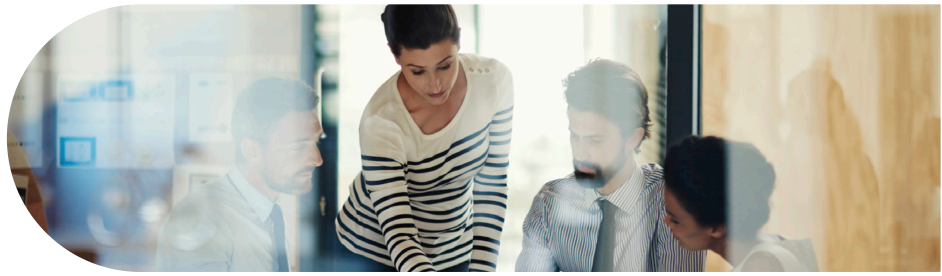
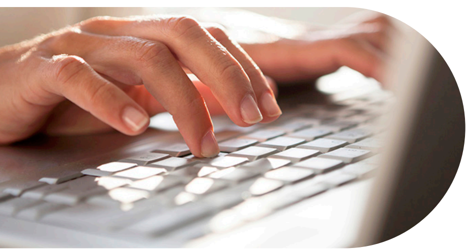
DELUXE
Treasury Management Solutions

RECEIVABLES MANAGEMENT



HOW INTEGRATED RECEIVABLES OVERCOMES THE FOUR BIGGEST CHALLENGES IN ORDER-TO-CASH



EXECUTIVE SUMMARY

Businesses are demanding more of their treasury departments.

Treasury must become a strategic advisor, more closely integrated with business units, supporting globalization, efficiency, trading partner/supply chain integration, and greater sophistication in risk/return optimization, according to Dave Robertson, managing director of Novantas.

But at many businesses, treasury's efforts to meet these objectives are being undermined by manual and semi-automated order-to-cash processes. Treasury has little chance of repositioning itself as a strategic partner without first automating its order-to-cash processes to overcome four challenges:

1. **High costs**
2. **Migration from paper to electronic payments and remittances**
3. **Ever-increasing demands for business intelligence**
4. **Potential impact of automation initiatives on customers**

This white paper details each of these challenges, and shows how integrated receivables solutions uniquely enable organizations to overcome them.

Overall, 88 billion (or 80 percent) of the $115 billion that corporations spend annually on order-to-cash goes to internal full-time equivalents (FTEs) or professional services

THE ORDER-TO-CASH DILEMMA

The order-to-cash process encompasses eight critical functions:

1. **Credit management**
2. **Order management**
3. **Order fulfillment**
4. **Billing/invoicing**
5. **Collections**
6. **Deductions and dispute management**
7. **Cash application**
8. **Reporting and analytics**

Four primary trends are impacting the order-to-cash process:

1. **HIGH COST**

   Nearly half of every dollar that corporations spend on the financial supply chain goes to billing and accounts receivable, point of sale, and reporting—surpassing functions such as procurement and accounts payable, liquidity management, risk management.

   - **Billing and accounts receivable** encompasses price optimization, invoice creation and delivery, collections, aging, dispute management, reconciliation, and analytics. Incredibly, nearly one-quarter (22 percent) of businesses surveyed by the Institute of Finance and Management (IOFM) in 2015 reported that their average billing and accounts receivable costs have increased over the past two years.
   - **Point of sale** includes the hardware and software for electronic transactions, interchange fees to consumers and businesses, merchant processing fees, and loyalty/marketing programs.
   - **Reporting** supports analytics, compliance, and strategic decision-making.

The high cost of the order-to-cash processing can be directly attributed to the manual, paper and labor-intensive processes on which many businesses rely. **Overall, 88 billion (or 80 percent) of the $115 billion that corporations spend annually on order-to-cash goes to internal full-time equivalents (FTEs) or professional services, according to Novantas.** Making matters worse, between 6 percent and 25 percent of revenue from potential booked sales can be lost due to poor billing and accounts receivable processes, according to corporations surveyed by the firm.

It is no wonder that inefficiency is the top receivable challenge identified by businesses, IOFM finds.

