

# THE STRATEGIC VALUE

## OF INVOICE-TO-CASH BEST PRACTICES





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**“BILLTRUST TAUGHT US HOW TO RECEIVE OUR MONEY QUICKER, SAVE MONEY, AND CREATE INVOICES THAT ARE SO MUCH EASIER TO READ.”**

**DAN WALLACH, CFO**

**84 LUMBER**

The invoice-to-cash process is an often overlooked and under-leveraged opportunity to drive business efficiency, increase cash flow, and strengthen customer relationships. Companies that approach this process with strategic goals in mind gain considerable advantage over those that do not. While it is certainly important for a business to recognize, and focus, on reducing the costs involved in the invoice-to-cash process (people, material, equipment, IT time, bank fees, postage), the benefits go much further.

As part of a 21st-century invoice-to-cash strategy, companies should look beyond the operational aspects and explore the specialized knowledge, experience and technology required to offer a world-class invoice-to-cash system that gives them a strategic advantage. In essence, a strategy that allows a company to achieve optimal functionality, maximum business impact and excellence in customer satisfaction. Based on in-depth interviews with businesses that have transformed their approaches to invoice-to-cash, this article examines the opportunity to use this process to create strategic value.

## **The Many Values of Strategic Invoice-to-Cash**

Think about your company's invoices, and then ask yourself these questions:

- Do you have a growing population of customers demanding new ways they want to receive invoices and pay them?
- Are your invoices well-designed? Do they create clarity, eliminate customer confusion and reduce time-to-payment?
- How rapidly are your invoices delivered, either through the mail or, better yet, through web-based systems? How might that enhance your access to working capital?
- How efficient is your company at applying payments once received? Is there too much manual effort? A struggle to apply electronic payments? Are you manually keying in data from paper checks?
- Are you making it easy for your customers to do business with you? Do you have an opportunity to create a strategic advantage?

Businesses can transform their invoice-to-cash process so that they have the best answers to these questions.

Many financial managers have realized the strategic advantages that come from invoicing. Some emphasize that they enjoy enhanced customer service, others focus on the personalized messaging they use to upsell, some stress

**“AS PART OF OUR PROCESS, WE REDESIGNED OUR INVOICES. WE RECEIVED IMMEDIATE FEEDBACK FROM CUSTOMERS THAT OUR NEW INVOICES WERE EASIER FOR THEM TO FOLLOW AND WE SAW A REDUCTION IN THE AMOUNT OF INQUIRIES WE WERE RECEIVING.”**

**ROB HOLLENBACH,  
DIRECTOR OF SHARED  
SERVICES**

**IDEXX LABORATORIES**

how they use invoicing to foster brand loyalty. Most important is the linkage they highlight between an improved invoice-to-cash process and days sales outstanding (DSO).

### **Clarity, Choice, and Speed-to-Cash**

Topping the list of value-creating invoice-to-cash strategies are activities that improve DSO, including invoice design, electronic invoice adoption programs, a well-designed Electronic Invoice Presentment and Payment (EIPP), and an intelligent cash application process.

Invoices should be easy for customers to understand, reduce the number of calls to a customer service department, and help a business get paid quickly.

Another key area that drives speed-to-cash is electronic invoicing. Optimized, paper delivery of invoices and statements is no longer sufficient. Modern invoicing systems require multiple options— electronic data interchange (EDI), email, online, AP System integration and fax —for delivery of invoices, as well as for payment. A key advantage of electronic invoicing is that it virtually eliminates invoice delivery time to customers, helping the cash get in the door sooner. That speed has made a difference for Thos. Somerville Co., a Mid- Atlantic distributor of plumbing, heating and air conditioning supplies, which is sending 71% of its invoices electronically. Pete Misiewicz, vice president of IT at Thos. Somerville, explains, “Because many of our customers receive their invoices electronically, conversations about invoice disputes now occur a week earlier, meaning they are resolved sooner.”

Before Ames Taping Tools outsourced its invoicing, customers complained about receiving their invoices too slowly. Their mailing house was in South Carolina, but its biggest concentration of large customers was in California. Their customers were frustrated that they could not take advantage of early payment discounts because they were not receiving their invoices in a timely manner. The Ames credit group used to manually print invoices for their key accounts and fax/email them to their customers so they could take advantage of the discounts. These types of manual processes exist across many organizations today. With Ames’ new invoicing system, the company is mailing its invoices and statements from multiple locations across the U.S. and Canada, accelerating mail delivery time by 2-3 days. Further, Ames has migrated many of its customers to electronic delivery, eliminating the mail time from the equation altogether.

### **Automated, Intelligent Cash Application**

The invoice-to-cash cycle begins with invoice delivery and payment, but isn’t complete until cash is properly applied. Once payment is received, the funds have to be accurately applied (posted to a system of record) for a company to realize payments as revenue. Delays in cash application also put DSO at risk.

**“PARTNERING WITH BILLTRUST HAS BEEN A GREAT DECISION FOR ANDA. WE HAVE SEEN AN INCREASED LEVEL OF CUSTOMER SATISFACTION AND AN IMPROVEMENT IN CASH FLOW. BILLTRUST GIVES US THE OPPORTUNITY TO USE TODAY’S TECHNOLOGY TO BETTER SERVE OUR CUSTOMER BASE AND MANAGE COSTS.”**

**DIRECTOR OF COLLECTIONS,  
ANDA INC.**

Cash application is challenging because buyers pay in a variety of different ways. Whether they pay by check to a lockbox, directly to headquarters, or at a remote location, the data on the checks has to be captured, which often involves manual keying. Even when buyers submit electronic payments, they frequently come decoupled from the invoice, making matching a challenging resource-intensive task. Exception handling poses yet another challenge. As much as a business strives for 100% match rates, the reality is this: exceptions will occur. Handling exceptions takes time and resources, and is a big cause of increasing DSO.

