Smart practices to help you optimise your credit control and strengthen cash flow

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When you're running a large operation with hundreds of invoices processed each month, the resources required to manage your payments grow quickly, especially when ageing receivables become a problem. While customers may not pay their invoices for various reasons, it happens too often, causing a range of challenges and increased risk. Over the last two years, 60 per cent of businesses experienced increased debt management costs, and 54 per cent of companies say that B2B credit sales result in late payments.

Not only is debtor management time-consuming and burdensome for accounts receivable teams, but late payments also restrict cash flow and increase non-payment risk. Fintech solutions provide companies with the infrastructure to manage this risk by optimising and strengthening each financial touchpoint from credit assessment and customer onboarding to issuing invoices and collecting payment.

Automate your accounts receivable and implement e-invoicing

For finance teams addressing debtor and cash flow issues, automating your accounts receivable systems and processes is an excellent place to start. According to the Australian Taxation Office (ATO), it costs a business over $30 to process a paper invoice, $28 for a PDF invoice shared via email, and just under $10 to process an e-invoice. By switching to e-invoicing, businesses can save an average of $20 per invoice processed. For companies processing 500 invoices per month, this equates to an annual saving of roughly $120,000.

The time and cost efficiencies

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realised through e-invoicing are among the many benefits businesses and their customers will enjoy. When these innovative invoicing processes are implemented using a connected solution that manages the end-to-end payment process, it becomes easier for customers to pay on time. This is mainly due to an improved payment experience, primarily delivered through the availability of more, and flexible, payment options. Further, an improved payment experience can be the difference between closing a transaction in days instead of months, proving invaluable to companies, especially after the last two years of uncertainty.

In a survey of businesses across Australia and New Zealand, 85 per cent of respondents said accepting and making card payments for B2B transactions improved spend control and visibility, reduced payment processing times, and delivered cost savings compared to traditional payment and purchase order processes, such as manual electronic funds transfers. For customers who haven't been invoiced yet or who consistently pay on time, implementing smart technology is about making the payment process smoother. And for problem debtors, it's about providing accounts receivable teams with the tools they need to efficiently collect late payments and address the broader problems that late payments create.

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E-invoicing and digital payments solutions simplify the collections process and reduce the invoice-to-pay lifecycle, which improves cash flow, strengthens data integrity, and improves systems and processes across organisations. According to Deloitte, it takes businesses around 30 days to complete a payment, and 47 per cent of suppliers are paid late. By realising efficiencies and improving cash flow with these solutions, businesses enjoy better collaboration with their trading partners along with having the tools and data to strengthen credit risk management frameworks and processes.

Reduce bad debt and tighten credit risk management with automation

Automated payment solutions are bringing the convenience and technological advances seen ➤

in B2C payments in recent years to the B2B space. These advances have seen consumers access credit for goods and services through credit card payments or buy now, pay later (BNPL) services. It's been helpful for consumers to have this option available. However, the scale at which these advances can help companies demonstrates the seismic impact this technology will have on cash flow across the supply chain while equipping decision-makers with the data they need for stronger credit management.

Drilling down into each element of a business's finances, such as your credit risk management processes, plays an important role in proactive and effective financial management. A recent survey by McKinsey & Company found that 43 per cent of CFOs identified streamlining their budgeting processes to react faster and more efficiently as a top priority. With an integrated receivables platform, credit managers can automate their credit risk management to achieve lower instances of bad debt, decrease blocked orders with AI-based predictions, and reduce customer onboarding times.

By automating accounts receivable processes, businesses can set rules to automatically notify their credit managers and accounts receivable team when an account needs attention. This can include notifications when an account is late or their credit risk is too high. Credit managers can also feed this data into their assessment systems allowing for faster, automated rejections and approvals while efficiently managing credit risk.

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The reduction in manual processes and efficiency realised through automation can transform a business's credit management function providing it with the systems, processes and tools to manage risk proactively. For instance, automated credit management systems can thoroughly analyse a business's financial data to provide an accurate credit limit upon onboarding and proactive updates based on real-time risk alerts. And with 53 per cent of companies still intending to offer trade credit for B2B transactions as a short-term financing tool for customers, having tight credit management processes is critical. Further, by integrating these automation features with a business's existing ERP and CRM software, the customer onboarding process reduces from days to hours in some instances.

