HOW TO GUIDE

Digitizing the Enterprise Cash Cycle

Paystand

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WHAT WE'LL BE COVERING

Paystand

CHAPTER 1

Invoicing

Digitizing the enterprise 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. To kick off 2019, we'll be taking a look at the enterprise cash cycle and what it means to truly modernize your business relative to payments.

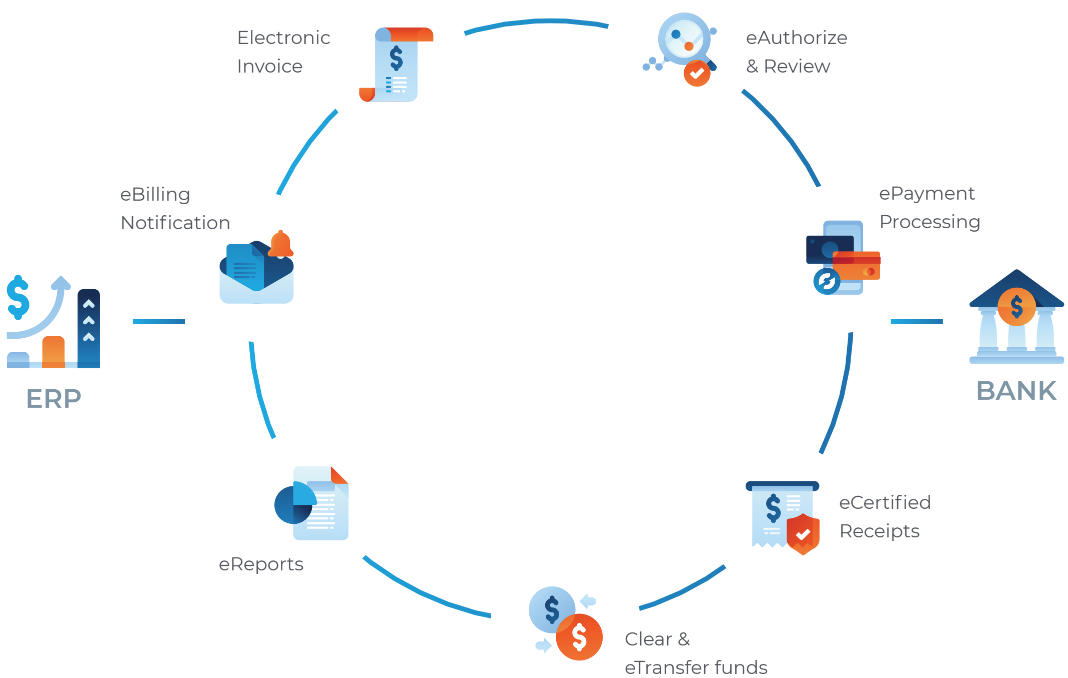
With respect to digitizing their cash cycle, one key reason companies regularly fall short is they often fail to look at the 360-degree view of their business's unique workflows. Rather than evaluating the opportunity to optimize the whole process, they take one small part of it and try to "plug the 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 one (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 just not that simple.

There are so many disparate systems and processes involved that drive complexity in B2B payments. The sales order process, customer relationship management (CRM) tools, enterprise resource planning (ERP) platforms, and reconciliation processes are just a few.

All these tools and processes will connect with the enterprise cash cycle in some way - have a look:



Each step is important to understand as part of the whole. Today, we'll start with invoicing.

INVOICING: A CRITICAL COMPONENT OF THE ENTERPRISE CASH CYCLE

Invoicing is a crucial part of business workflows because it lets customers know that they owe your business money. If your customers don't know what they owe, your business probably doesn't get paid - which means it might not survive. And especially in 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 this one: Does our company have an invoicing process? Surprisingly, the answer might be "no."

One PayStand customer that is 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. They simply waited for agents to send payments. This lack of process spelled big problems for the company, including unpredictable cash flow, slow remittance, and lack of visibility into payments.

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. 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 (like $50,000 per invoice) that would incur exorbitant processing fees if charged to a credit card.

Consider these questions to dig a little deeper on 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 start to address them.

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

$120,000

SAVED PER YEAR WITH PAYSTAND PAYMENT GATEWAY

The agricultural wholesaler used PayStand's payment gateway to convert 60% of paper check payments to eCheck, and the global real estate provider launched PayStand's A/R 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? Contact us to learn how PayStand can support your business's digital transformation.

