volume and what you're paying the vendor for. BlackLine's pricing structure was much more transparent to the end-user."*

**Nelson Lopes**, director of financial reporting and treasury at The Chefs' Warehouse

**National Association of Credit Management (NACM)** was founded in 1896 to promote good laws for sound credit, protect businesses against fraudulent debtors, improve the interchange of credit information, develop better credit practices and methods, and establish a code of ethics. Education and research programs illustrate NACM's awareness of the complex needs of credit management today. Membership in an NACM-affiliated credit association includes membership in the National Association. Members of NACM are credit and financial executives, primarily representing manufacturers, wholesalers, financial institutions and varied service organizations.

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