Confronting the Challenges of Decoupled Payments to Automate A/R

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Confronting the Challenge
Decoupled Payments

Checks → Electronic Payments

For Accounts Payable 😊
For Accounts Receivable 😞

This can represent a growing challenge for organizations that are receiving more and more electronic payments resulting in lower overall auto cash application rates.

GOAL
Understand the challenges and solutions to better manage electronic remittance data received separately from the payment
Know Your Cube
Collections Landscape
The use of CHECK payments in the B2B environment continues to decline…

Percentage of B2B Checks Received

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>75%</td>
</tr>
<tr>
<td>2007</td>
<td>64%</td>
</tr>
<tr>
<td>2010</td>
<td>54%</td>
</tr>
<tr>
<td>2013</td>
<td>50%</td>
</tr>
<tr>
<td>2016</td>
<td>44%</td>
</tr>
</tbody>
</table>
Receivables Landscape
Volume of Payment Formats

- **Check**: 5% Increased, 72% Decreased
- **ACH**: 73% Increased, 4% Decreased
- **Pcards**: 53% Increased, 6% Decreased
- **Wires**: 18% Increased, 8% Decreased

1 Electronic Supplier Payments Report, PayStream Advisors 2015
### Accounts Payable – Originating ACH

- 79% of organizations surveyed are seeking to convert paper checks to electronic payments

- 88% of organizations say their primary driver for converting to electronic payments is to **increase efficiency**; 82% to **reduce costs**; 60% for **fraud prevention**

- Sending a paper check is 10 times more expensive than the internal or external cost of sending and receiving an ACH payment, and receiving a paper check is more than 5 times as expensive

### Accounts Receivables – Receiving ACH

- 27% No standardized format for the remits

- 16% Insufficient IT resource

- 14% It is difficult to reconcile payment to remittances

- 11% Electronic payments **cost more**
One side solved…
But what about the rest?

Automation Challenges associated with Decoupled Payments
## Automation Challenges

### Inconsistent Remittance Delivery

#### Organizations’ Method of Receiving ACH Remittance Information

<table>
<thead>
<tr>
<th>With Payment (potential for automation)</th>
<th>Separate from Payment (requiring manual intervention)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18% EDI/CTX or EDI/CCD+</td>
<td>55% Email</td>
</tr>
<tr>
<td>11% 3rd Party Website</td>
<td>22% Mail</td>
</tr>
<tr>
<td>18% Customer Website</td>
<td>15% Fax</td>
</tr>
<tr>
<td>5% Organization’s Website</td>
<td>4% Other</td>
</tr>
<tr>
<td>3% ISO 20022</td>
<td></td>
</tr>
</tbody>
</table>
Automation Challenges
Decoupled Payments

71% of remittance information associated with electronic payments travels separately from the payment.\(^1\)

1 NACHA Remittance Coalition
Automation Challenges
Manual Cash Application

1. Collection of Remittance Data

- Portal
- Mail / Email
- EDI, XML, etc.

2. Collection of Payment Detail

- ACH / Wire

3. Matching Payment with Remittance and Manual Data Entry

- ACH / Wire
- Remittance
- Cash App

Remittance
Payment
Organization
Bank/Lockbox
Automation Challenges
Complexity due to Wide Range of Customers

Small Businesses

Large Corporations
Automation Challenges
Increasing Complexity

Top Challenges over the Past 12 Months¹

- Increased volumes with same staff
- Collaboration with sales
- DSO / Past Due increases
- Prioritizing collection activity
- Increased dispute activity

Extent of Entire Order-to-Cash Automation¹

- Fully automated: 13%
- Most activities are automated: 36%
- Some activities are automated: 45%
- No automation: 6%

¹ 2014/15 Credit and Collections Global Benchmarking Study (Sungard)
Decoupled Payments
Impact on Straight-through Processing (STP)

Data and Dollars
- Together
- Separate

STP

Manual
Data Entry
Automated

100%
0%
Solve the Cube
Straight-Through Processing (STP)
An integrated receivables platform must be able to identify and resolve exceptions by applying a series of business rules.

‘Lockbox-like’ features such as virtual batching, MICR table look-ups, Online Exceptions, A/R Matching, etc. can help resolve posting issues associated with electronic payments.
Straight-Through Processing (STP)
ACH with Remittance

Proactive Instruction

- Guide your customers toward your preferred payments methods and provide instructions
- Develop an onboarding strategy
  - Calling effort
  - Mailing effort
  - Provide instructions on your invoice
  - Include instructions on your web portal
- Encourage CTX payments
- Provide your banking information
- Consider the use of UPIC
- Be sure to provide detailed remittance instructions

Request data the way you need it for auto cash application!
Address decoupled payments where remittance arrives independent from the payment

- E-mail Remittance
  - Establishes a dedicated email address for receipt of email remittances: for example - CHI777813@bank.com
  - Supports email attachments (PDF, Excel, etc.) or information embedded in the body of the email
  - Remittance detail can also be uploaded or scanned through remote scanner
  - Over time the application would learn payer behavior for both the incoming payment and remittance streams
Straight-Through Processing (STP)
ACH with Decoupled Remittance
Integrated Receivables
Leverage Matching and Exception Management Tools

Send Bank / Lockbox Open Invoice File

- Matches payment information captured from remittance processed within lockbox against files received from your accounts receivable system (open invoice file) (checks and electronic payments)

Online Exception Management

- Repair, modify or enhance remittance data before data transmission (checks and electronic payments)
Billing data is controlled from bill presentment through payment and integration back into your ERP
Changing Customer Behavior

Decoupled Dollars and Data

Lack of Standard Information Exchange

Missing Data

Other Electronic Payments

Measuring for Success
How has your organization addressed the handing of electronic payments specifically where remittance information is arriving decoupled from the payment?
Thank You!
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