CHAPTER 2

Payment Processing

In the previous chapter, we talked about the importance of looking at the enterprise cash cycle as a whole to get a better understanding of how it functions today. Armed with an informed perspective on all parts of the process, business leaders can then recommend changes to optimize revenue.

The first part of our review scrutinized invoicing, which covers communicating to customers what they've purchased and how much they owe. So what's the next logical step? Payment processing, or the options available to customers to make payments.

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

THERE'S MORE TO DIGITIZING PAYMENT PROCESSING THAN JUST AN ONLINE RECORD.

Digitizing payment processing means evaluating all of the payment options your business offers 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 a to do a bit of legwork and check payment types in multiple payment processors.

Whatever the case, there's likely a mix of checks, ACH deposits, wire transfers, credit and debit card payments, and possibly even cash. Determine what percentage of payment methods are used for a given time period. 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/Quarter	% of Total
Checks	$5.0 MM	20%
Wire transfers	$1.25 MM	5%
ACH deposits	$9.0 MM	40%
Credit card payments	$8.75 MM	35%

Once you have all payment methods broken out per the appropriate timeframe, 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 a bit.

Imagine that the enterprise 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).

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. Below are some sample scenarios for check payments.

Invoicing

SCENARIO 1:

The customer receives a mailed 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.

Reconciliation

SCENARIO 1:

A/R staff collect mailed paper checks each day and manually record them in the business's ERP.

SCENARIO 2:

A/R 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 one. 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 both 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 drummage fees each month.

These businesses learned where the gaps between manual work and automated processes were and what they were losing as a result: time, money, and some cases, both.

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 so you attack the biggest 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. That cost could 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 very low transaction fees for the duration.

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

Payment Method	Total Volume/Quarter	% of Total	Impact
Checks	$5.0 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

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

We understand that this evaluation process is a complex exercise that takes time and effort. But know this: it will have wide-ranging impacts for your business. Have a look at the results the above-mentioned PayStand customers received from learning more and making changes:

- 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 reduced per-transaction fees from $100 to $.50 and completely eliminated massive drummage fees.

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 in 2019.”

CHAPTER 3

Reconciliation

Does anyone really look forward to the month-end accounting close process? Given how long it takes, it's really hard to imagine that the answer is "yes." Estimates on how long month-end close takes 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 10 or more calendar days to close the books.
- A case study on Griffin Technology found that manual closing took 30 days prior to launching automating 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.

30 Days

TIME SPENT ON MANUAL CLOSING PRIOR TO LAUNCH OF AUTOMATED RECONCILIATION PROCESS.

This last post in our series on digitizing the enterprise cash cycle is dedicated to reconciliation. The way incoming payments are reconciled can drastically impact A/R 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? Revisit the exercise from our previous posts on what's happening today.

START BY ENUMERATING ALL PAYMENT TYPES AND HOW THEY ARE CURRENTLY RECONCILED.

Payment Method	Total Volume/Quarter	% of Total	Reconciliation Method
Checks	$5.0 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

If you've read and mapped out the inputs from our payments post, pull up your list of payment options and their associated inputs. Add a new input for how reconciliation is completed.

What you learn might surprise you. 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 don't. Why?

Certain initiating banks may have a direct connection with your ERP while others may not. Transactions processed over the phone or in person may be considered manual transactions that also lack a connection. Or maybe the credit card processor you use doesn't integrate with your ERP.

Whatever the case, it's important 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.

The next few inputs you need will come straight from your accounts receivable (A/R) 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 A/R 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 could be reallocated to strategic activities that support the financial health of the business.

Now it's important to take a look back 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, more seamless month-end close process. Remember Griffin Technology? They were able to reduce their month-end close from 30 days to 5 days by automating reconciliation workflows.

Are you interested in automating reconciliation workflows and wondering which payment options are the best fit? Contact PayStand to discuss your current setup and how our digital B2B payment network can support your goals.

Ready to get started?

To find out more about how Paystand can help your business contact our sales team at sales@Paystand.com

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Mission

PayStand is the only digital B2B payment network that digitizes the entire enterprise cash cycle. From invoicing to reconciliation, our zero-fee, Payments-as-a-Service model allows companies to transform their revenue operations and automate payments seamlessly and securely with predictability. So, with Paystand you can put your teams to work on projects that matter, you can delight customers, access cash and working capital faster, improve your bottom line, and grow with confidence.