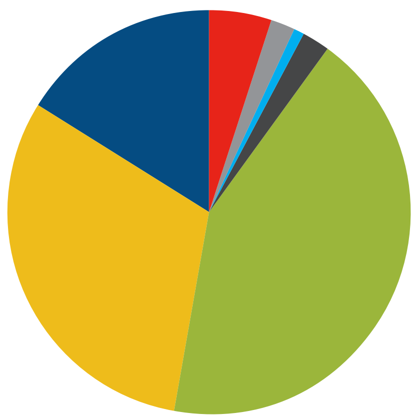
Manual and semi-automated processes increase costs across the order-to-cash cycle:

- **Order-to-approval:** Complying with the Internal Revenue Service's Know Your Customer regulations and manually setting up new accounts is burdensome, inconsistent, and error-prone. Additionally, manual document sorting and processing frequently causes bottlenecks in sales processes, order entry, and order management. And mis-keyed data on orders increases costs, extends time-to revenue, and impacts customer service.
- **Approval to ship:** A paper-based order-to-cash processes provide limited tracking of shipment approvals, typically resulting in manual follow-up. What's more, a paper-based environment provides no consistent processes for follow-ups, and no configurable time frames or workflow rules for dealing with invoice tracking and delivery issues.
- **Ship to invoice:** Manually generating invoices makes it difficult to catch pricing errors or inaccurate customer data, which causes delivery delays or lost invoices.
- **Invoice to payment:** In a manual or semi-automated order-to-cash environment, accounts receivable is undermined by an insufficient level of detail for many payment channels. What's more, buyers may have to manually consolidate information for multi-delivery bills, an error-prone process that frequently results in delayed payments and short-payments.
- **Payment to collection:** Manual collections processes require a lot of staff, time and resources. What's more, manual collections processes typically are poorly organized and suffer from a lack of accountability. For instance, 84 percent of businesses do not have an automated reminder process for following up on overdue receivables.

2. **MIGRATION TO ELECTRONIC PROCESSES**

The move towards electronic receivables processes requires businesses to adopt solutions to capture and manage data traditionally provided in paper orders, invoices and payments, Robertson says.

In fact, it's happening faster than you may think. Although paper checks are still used for the majority of business-to-business transactions, electronic payments are growing quickly. IOFM reports that most businesses will make the majority of their business-to-business payments electronically within the next two years.



PAYMENT METHOD USED TO PAY MAJOR SUPPLIERS

- **16%** Wire Transfers
- **5%** Purchasing Cards
- **2%** ACH Debits
- **1%** Single-Use Accounts
- **2%** Other
- **43%** Check
- **31%** ACH Credits

Source: AFP Payments Study (2013). Fed Payments Study (2012-2013).

56 percent of large corporations identify the large number of incoming payment channels as having a negative impact on receivables.

Adding to the complexity of this shift are multiple payment types. According to payments studies from the Fed and AFP, businesses make 43% of their payments to suppliers by check, 33% via ACH credit or debit, 16% by wire transfer, and 5% through purchasing cards.

The challenge is also compounded by the fact that businesses may now receive payments in-person (e.g. walk-up location), at the point of sale, via interactive voice response (IVR), through an automated teller machine (ATM) or kiosk, via the Internet or web browser, through a mobile device, and via file transfer. But legacy accounts receivables systems and processes were optimized for the mail.

All of this is why 56 percent of large corporations identify the large number of channels through which payments are received as a factor negatively impacting their accounts receivables processing.

54 percent of large businesses say a lack of real-time remittance reporting is negatively impacting their receivables processes

3. DEMANDS FOR BUSINESS INTELLIGENCE

There is growing demand for enhanced visibility into order-to- cash processes for cash flow analysis, liquidity management, forecasting, collections, credit, sales and inventory. For instance, 21 percent of businesses surveyed by IOFM identified greater cash flow predictability among their top accounts receivable priorities.

The root of the problem is that in many manual or semi-automated order-to-cash environments – essential data is not captured, information is poorly organized, data is not timely, systems are not well integrated, and decision-makers do not have access to key variables. Robertson notes that data quality is a big obstacle to analyzing the order-to cash process for decision-making. Poor visibility across the order-to-cash process exacerbates the already sizable impact of late payments, short payments, unauthorized discounts, tax-rate disputes, contract disputes, and unrecoverable debts.

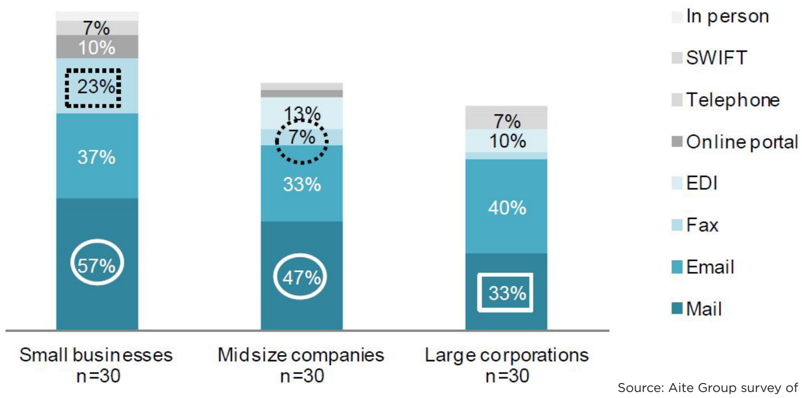
What's more, while Sarbanes-Oxley regulations call for increased accuracy in receivables reporting, paper processes provide an insufficient level of information for the various payment channels. Strong visibility into order-to-cash and payments processes also is critical for complying with regulations for Know Your Customer, Anti-Money Laundering (AML), Regulation E, Regulation CC, Check 21, Uniform Commercial Code (UCC), and Office of Foreign Asset Controls (OFAC).

