Mastering Integrated Receivables:

The Climb to Best-in-Class

Helping Your Clients Achieve Peak Receivables Processing

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Corporate Customers Are Ready to Invest in Receivables Efficiency and Automation

Corporations of all sizes are struggling. Between standalone bank receivables services like lockbox and RDC falling short of meeting the complex receivables challenges and growing volumes of electronic payments, many organizations are ready to invest in new solutions that solve today's modern receivables challenges and deliver efficiency, automation and scale.

> Most corporate treasurers have already embarked on their journey, with nearly half of businesses planning to implement an IR solution by 2021.

As traditional treasury management products become commoditized, banks must act quickly to capitalize on this significant market opportunity to better serve their customers. A strong Integrated Receivables (IR) offering introduces new revenue opportunities—and shores up core revenue streams with valued wholesale customers.

The next 18-24 months are critical for banks. Those forward-thinking financial institutions (FIs) that can align leading-edge technical capabilities with each customer's unique receivables journey will be well-positioned for long-term success and protect their client base from disruptive FinTech startups.

An IR progress report

Among businesses:

40%
expect to implement an IR solution in the next three years.

73%
expect their bank to offer an IR solution—yet only 31 percent believe their bank currently does.

14%
view Integrated Receivables as a high priority.

Sources: Aites Group, "The Corporate Need for Integrated Receivables," January 2018 and "Banks Journey Into Integrated Receivables," January 2018

Lockbox and RDC Users Most Fit to Climb

The corporate demand for IR is a great opportunity for banks, and it's clear that mastering Integrated Receivables takes time—for banks and for businesses. No organization will scale the IR mountain overnight. But banks will have better luck by identifying the prospects that are best "fit to climb" early on. Many analysts agree that lockbox and Remote Deposit Capture (RDC) customers are prime candidates to start the conversation with.

As lockbox and RDC become commoditized, Integrated Receivables enables these services to remain relevant as underlying payment vehicles continue to change. These entry points give banks the ability to provide value at a far greater level than just lockbox alone and potentially encourage customers to bring more of their banking business to the financial institution.

Integrating RDC and lockbox with an advanced receivables solution positions a bank's receivables management portfolio for paper-to-electronic migration with sophisticated invoice matching and cash application mechanisms that businesses are willing to pay extra for.

Nearly 1 in 3 lockbox customers will invest in IR capabilities by 2021, according to recent Aite Group research.

Characteristics of prospects fit to climb

Portfolio analysis:

- Primary lockbox customers
- Dispersed collection wallet
- Lockbox at a competitor
- Failing to leverage electronic payment information

Key segments:

- Complex/high value revenue cycles
- High risk credit counterparties
- Significant challenges around payment experience
- Undergone one or more mergers

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Banks Must Align With Their Customer's Journey

To take advantage of this unprecedented market opportunity, banks must first align their IR offering with the four stages in their customer's receivables journey: Ad-Hoc, Structured, Integrated or Best-in-Class.

Each step represents a deeper level of organizational maturity, automation and systems integration. Each phase will also have specific pain points.

By aligning the right IR capabilities with each stage, FIs can reduce the perceived complexity of IR. This targeted approach resonates with customers, streamlines the sales process and accelerates time to revenue.

Hallmarks of a Robust IR Solution

» Single receivables file

» Consolidated data and reporting

» Automated remittance matching powered by Artificial Intelligence

Ad Hoc

Challenge

Most Businesses Struggle With Manual Processes, Disparate Systems

Most businesses will begin their IR journey in the Ad-Hoc phase. They'll likely have standalone treasury products like lockbox and remote deposit capture, which fall short of addressing complex receivables challenges presented by growing electronic payment volumes. Multiple payment streams accompanied by unique data feeds and formats mean AR staff time is consumed by manual, error-prone work of downloading, standardizing and importing files.

» Inability to support new billing or payment methods

» Fragmented, understaffed teams and functions

» Difficulty forecasting and planning for working capital shortfalls and surpluses

» Slow cash application, resulting in increased DSO and decreased STP

» Lack of centralized data results in slow-moving customer service inquiries, error resolution and unhappy customers

Solution: Single receivables file

IR begins with a consolidated receivables file

A single, consolidated receivables file may sound simple, but it delivers a big impact to your customers. Payment data received in different file formats can be normalized and presented in a single consolidated file, enabling easier uploads into their enterprise resource planning (ERP) systems.

How it works:

1 Company receives payments in different formats

2 All data is normalized into a standard format

3 Data is presented to customer in a single, consolidated file

4 Company easily uploads to their ERP or treasury management system

Benefits:

The greatest benefit for corporations is the elimination of operational inefficiencies of manual application and duplicative efforts that corporations are not staffed to accommodate. Automating the receivables process results in faster application of cash, decreased risk of errors and reduced DSO.

Structured

Challenge

Spreadsheets, systems and silos

Companies in the Structured stage are streamlining portions of their receivables workflow and adopting more formal methodologies to manage payments. However, most still lack consistency across locations and payment vehicles. More importantly, they're missing a holistic view of their receivables.

This lack of insight can hamper even the most basic decision-making and customer service. Staff likely struggle with organizational silos and must navigate through a maze of systems and portals—each with its own login protocols—in order to track down even routine information.

