CREDIT-TO-CASH:

Improving Finance Operations Through Digital Transformation

dun & bradstreet

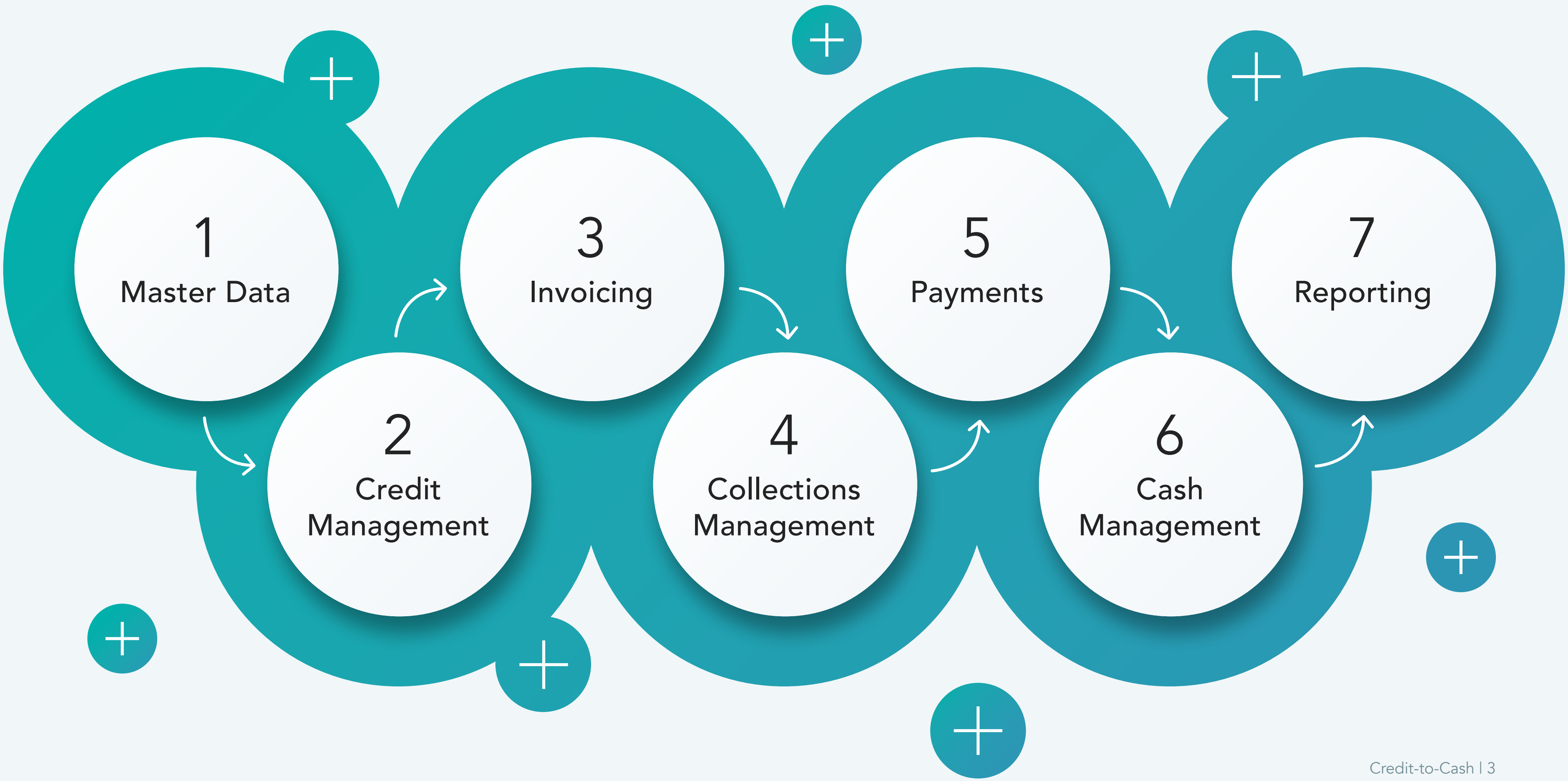
INTRODUCTION

Finance professionals are under tremendous pressure to manage risk and improve operational efficiency.

