THE CFO'S GUIDE TO AR AUTOMATION

HELP YOUR BUSINESS GET PAID FASTER

TABLE OF CONTENTS

03 INTRODUCTION



• Key Challenges of Manual AR Processes

07 CHAPTER 2

• Barriers to Payment Collection



10 CHAPTER 3

• Case Study: How Aline Transformed their cashflow with AR Automation



Accounts receivables (AR) are a critical component of every business. The AR team is responsible for sending out invoices, billing customers, processing payments, and following up on payments due. The efficiency with which these functions are carried out directly influences the business's cash flow.

Multiple studies show that automating AR speeds up collections processes, improves cash flow, and consequently, helps the business invest in innovation and growth.

HOW PREVALENT ARE MANUAL AR PROCESSES?

Studies show that many businesses continue to rely on manual AR processes. A 2017 Small Business Trends study showed that manual processes such as Excel and spreadsheets are used by 84 percent of businesses. A 2021 report reveals that manual AR processes are still used across industries.

The study found that manual processes are prioritized by



03 INTRODUCTION

04 CHAPTER 1

• Key Challenges of Manual AR Processes

07 CHAPTER 2

• Barriers to Payment Collection



10 CHAPTER 3

• Case Study: How Aline Transformed their cashflow with AR Automation



KEY CHALLENGES OF MANUAL AR PROCESSES



Inefficient payment acceptance

Manual processes slow down collection processes significantly. Companies across industries experience longer collection cycles when they rely on manual AR processes.

Dun & Bradstreet's QI 2021 report highlights that 10 percent of aging dollars of 30 out of 230 industry segments are 90+ days past their due date. The PYMNTS research shows that on average, firms that use manual methods take 25.3 days to follow up on payments. Firms that have not automated their AR processes have 18 percent longer collection terms as compared to businesses that have.



Inefficient payment collection has a domino effect on the business that goes beyond mere inconvenience.

- Poor cash flow: Delayed payments are typically the top cause of poor cash flow for small to midsize businesses. An earlier survey in Australia suggests that 90 percent of small businesses face cash flow issues and go broke due to delayed payments. The 2020 MYOB Business Monitor found that 38 percent of Australian SMEs (small to medium-sized enterprises) feel financially stressed as a result of late payments, and 42 percent are concerned about cash flow.
- Higher administrative costs: In addition, businesses incur increased administrative costs linked to debt collection that involves:
 - Collection calls
 - Reminder letters
 - Receivables emails
 - Human resources dedicated to late account collection

- Impacts productivity: A survey of eleven countries including Australia by a consulting firm, Plum, found that the process of manually following up on payments is extremely time-consuming. On average, 15 workdays are lost each year in chasing after late payments.
- Impacts innovation and growth: According to Plum's researchers, 7.5 percent of invoices are written off ultimately as bad debt.

A 3-day delay in invoice due can take away \$115,000 from the working capital of a business with a \$10 million yearly turnover (\$10 million divided by 261 working days)

With cash getting locked up in delayed payments, the potential working capital gets frozen. This, in turn, puts financial brakes on innovation investment.

Companies that are affected by poor cash flow are unable to invest in expanding into new areas or leverage new business opportunities. Locked up cash also means firms are unable to pay their suppliers and staff on time. This impacts the inputs necessary for scaling up production.





• Case Study: How Aline Transformed their cashflow with AR Automation



BARRIERS TO PAYMENT COLLECTION

A recent industry survey found that one of the major barriers to following up on late payments is the lack of dedicated resources. Businesses also report a lack of personnel and staff time as common barriers to payment collection.

A significant proportion of companies find it difficult to broach the payment issue with their clients as they fear doing so could harm their future relationships.



AR automation: The strategic lever

Your ability to manage cash flow and consequently, business productivity and growth, hinges on the efficiency of the accounts receivable activities.

Many CFOs are strategically deploying AR automation to streamline invoicing, payment processing, acceptance, and collections management.

With digital processes for invoicing, AR automation effectively handles laborintensive AR processes such as deductions, while accurately capturing and prioritizing collections efforts. According to research, businesses that use AR technologies experience a 23 percent improvement in payment collections compared to firms that use manual methods.

As per research,

- 75 percent of firms reported that AR automation enabled them to offer superior customer experiences
- 87 percent of businesses that employed AR automation observed improvements in their overall payment process speed
 - 79 percent of automation adopters agree that it improves team efficiency
 - 39 percent of firms experience faster processes





Page 11

CASE STUDY

Aline Services is Australia's largest supplier of a comprehensive range of pumps and pumping systems.

Since its inception in 1995, the business has provided pumping solutions to the commercial and residential market with a strong focus on client relationships.

With a progressive outlook, Aline Services pays meticulous attention to designing, engineering, and customizing equipment to the exact requirements for property developments, industrial estates, commercial properties, hospital infrastructure, and mining projects. With a growing client base, Aline Services now caters to customers across New South Wales, Queensland, Northern Territory, ACT, South Australia, and Pacific Islands (Including New Zealand).

As the business scaled, the management wanted to move away from the manual process of receivables collections and automate the process. Having access to data to predict cash flow was also a key focus area for the firm.

The Challenge of Legacy System

At Aline, the process for collections was manual and outdated. In addition, the AR officer handled a large number of collection-related calls and emails during the day, which led to frustration and resulting in the officer quitting the company eventually.

Realizing that the current processes were not sustainable or efficient, the CFO looked for an effective solution to

- optimize the use of resources by reducing workload
- reduce overdue debtor days
- speed up cash recovery
- save time and cost related to administrative tasks

The finance and AR team at Aline searched for the right solution to solve their key AR challenges and decided to implement ezyCollect's AR Automation and Payment platform.

Aline's team found the following benefits valuable:

- Best-in-class automated workflow: Automated workflow streamlines communication making it possible for Aline Services to politely and persistently collect money round the clock.
- Simplypaid portal: Digital 'Pay Now' buttons enable customers to enter the payments portal where they can query, pay one or more invoices, part-pay, and apply for our finance solution to complete payment. Simplypaid accepts Visa, Mastercard, and American Express.
 - On-time payments: With a clear call to action integrated with invoices and reminders, Aline Services is able to invite online, on-time payments.
 - Reminder emails: Reminder emails become checkouts with no extra logins required. As customers receive the reminder email, they can click to 'Pay Now'.

Mobile phone prompts: Customers receive payment prompts straight to their mobile phone which makes it easy to collect payments 24/7.

Single window dashboard: The dashboard offers a 360-degree view of customers, invoices, online payments, and payment allocations.



Tangible business impact

With its automated workflow for communications, SimplyPaid for collection payments, and a single-window dashboard that gives an overview for invoices and customers, ezyCollect ticked all the boxes for the ideal solution.

Aline Services implemented ezyCollect in March 2019 and experienced a dramatic reduction in their outstanding debtor days and improved cash flow.

Specifically, the real business impact of implementing ezyCollect's automated AR are:

- Over 50 percent reduction in overdue debtor days since implementation. outstanding debtor days at 6 days.
- 99 percent cash recovery rate that enables the firm to make strategic investments in business growth
- With an average saving of 30 hours per month on sending emails alone, the team could now focus on other value-adding tasks in cash flow management.

