Digitizing Your Accounts Receivable Cash Cycle with NetSuite

Digitizing payment processing means evaluating your business's payment options and removing as much manual work as possible for both Accounts Receivable specialists and customers.

Introduction

Modern Finance ERPs like Oracle NetSuite are the foundational elements for modern finance leaders to begin to address their cash cycle. But, in order to completely put their AR cash cycle on auto-pilot, simply migrating to a modern ERP isn't enough. In order to truly digitize your cash cycle and put your AR on autopilot, you need to:

1. Digitize your invoicing process

2. Prioritize digital payments

3. Automate reconciliation

Incorporating these modernized elements in their AR process helps maximize the value of these ERPs by enabling them to collect revenue 50% faster, lower the cost of AR by 60%, and scale their business without adding cost.

1. Digital Invoicing

Digitizing the enterprise Accounts Receivable ("AR") cash cycle is a complex undertaking. Some companies avoid it entirely for fear of losing customers or incurring operational expenses. Others attempt it in an effort to save time and reduce costs but regularly miss the mark. In this three-part post, we'll be looking at the enterprise AR cash cycle and what it means to truly modernize your business to business payments.

With respect to digitizing their AR cash cycle, one key reason companies regularly fall short is failing to look at the 360-degree view of their business's unique workflows.

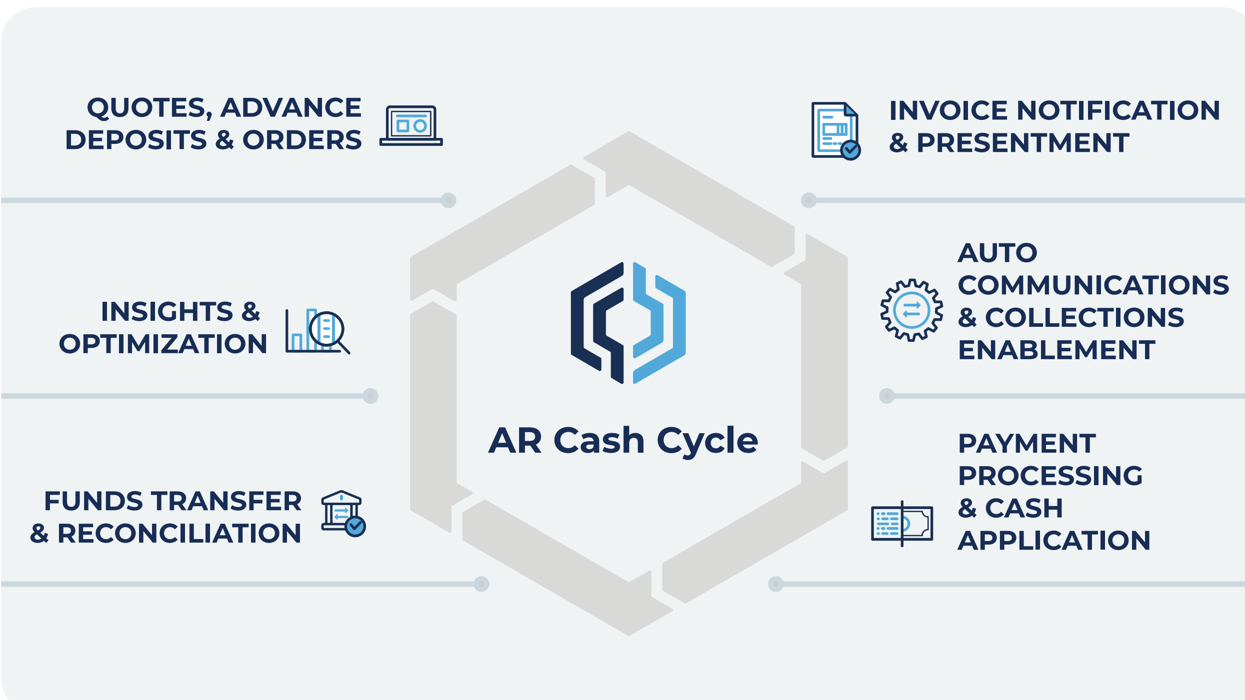
Rather than evaluating the opportunity to optimize the whole process, they take one small part of it and try to "plug the hole," so to speak.