Companies are vulnerable to economic and global market conditions, and employees are generally challenged to "do more with less." However, when employees work in different functions, across different departments, in different countries, it can be a struggle to reduce costs and achieve efficiency gains. Reliance on manual, time-consuming processes can create inefficiencies, and disparate technology for each function can result in disjointed workflows and siloed information.

More companies are searching for a better way to run their finance operations and realize their goal—a fully streamlined credit-to-cash process. To do this, many companies must first leverage new data and technology to improve their operations and optimize processes, which can lead to significant financial and operational benefits. Second, companies need to implement automated solutions with quality data seamlessly integrated at the onset to further streamline their credit-to-cash processes.

Automating the credit-to-cash process can help businesses better optimize resources, resulting in cost savings and increased efficiencies. This eBook outlines the steps in the credit-to-cash process and shares best practices for improvement through digital transformation.



Step 1:

Master Data

With multiple technology systems as part of a fully functional credit-to-cash process, master data is now more important than ever before. A solid foundation begins with clean, integrated data. Implementing master data bridges that gap — it can help you connect data silos and unite your organization with a common understanding based on a consistent set of core data. Master data can bring order and structure across a company's technology ecosystems, including regional and departmental applications, and help lead to enhanced engagement and experiences with your customers.

CHALLENGE

Disconnected data can create incomplete and inaccurate views of clients and their relationships. For example, without master account information, if the wrong client address is entered into a CRM, the repercussions can have a ripple effect. Marketing campaigns will target the wrong audience. Orders and invoices will be sent to the wrong address. Suppliers will not be paid. Sales can miss cross-sell and upsell opportunities. Credit could be extended to the wrong business. The fallout from inaccurate data could be detrimental to the relationship.

SOLUTION

The Dun & Bradstreet Data Cloud is the key to a solid foundation. The Data Cloud delivers the world's most comprehensive business data and analytical insights, comprising over 400 million businesses. Live Business Identity, a critical element of the Data Cloud, represents all the information collected for a given entity, and it begins with a universal identifier — the Dun & Bradstreet D-U-N-S® Number. The unique nine-digit D-U-N-S® Number, also thought of as a corporate fingerprint, enables identification of relationships between corporate entities (hierarchies and linkages), another key element of Live Business Identity and commercial risk assessment practices.

Data management is your doorway to insight and growth. Comprehensive, consistent, up-to-date data is essential, and implementing enterprise wide master data from Dun & Bradstreet can help identify actual risk exposure and improve processes throughout the credit-to-cash process.

When you standardize customer data across multiple systems and workflows, it helps to eliminate data silos, resulting in improved data management.

Scorecards and online credit applications help ensure fast and consistent decisions.

Step 2:

Credit Management

Credit teams are facing mounting pressure to speed up the credit decisioning process. Their focus is on managing credit risk and complying with regulations—while expediting the credit decision process to increase sales and keep businesses running. They need to make routine credit decisions quickly and methodically to shorten the sales cycle and allow credit teams to focus their time on high-risk accounts.

CHALLENGE

There are challenges that can impede an efficient credit management process. Credit analysis can be labor intensive and time consuming if done manually. Reviewing credit reports and analyzing financial statements take time and can create friction with salespeople who want to fulfill orders as soon as possible. To expedite the routine, businesses can automate credit decisions, which can save time and resources, and help create consistent and unbiased decisions. Incorporating automated decision-making tools can dramatically reduce credit decision turnaround time and increase protection against bad debt.

SOLUTION

Online credit applications are becoming common as companies digitally transform. These applications can make it easier for customers to place orders and seek credit. Data fields can be customized to capture all information needed to make an informed credit decision and provide the best possible terms. Inserting required fields can help collect information that may have been left blank on paper applications.