Thirty-nine percent of businesses surveyed by IOFM in 2015 said consolidated receivables reporting are driving their payments and receivables automation. In fact, centralized visibility into receivables information is the top strategic priority of 23.2 percent of the businesses surveyed by the firm.

4. CUSTOMER IMPACT CONCERNS

Billers are hesitant to force their buyers to change how they do business, even if those changes will make the ordering, billing and collection processes easier for them, Robertson notes.

But this is problematic when it comes to receiving remittance data from buyers.



Source: Aite Group survey of 90 payables managers or experts at U.S.-based companies, January to March 2012

less than 50 percent of the businesses surveyed by IOFM in 2015 said they can post the majority of their receivables straight-through

The three most common ways that buyers send remittance information is via mail, e-mail and fax, according to Aite Group. The plurality of large businesses (40 percent) identified e-mail as their company's preferred method of sending remittance information, while the plurality of mid-sized companies (47 percent) and the majority of small businesses (57 percent) identified mail as their preferred method of sending remittance information. Without automation, all of these remittance-delivery methods require labor-intensive, error-prone and time-consuming manual data entry. Complicating matters, 40 percent of all remittance information received by mid-market companies is not automatically captured by scanning equipment.

As a result, **88 percent of businesses receive remittance data in a format that requires re-keying,** according to a survey conducted by the Federal Reserve Bank of Minneapolis and the Remittance Coalition. What's more, only 32 percent of businesses surveyed by the Remittance Coalition receive electronic files in a format they can automatically reconcile and post without operator intervention.

What's worse is that 30 percent of the businesses surveyed by IOFM cannot post any of their receivables straight-through.

OVERCOMING ORDER-TO-CASH CHALLENGES

Integrated receivables solutions provide organizations with the means to overcome today's order-to-cash challenges.

- **Solve the Challenges of Electronic Payments:** Integrated receivables solutions aggregate all payments and remittance information, images and data. The solutions support payments of any type, from any paper-based or electronic channel, and captured at any centralized, remote or mobile location. An integrated architecture insures that lockbox, ACH, credit card, cashiering systems, remote deposit, web, mobile, electronic invoice presentment and payment, electronic bill presentment and payment, or satellite location payments are all seamlessly integrated. Users can view all of the information, images and data across payment channels in a single location, and search and extract information, images and data. Built-in tools enable assist with resolving exceptions, regardless of the format or delivery channel. Integrated receivables platforms also generate outputs for extracts, posting and clearing.
- **Empower Executives with Better Visibility**: Integrated receivables solutions provide businesses with intelligence for making better and timelier business and financial decisions. Businesses can improve liquidity management through actionable insights such as receivables analytics, buyer payment performance, and receivables forecasts. Customizable, role-based graphical dashboards allow users to review and extract rich data such as key metrics. Users also can search for and export any payment and its associated receivables data stored on the platform. And notifications are automatically sent to designated recipients based on trigger events or data. Parameter-driven reporting and automated exceptions alerts also are available.
- **Enhance Customer Service:** By bringing all receivables, from any payments system, together in one central information repository, integrated receivables solutions eliminate the need to force buyers to send payments and/or remittance data in a particular format to ensure efficient and cost-effective handling. The technology provides optimal processing, notification, exceptions handling, storage, and archive functionality, as well as consolidated outputs for extracts and posting, regardless of the payment or remittance type or delivery channel.

THE BOTTOM LINE

By aggregating, automating and outputting payments and remittance data in any format and from any channel or system, integrated receivables solutions uniquely address the four challenges that businesses face: high costs, ever-increasing demands for greater business intelligence, the migration to electronic payments and remittances, and concerns about customer impact. Most importantly, integrated receivables solutions enable corporate treasurers to focus on strategic initiatives.

ARRANGE FOR A PRIVATE CONSULTATION WITH DELUXE

Deluxe's industry-leading expertise and best-in-class receivables automation solutions can help your organization speed funds availability, reduce costs and empower your executives to make more informed decisions. To arrange for a consultation, call (800) 937-0017 or contact your Deluxe account representative.

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Industry-leading companies rely on Deluxe Treasury Management Solutions to accelerate working capital, improve straight through processing, better serve their customers, control costs and drive profitable growth with in-house or outsourced offerings for receivables management, remote capture, treasury management onboarding and payment processing services.