At an executive level, creating cash forecasts and managing working capital is a cumbersome process that spans multiple systems and spreadsheets.

Solution: Consolidated data and reporting

A strong dashboard fuels efficiency, insights

The most effective use of data consolidation occurs through a strong, customizable dashboard. Banks that offer a single receivables data base give their clients "one-truth" for access across the entire enterprise and help turn transaction details into metrics that assist in managing the business. This is particularly beneficial when a business maintains multiple enterprise resource planning systems as the result of acquisitions.

Benefits:

» Reconciling across entities or physical locations (Property Management/HOA) requires flexibility. Being able to view by DDAs, entities, payment types or sources is what makes the dashboard a tool vs. a single-view report.

» Easy access streamlines reporting, decision-making and customer service

» One location to design ERP extract and schedule to decrease DSO

» Risk reduction via visibility to all payment channels in one location

Banks can reap many of the same benefits because a dashboard provides one location for payment type totals to be used for reporting, audits and useful data for trend and risk analysis.

Integrated

Challenge

Emailed remittances impede straight-through processing

Companies in the Integrated stage present clearer opportunities to scale their receivables processing and will likely have a single processing framework. However, they still face a common yet fundamental hurdle presented by growing volumes of electronic payments.

NACHA estimates that over 60 percent of ACH payments send remittance information separately from the payment (most commonly by email) and require manual intervention to re-enter the data into the appropriate format and system.

AR staff are forced to waste valuable hours through a series of time-consuming workarounds before cash application occurs, with many reporting electronic payments that take three times longer to post than checks. Many times, human error in the application process causes further delays.

Solution: Payment reassociation

Artificial intelligence eliminates manual processes & errors

Artificial intelligence powers the payment reassociation process for stranded ACH payments and remittance data. Machine-learning technology not only speeds the process (faster than any human's ability), but it continuously learns each company's unique receivables scenarios. As a result, the IR application becomes smarter with every remittance it processes.

How it works:

Sophisticated machine learning algorithms scan and "read" thousands of emailed remittance documents.

Payment amount and invoice details are extracted and compared with the customer's file of open invoices. It suggests a three-way match for each transaction with payment, remittance and open invoice—all without any manual intervention by the bank or the customer.

The customer makes a one-time confirmation that each match is correct, and after that, the machine learning capabilities automate all future payment reassociation for that account.

Benefits:

Banks that use machine learning to automate remittance matching can help their customers dramatically reduce payment exceptions and improve customer service, and they can increase customers' STP rates by up to 95%. Even as the mix of payments grows or changes, customers have the flexibility to choose to keep staffing costs down and redeploy internal resources to other value-added activities within their organization.

Best-in-Class

Reaching best-in-class requires collaboration

Banks must understand that while every client's goal will be improved STP or reduced DSO, each organization's journey to Best-in-Class will be different. Prospects will vary in the maturity of their receivables processes, automation, metrics and governance. Lucrative industries such as property management or healthcare will present additional or unique requirements. Banks will need to analyze payment methods, workflows, technology and more to determine which "stage" of the journey the client will start.

A strategic go-to-market approach enables financial institutions to truly deliver value beyond features and functionality. Without it, banks risk expending significant cost while failing to establish the connection with customer pain points that ultimately leads to sales and long-term customer satisfaction. Creating an integrated receivables strategy is no easy task. It can also be an expensive endeavor, with some of the largest banks investing several million dollars into their strategies.

How will banks identify the highest priority prospects and develop a unique economic business case for a client to adopt an IR solution? Many will look to their technology providers for guidance and best practices. In fact, Aite Group found that of the banks surveyed, 70% plan to partner with a technology provider for their integrated receivables offering, and the percentage is even greater when going beyond the 50 largest banks.

Banks can help corporate clients reach Best-in-Class by partnering with a technology provider that invests beyond the solution roadmap to help orchestrate the right sales approach. Finding a provider willing to engage in lock-step collaboration, offer assistance with prospect identification, prioritization and qualification, and provide value-add sales tools like pitch decks, proposal templates and case studies will be a critical differentiator.

Partnering to Master Integrated Receivables

Truly mastering Integrated Receivables takes more than the right solution offering—it's also about client adoption. Select a solution provider that recognizes the complexities of selling IR and can provide a scalable solution with comprehensive support along the way. Unique customer journeys won't be overwhelming if banks collaborate with an IR provider that offers more than features and functionality by matching their technology investment with investments in human capital, advisory services and supportive sales training. A technology provider that works with banks to design the right IR offering will result in corporations achieving Best-in-Class receivables processing and deeper, more profitable relationships.

Final tips for success

Financial institutions should ask:

» Where are the best growth opportunities—and why?

» What will it take to efficiently deliver a value-added, advisory sale?

» What's required to navigate a changing landscape and maximize IR opportunities?

» How committed is the IR provider to helping bank staff sell IR to customers?

Banks should look for IR providers who:

» Specialize in working with financial institutions

» Share best practices and guidance

» Have a similar culture

» Help identify and prioritize top prospects

» Supply value-add sales tools such as pitch decks, proposal templates and case studies

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