Streamline and improve data reliability with ledger-to-ledger integration

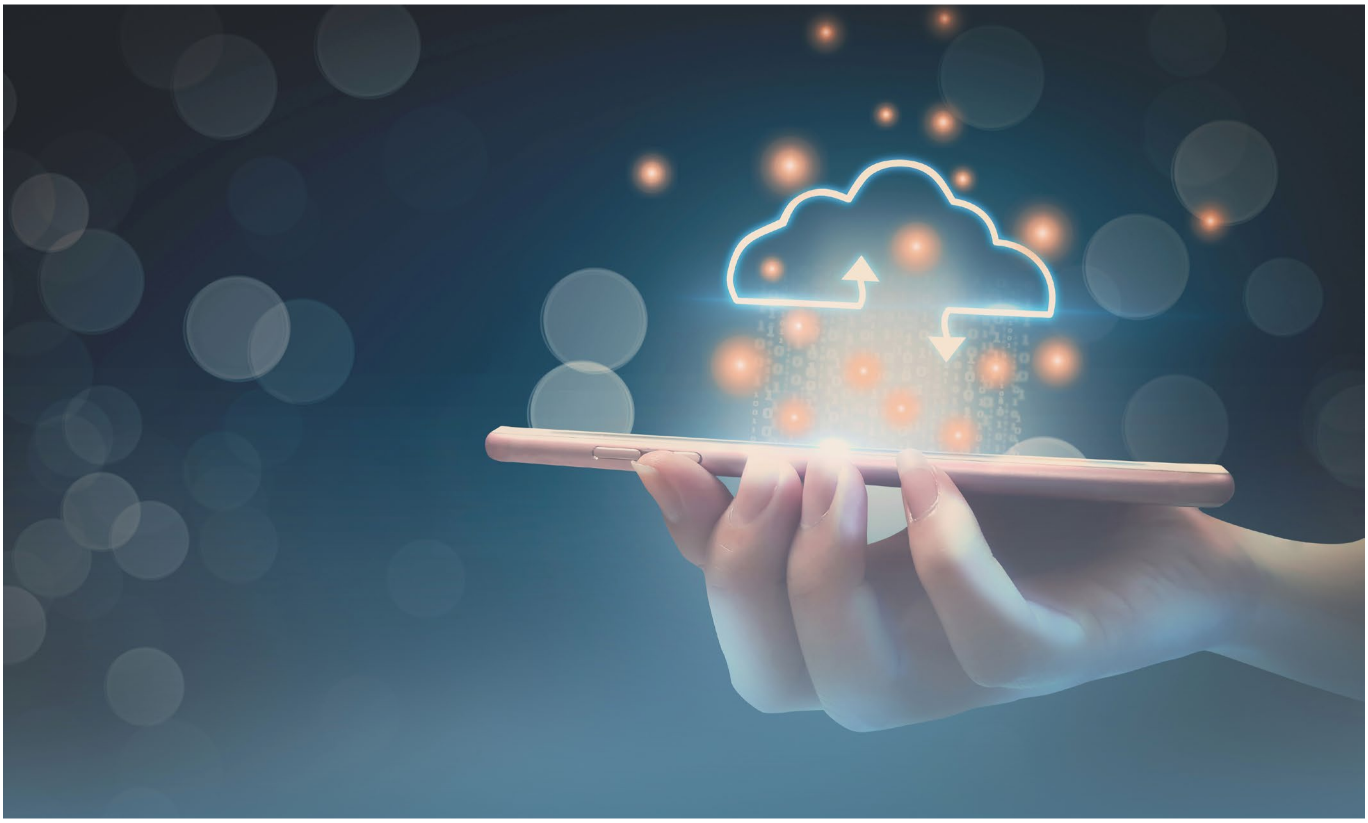
In the inevitable event of chasing up late payments, data integrity and ledger-to-ledger integration provide businesses with a head start by giving both parties a single source of truth from one integrated system. Ledger-to-ledger integration connects the ledgers of each company, allowing for automatic real-time account reporting and reconciliation. For example, when a customer pays their invoice, the payment is automatically recorded in their accounting systems, the supplier's accounting system, and other systems integrated with the payment platform. Both parties in the transaction benefit from a reduction in manual data entry while streamlining other tasks such as account reconciliation and reporting.

For those problem debtors with a large balance owing, an integrated accounts receivable management system means businesses and their customers can collaborate on a repayment plan in real-time. The customer simply logs into the pay-by-instalment interface, and they can choose how and when they pay. For example, both parties may agree on fortnightly payments until the invoice is paid in full. The customer can schedule payments to be automatically debited from a bank account or credit card. These automated repayments eliminate the need for further manual follow-up.

Strengthen your financial management with one intuitive AI cloud-based solution

When hundreds of payments are moving through your business each month, the resources required to ensure accounts receivable processes are efficiently managed and can grow substantially. Therefore, it's critical that organisations have the systems, processes and tools they need to manage cash flow and risk proactively.

With smart solutions in place, you can take the guesswork and inefficiency out of manual accounts receivable management. Whether your business is new to automating its systems or is well on the path of its digital transformation journey, implementing intuitive AI cloud-based solutions that deliver benefits across the business breaks down the silos that restrict cash flow and slow productivity. It's a streamlined solution to complex problems that will help your business maintain a competitive advantage throughout all stages of the business lifecycle. ◇



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