Let's take a look at one example. Paystand customer BIIA Insurance formerly accepted the majority of payments for insurance premiums via mailed paper checks. In an effort to cut down on overhead and push customers to their website, BIIA began offering credit card payments online. They replaced one problem (high overhead associated with paper checks) with another (drastically increased credit card processing fees).

Before implementing anything that looks like a quick fix, finance executives must evaluate the flow of cash within the business. It's tempting to flip a switch that offers a fast solution, but it's not really that simple.

There is a wide range of systems and processes involved that drive complexity in B2B payments, such as the sales order process, customer relationship management (CRM) tools, enterprise resource planning (ERP) platforms, and bank reconciliation processes, to name a few.

All these tools and processes connect with the enterprise cash cycle in some way — take a look:



Each step is essential to understand as part of the whole.

Invoicing: A Critical Component of the Enterprise Cash Cycle

Invoicing is a crucial part of business workflow because it lets customers know they owe your business money. If your customers don't know what they owe, your business probably won't get paid — which means it might not survive. And especially for businesses where some or all of the payment process takes place after the order is made, there must be a clear and concise way to let customers know that they need to remit payment.

But let's take a step back. The first question finance leaders should ask is: "Does our company have an invoicing process?" Surprisingly, the answer might be "no."

One Paystand customer, a global real estate provider, found themselves in this exact scenario. For each home sale completed by one of their real estate agents, that agent was responsible for remitting a percentage of the profits back to the company.

However, the company didn't have a system to invoice the agents for payment. Instead, they simply waited for agents to send payments. This lack of process resulted in significant problems for the company, including unpredictable cash flow, slow remittance, and lack of payment visibility.

Generally, this is not the scenario for most businesses, and there is some sort of invoicing process in place. So the next question should be: "What is our invoicing process?"

The answers to this question will vary widely, as you can imagine. For example, a Paystand customer that's an agricultural wholesaler used mailed invoices and paper checks for 100% of their payments. Their invoicing process was entirely manual due to high invoice amounts (averaging around $50,000 per invoice) that would incur exorbitant processing fees if charged to a credit card.

Consider these questions to dig a little deeper into what your business's invoicing process is:

- What person or team is responsible for the invoicing process?
- What's the trigger that generates a new invoice?
- What information is included on each invoice?
- How is the invoice delivered to the customer?
- What are the customer's options to make a payment on the invoice?
- How can a customer resolve questions on an invoice?
- How does the company receive invoice payments?
- How are the invoice payments processed?

All of the data you gather will help you answer the next big question: "How could we improve our invoicing process?"

Think about the problems your business has with invoicing today. Maybe payments are too slow, or fast payment options are too expensive. Finance staff may be spending too much time on manual processes.

There may be routine errors that cost the business time and money or no visibility on payments for employees and customers. Finding the gaps means you can address them.

Each of our customers mentioned above took a look at the problems with their respective invoicing workflows and decided to make changes. As a result, BIIA Insurance installed Paystand's flexible payment gateway to provide online payments at much lower rates, cutting transaction costs in half.

The agricultural wholesaler used Paystand's payment gateway to convert 60% of paper check payments to eCheck. In addition, the global real estate provider launched Paystand's AR workflow (including invoicing) and saved **$120,000 per year.**

How much time and money could you save if you fully understood the enterprise cash cycle of your business? Request a demo to learn how Paystand can support your business's digital transformation.

2. Digital Payments

Armed with an informed perspective on all parts of the process, business leaders can recommend changes to optimize revenue.

Your first instinct about payment processing may be that your business has already digitized it. Every payment is recorded in your finance enterprise resource planning (ERP) system, and the ERP gives you digital access to all payment data and a variety of reports. That means your payments are digitized, right? Wrong.

There's more to digitizing payment processing than just an online record.

Digitizing payment processing means evaluating all of your business's payment options and removing as much manual work as possible — for both employees AND customers.

So, where do you start? First, ***take an inventory of all the payment methods your business offers***. If you are tracking payments in an ERP or invoicing platform, this may be as simple as running a report on all payment types. Or you might have to do a bit of legwork and check payment types in multiple payment processors.