Credit scorecards automate decisioning and alleviate time-consuming, manual tasks. Using data attributes to determine a company's risk tolerance, credit scorecards are formula-driven and provide a more consistent process. Variables include third-party credit scores, past payment experiences, and public record information. Each variable is assigned a weight; when weighted scores are added together, the credit decision is calculated.

When automated tools such as online credit applications and credit scorecards are integrated within the CRM and shared on an enterprise level, credit management workflows can become more efficient and more effective.

Step 3:

Invoicing

Once credit has been extended and the product or service delivered, the customer then receives an invoice. The invoice should capture all order details including billing and shipping contacts, a description of the goods and/or services provided, accurate taxes, and any other information to allow accounting to properly recognize revenue. Many organizations have order management systems that capture these details to process customer orders and generate invoices. Often, paper invoices are printed and mailed out either by an internal department or a third-party vendor.

CHALLENGE

Paper invoices may seem like an antiquated way of invoicing customers, but this process is still commonly used. Smaller companies may think it is more cost-effective to use paper billing rather than e-invoicing. However, as organizations grow, so do the labor, materials, and postage costs needed to maintain this process. These labor-intensive manual procedures further delay the time it takes to collect payment, aka time-to-money.

SOLUTION

E-invoicing is a more flexible solution that provides customers with their invoices, account statements, and other important documents. Also known as Electronic Invoicing Presentment and Payment (EIPP) systems, these online portals can be a more secure and efficient method of billing and invoicing.

Adopting an EIPP is not only advantageous for you but can also provide savings for your customers. The complete automation of an EIPP system – from the electronic presentation of an invoice to the customer making payment via an online portal — creates a single platform for all customer documents, communications, and interactions, leading to a better customer experience. EIPPs that can integrate with third-party accounts payable portals can further automate the invoicing process and reduce time-to-money in the credit-to-cash process.

E-invoicing can be a more efficient way to manage billing and invoicing and to enhance communication with customers.

Using artificial intelligence (AI) and predictive insights to prioritize high-risk accounts helps manage collections more efficiently.

Step 4:
Collections Management

Accounts receivable can be one of the largest accounts on a company's balance sheet, and collections is critical in helping to convert open receivables to cash.

CHALLENGE

Historically, finance teams have prioritized their collections efforts based on "oldest and biggest"—age and amounts outstanding—concentrating on the invoices that have gone unpaid longer and have higher balances due.

If done manually, this can be a tedious process, and this strategy does not consider "dollars at risk," or accounts that are more likely to pay late or default on payment. In addition, managing disputes is part of the collections process. When customers disagree with terms of a sale or invoicing details, timely resolutions are needed.

SOLUTION

To successfully streamline the collections process and increase the effectiveness of your company's efforts, consider a collaborative and comprehensive automated accounts receivable (A/R) management platform—one with a rules-based strategy engine will identify high-risk accounts to prioritize. Using days sales outstanding (DSO) and other metrics can better forecast cash flow and reduce past due accounts.

Finance teams benefit from A/R management systems that can identify disputes, report reason codes, and expedite resolution. AI (defined as technology that replaces manual tasks previously performed by people and can apply machine learning to new tasks) and Dun & Bradstreet's predictive insights, such as the D&B® Collections Prioritization Score, can help manage the overall collections process more efficiently.

Step 5:

Payments

CHALLENGE

Customers make payments on invoices either by paper check or through an online payment portal. Although the process is expensive to maintain, the percentage of businesses paying via paper check is still relatively high. The main reason this seemingly outdated form of payment is still popular is known as cash float or disbursements float. Paper check payment incurs a time lag that lets the customer take advantage of the time between when the check is written and when it's deposited in the bank account of the payee. This practice essentially buys the payer some time before their bank account is hit with the withdrawal.

SOLUTION

Some companies may be reluctant to completely give up cash float, but the benefits of providing customers with a payment portal are numerous. Offering the online option makes it easier for your customers to do business with you. Besides making payments, customers can access their invoices, statements, and other documents; set up payment plans; view additional orders; and communicate with your company—saving them time on the phone with the customer service or billing departments. With online bill pay, customers save time and postage cost. Essentially, portals serve as a digital customer service platform.