Automating the cash application process from end-to-end cuts costs and can shave days off DSO. Through technology, sellers can automatically extract transactional data from any source and intelligently match to open receivables, which can dramatically improve hit rates whether payments are coming by check or electronics. And having a user-friendly tool to efficiently work through the inevitable exceptions can get payments posted quicker without dependence a large manual staff.

Avnet is one of the primary distributors of computer products, electronic components, and embedded technology in the world. As Avnet has grown, their need to process payments more efficiently also grew. Their vice president of financial operations, Jim Strand, focused on streamlining their cash application process. “We did not mess around. We made a commitment to reinvent the process by eliminating manual touch points like data entry and image capturing. The end result for us was a significant lowering of costs; same day payment processing and much higher payment match rates.”

### **Improved Customer Satisfactions**

An invoice-to-cash system should provide the same web-based archival and retrieval to both customers and to call-center personnel to securely research, view and print any invoice or statement. As IDEXX’s Hollenbach explains, “Our electronic invoicing platform allows our customer service reps to call up a document that’s identical to what our customers see online or get in the mail. So if the customer calls in with questions, they are looking at the same thing.”

The best invoice-to-cash systems also let customers manage and research their own invoices with the same easy-to-use web-based tools. PUMA North America, the “sport-lifestyle” apparel company, provides online tools that let their customers search for invoices by purchase order or invoice number, view exact replicas of the paper invoice, sort invoices by key criteria and download, print and pay them. PUMA’s senior manager of credit and accounts receivable talks about how they leverage their web invoicing channel with their customers: “We are selling e-invoicing as an improvement in our customer service. We point out to customers that they can see their invoices online, without calling us or waiting for the invoice to arrive in the mail.”

**“BILLTRUST HELPED US BOOST OUR ADOPTION OF ONLINE PAYMENTS ACROSS OUR CUSTOMERS AND IMPROVED OUR POSTING OF PAYMENTS. WE NOW GET OUR MONEY DAYS QUICKER.”**

**CHIEF CREDIT OFFICER,**

**LEADING BUILDING SUPPLY COMPANY**

Even better, online delivery channels not only create loyal customers—they also reduce customer service costs. Ed Guadagno, director of credit & collections for East Coast Metal Distributors, a provider of HVAC equipment and supplies to contractors, describes this linkage: “The more customers have access to their invoices online, the fewer calls we get for copies and reprints.”

Thos. Somerville emails invoices as PDF files and attaches a “flat” file with the same information that customers can download into their own accounting system. Pete Misiewicz has emphasized the role a feature like this plays in driving customer satisfaction: “Providing customers with the ability to download their invoices into an accounting system, like QuickBooks, has eliminated a ton of keying for them. Now, these customers are super loyal because we helped them become more efficient in their own business.”

#### **Personalized Marketing & Digital Signatures**

A strategic invoice-to-cash system should support the addition of targeted marketing messages through invoices, allowing a business to personalize communication with its customers. PUMA, for example, prints the name of the analyst responsible for each customer account, along with his phone number, fax number and email address, directly on each customer invoice, enhancing self-service with personalized customer service—but only when the customer feels the need. East Coast Metal Distributors also uses invoice marketing to send customized messages; they often send individualized messages to different branches and regions. For example, to promote that they are now accepting recycling in Georgia, they put that message on the appropriate invoices.

Another strategic benefit of a modifiable document is the ability to overlay digital “proof of delivery” signatures on invoices. In a strong economy, many companies found that proof of delivery was not a priority. But, as Ames Taping Tools discovered, “When the market went down, customers wanted to know who rented a tool or made a purchase. We had to jump through a lot of hoops to retrieve the signatures captured at our stores and send them to the customer,” said Ames, CIO. Today, signature capture is integrated into Ames invoices.

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### **Leveraging a Strategic Invoice-to-Cash Partner**

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### **Concluding Thoughts**

Far from being a mundane business process, invoice-to-cash has the potential to be a strategic linchpin of your business. If done right, it represents an opportunity for improved cash flow, increased customer satisfaction, real movement on the path to corporate sustainability and, of course, measurable cost reduction – all very real benefits of strategic invoice-to-cash best practices.

## Conclusion

Automating and accelerating invoice-to-cash can impact DSO. When evaluating solutions, ensure that they will be flexible enough to accommodate your range of buyer requirements for receiving invoices and making payments, that they address the critical last step of the process with intelligent cash application, and that they have a program in place to drive electronic adoption. With these three key capabilities, sellers will be on the path to achieving a perfect balance between buyer satisfaction and reduced DSO.

To understand more about the impact invoice-to-cash can have on DSO and how to calculate the potential savings see *The Silver Bullet for Lowering DSO*.

## NEXT STEP

To find out more about best practices for automating your invoice-to-cash process contact Billtrust at [sales@billtrust.com](mailto:sales@billtrust.com) or call 609-235-1010.

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### ABOUT BILLTRUST

Billtrust is the premier provider of payment cycle management solutions, helping businesses accelerate invoice-to-cash. By integrating the three key areas of the payment cycle: invoice presentment, invoice payment, and cash application, Billtrust is committed to delivering a flexible solution to improve buyer satisfaction and DSO. In 2014, the Billtrust invoice-to-cash solution processed over \$250 billion in receivables for leading companies including Kraft Foods, Under Armour, Ryder and CDW.



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