There's likely a mix of paper checks, ACH deposits, wire transfers, eChecks, credit and debit card payments, and possibly even cash. Determine what percentage of payment methods are used for a given time period. For example, let's say you are a $100MM year business accepting payments across all payment methods. Your final tally might look something like this:

Payment method	*Total volume / qtr*	*% of Total*
Checks	$5 MM	20%
Wire transfers	$1.25 MM	5%
ACH deposits	$9.0 MM	40%
Credit card payments	$8.75 MM	35%

Imagine that the enterprise AR cash cycle is a sandwich.

The top slice of bread is invoicing (the outward request to remit funds); the sandwich filling is payment processing (the options offered to remit payment), and the bottom slice of bread is reconciliation (communicating payment status back to the business).

Once you have all payment methods broken out per the appropriate time frame, it's time to run scenarios on all the possible payment touchpoints in your business. That might seem like a hefty chunk of work, so let's simplify things.

Payment processing is the filling that connects the other two parts of the enterprise cash cycle (invoicing and reconciliation). Payments touch both the invoicing and reconciliation processes, so it's critical to understand how they interact with each other. Below are some sample scenarios for check payments:

Invoicing:

- ***Scenario 1***: The customer receives a paper invoice, writes a paper check, and mails it to the business.
- ***Scenario 2:*** The customer receives an emailed invoice, writes a paper check, and mails it to the business.off-cycle payrolls whenever you need to.

Reconciliation:

- ***Scenario 1:*** AR staff collect mailed paper checks each day and manually record them in the business's ERP.
- ***Scenario 2:*** AR staff collect mailed paper checks each day, run them through a scanner, upload them to the ERP, and check each record for errors.

Record these scenarios for each payment method, and make sure you capture them all. Credit card payments might be taken via mailed invoice, over the phone, in person, or online. Wire transfers might have varying steps based on the initiating bank.

As you're going through and capturing these use cases, you'll probably notice where manual work happens and where work is automated.

Make a note for "manual," "automated," or "both" for each. Knowing what type of work is associated with each use case will help you more easily evaluate them for change when the time comes.

Numerous Paystand customers have evaluated payment processing in this manner. Here's what a few of them learned along the way:

- During a time of explosive growth, Covetrus had a large percentage of customers remitting payments via mailed paper checks and phoned-in credit cards.
- A school communication platform and an accounting system had no link between online invoicing and payment options.
- A worldwide technology leader was using an expensive wire transfer process to confirm payments for cargo shipments. Even with the speed of wire transfers, payment delays incurred hundreds of thousands of dollars in demurrage fees each month.

These businesses learned where the gaps between manual work and automated processes were and what they were losing: time and money.

Calculating the real impact of your payment methods can be eye-opening.

So, you have a breakdown of payment methods and a list of scenarios and their level of automation or manual work. Your next step is to prioritize your scenarios, attacking the most significant problems first.

Start by adding one data input to your payment methods: business impact. Paper checks may impact your business in delayed payments and manual work, a cost which can be quantified as time-to-cash and manual effort. Wire transfers and credit card payments might be low manual effort and high transaction fees. ACH payments may have a one-time manual effort at the start but meager transaction fees for the duration.

Here's our previous payment methods breakdown with business impact added in:

Payment method	***Total volume / qtr***	***% of Total***	***Business Impact***
Checks	$5 MM	20%	High
Wire transfers	$1.25 MM	5%	Medium
ACH deposits	$9.0 MM	40%	Medium
Credit card payments	$8.75 MM	35%	High

We understand that this evaluation process is a complex exercise that takes time and effort. But know this: It will have wide-ranging impacts on your business. Have a look at the results the above-mentioned Paystand customers received from scrutinizing their AR process and making changes:

Based on the data above, you'd likely evaluate the gaps in paper checks first, followed by credit card payments, ACH deposits, and wire transfers. As you assess by priority, ask yourself how you can change processes to remove a business obstacle. This means investigating opportunities to replace paper checks with online options that introduce only nominal fees and eliminate manual keying, for example.

- Covetrus reduced their Days Sales Outstanding (DSO) by 80%, decreased transaction fees by 98%, eliminated inbound phone inquiries by 25%, and increased their customer base by 11% with zero new AR staff.

- The school communication platform and the accounting system reduced their respective DSO metrics as payment times dropped from weeks to days.

- The worldwide technology leader was using an expensive wire transfer process to confirm payments for cargo shipments. Even with the speed of wire transfers, payment delays incurred hundreds of thousands of dollars in demurrage fees each month.