Providing customers with an online portal is a more efficient way to enable timely payments as well as improve customer satisfaction.

Digitizing cash management enables automated payment matching, remittance resolution, and payment application.

Step 6:

Cash Management

Each customer payment must be matched to an open invoice. Cash application, or cash management, is the process of receiving payments and applying those payments to the appropriate invoices. Payments are made through multiple channels and should be accompanied by remittance data, which is used to match the payments to open invoices and for bank reconciliation.

CHALLENGE

Most organizations use bank lockboxes to receive cash payments from customers. Banks can accept a variety of payment types and instructions on where to apply the payment. Lockboxes work best when the correct data accompanies the payment. When remittance data is missing, manual matching processes can leave room for error and the inability to apply cash properly. If an organization has more than one lockbox, payments could erroneously be sent to the wrong one. When incorrect payment amounts are received from a customer, adjustments and reconciliation are required. These pitfalls can increase payment processing time and DSO.

SOLUTION

Regardless of the bank's ability to match payments, there's always a portion of missing information, which can be addressed with an automated solution that reduces the time and cost needed to manually apply payments. An automated cash application system can help your company avoid these pitfalls by reducing inefficient processes. Advanced solutions enable payment matching, remittance resolution, payment application, and reporting while eliminating manual activities. The net impacts achievable with implementing an advanced automated cash application process are lower cost, auditable and compliant processes, and the flexibility to change and evolve based on company and industry requirements.

Step 6:

Benefits of advanced automation:

Email remittance automatically applies payment to the correct account

Machine learning uses rules-based intelligence for more accurate payment matching

Ability to convert payment mechanisms including checks and credit cards to digital copy for matching and exceptions management

Linkage of payment to appropriate lockbox and pull payment for automatic application

Automatic reconciliation of payments and bank statements

Automated deduction and discount coding to reduce errors and eliminate low balances or overpayments

Step 7:

Reporting

CHALLENGE

A/R teams traditionally track data manually using spreadsheets that are shared with executives to provide insight into performance; sometimes these reports have data gaps — meaning they provide limited insight but still require a lot of time and effort to cobble together. When executives want to dig deeper and ask for additional metrics, teams can be stumped how to generate that insight.

SOLUTION

Teams that want to digitally transform their credit-to-cash processes also benefit from the enhanced reporting that new automated solutions can provide. Many finance leaders want to shift the focus from aging receivables to forecasting cash flow, as so many of the traditional metrics ultimately inform a company's ability to forecast cash. Customizable, web-based reports powered by master data informing key metrics can dramatically improve the way a company manages their A/R.

With access to quality data providing more accurate forecasts and risk trends, finance teams can turn insight into action. Detailed, accurate, and forward-looking reporting helps companies make better business decisions.

Easy-to-access reports, powered by quality data, provide critical insight into credit-to-cash performance.

Step 7:

Common A/R metrics and reports include:

Cash Flow Forecast
to ensure visibility into expected working capital for investment, product development, and M&A consideration

Risk Trend
to better inform sales of which segments to focus on

Highest-Risk Companies
to ensure properly assigned resources; work those accounts

Risk Distribution
to ensure better bad-debt provisioning

Aging Receivables
calculating and benchmarking portfolio KPIs such as DSO, DBT (Days Beyond Terms), and DTP (Days to Pay), ADD (Average Days Delinquent), and CEI (Collections Effectiveness Index)

D&B Finance Analytics

D&B Finance Analytics is the complete AI-driven platform powered by the Dun & Bradstreet Data Cloud—for finance leaders who want to transform their finance operations and reduce cost through insight, automation, and enhanced customer experience. Intelligent, flexible, and easy to use, D&B Finance Analytics allows finance teams to manage risk, increase operational efficiency, enhance their business insight, and improve the customer experience.

Contact us to learn more

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Dun & Bradstreet, a leading global provider of business decisioning data and analytics, enables companies around the world to improve their business performance. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk, and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity. Twitter: @DunBradstreet

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