Given those results, what do you expect your business stands to gain by evaluating payment processing options?
To learn more, watch our webinar on Making Payments a Strategic Advantage.

3. Automated Reconciliation

Does anyone actually look forward to the month-end accounting close process? Given how long it takes, it's difficult to imagine the answer is "yes." Estimates on how long month-end closing can take range from barely manageable to incredibly arduous:

- CFO Magazine reports that of 2,300 organizations polled, the least efficient bottom quarter takes an average of ten or more calendar days to close the books.

- A case study on Griffin Technology found that manual closing took 30 days before launching automatic reconciliation processes.

A quick Google search for “How to reduce time spent on month-end close” yields a whopping 204 million results. Houston, we clearly have a problem.

The final part of our guide to digitizing the enterprise cash cycle is dedicated to reconciliation. How incoming payments are reconciled can drastically impact AR staff and the business as a whole.

Consider the difference between manually keying in thousands of payments and automated workflows that take online payment information and tie it directly to the business’s enterprise resource planning (ERP) tool.

In the first scenario, the ability to keep up with manual payments rests on manpower, and there’s lots of room for manual error. Any staff interruptions can throw off the delicate balance of closing the books each month. In the second scenario, payments are automatically verified against ERP records. Human interaction is required to deal only with exceptions.

So, how do you get from a manual, time-consuming process to automated workflows that shave time off of month-end close?

Start by enumerating all payment types and how they are currently reconciled.

Payment method	***Total volume / qtr***	***% of Total***	***Reconciliation Method***
Checks	$5 MM	20%	Manual
Wire transfers	$1.25 MM	5%	Semi-manual
ACH deposits	$9.0 MM	40%	Semi-manual
Credit card payments	$8.75 MM	35%	Digital / manual

What you learn might surprise you. For example, paper check reconciliation will likely be manual — unless your business has invested in hardware that will scan checks, look for key pieces of information, and send that data to pre-mapped fields in your ERP. But even these processes require manual intervention and are time-intensive. Moreover, electronic payments in the form of wire transfers, ACH deposits, and credit cards may seem like they should integrate seamlessly — but they don't. Why?

Certain initiating banks may directly connect with your ERP, while others may not. Transactions processed over the phone or in-person may be considered manual transactions that lack a connection, or maybe the credit card processor you use doesn't integrate with your ERP at all.

Whatever the case, it's essential to know where manual vs. automated reconciliation is happening. If there are distinct payment types within each payment option, make sure to separate them.

Having this breakdown makes it easy to create a plan of attack. Start with the highest percentage of transactions per quarter where reconciliation is manual and put the rest in order accordingly.

Get granular with the time your team is actually spending on each task.

The next few inputs you need will come straight from your AR staff. If you're lucky, you might be capturing this data already. If not, asking your staff to track their work for a handful of applicable transactions will do the trick.

- How long does it take to key in each payment type?
- What error-checking steps are performed for each payment type?
- How long does the error-checking process take for each payment type?

With the answers to these questions, you can calculate the time AR staff spend on manual reconciliation for each transaction type.

- Transactions/quarter X minutes per keyed transaction = total time to reconcile payment type A
- Transactions/quarter X minutes per error-checked transaction = total time to verify payment type A

The calculations above will give you a ballpark idea of how much time you could save with automation. That means shaving big chunks of time off of month-end close processes that can be reallocated to strategic activities that support the business's financial health.

Now it's important to take another look at the payment options that worked best in your payment processing exercise. Do those payment options connect directly with your ERP? If not, could you centralize payments into one platform that integrates with your ERP?

For your highest transaction volume, seek to reduce manual reconciliation with automated connections. You'll be paid back with a faster, seamless month-end close process. Remember Griffin Technology? They reduced their month-end close from 30 days to 5 days by automating reconciliation workflows.

Get Paid Better with Paystand

NetSuite is fully integrated with Paystand, and our SuiteApp makes payments and AR automation a cinch. Paystand's SuiteApp customers experience a 62% decrease in DSO, a 51% increase in cost savings, $90k in labor savings, and full automation of at least 70% of their AR tasks.

Book your demo with Paystand today to fully leverage your finance automation tools, grow your business, and increase your revenue.