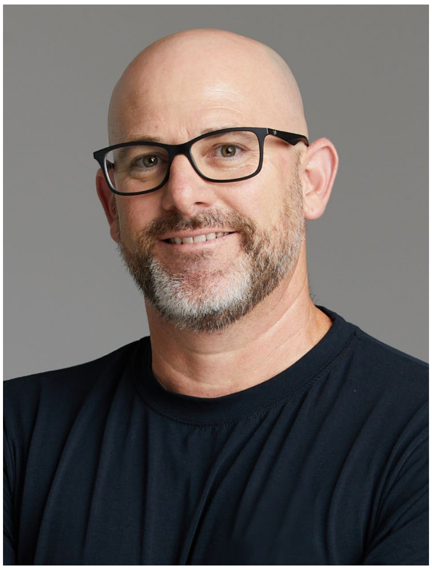
The ROI of speed: *How integrated digital solutions can expedite the payment cycle*

By Adrian Floate MICM*



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Bringing in new business, extending credit to new customers, and delivering exceptional products and services all contribute to driving revenue growth. However, one often overlooked element to a business's longevity is the payment cycle itself. Without visibility over how and when you'll get paid, it's difficult to meet a company's ongoing financial obligations and plan for investments in growth.

Despite rising interest rates and input costs, trade credit applications have remained steady in Australia, only falling marginally by 0.4 per cent in the quarter ending 31 December 2023. This fall may have been driven in part by the rise of payment options available and the ability for companies to make payments with credit cards which extend payment terms, especially with bonus of interest-free periods offered by the card provider.

Another contributing factor to the plateau in trade credit applications could be the trend that began to emerge in 2022. As inflation and interest rates began to rise, over half (65 per cent) of credit managers said they would tighten collections. This trend

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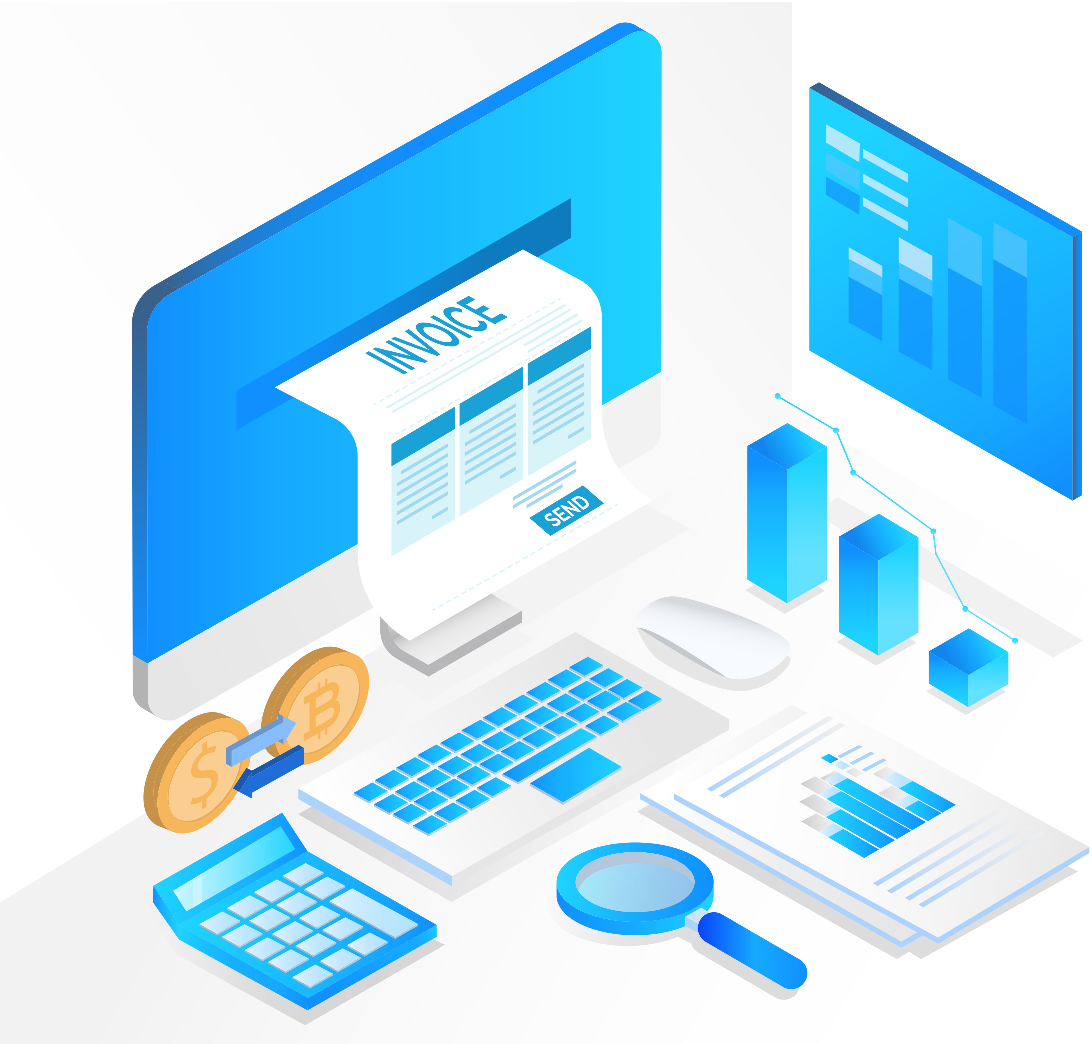

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was driven by an expected increase in insolvencies, continued interest rate increases, supply chain delays, rising input costs, and ongoing geopolitical and macroeconomic uncertainty.

As credit managers continue looking for ways to proactively manage risk in an increasingly complex and uncertain economic environment, expediting the payment cycle by digitising payment systems and processes has become critical. This transformation drives operational efficiencies and has wide-reaching strategic and financial benefits for companies across all industries.

Streamlined invoicing processes transform payments

The right digital solution should make trading with customers easier, and it should also drive cross-functional transformation. Invoicing is a prime example. Tech-driven solutions that integrate across a business, based on a single source of data truth, can drive efficiencies throughout the finance journey, from requisition requests and raising purchase orders to sending invoices and getting paid. By automating the invoicing process, invoices are generated and sent promptly. This can be done through integration with a company's ERP or accounting systems where, once an order or job has been marked as completed, an invoice is automatically generated and sent.

On top of invoice automation, when invoices are sent using ledger-to-ledger integration, it provides an added layer of efficiency that can minimise delays, reduce errors, and expedite the payment cycle. Over 1.2 billion invoices are generated in Australia each year, with 20 per cent sent to the wrong person and 30 per cent having incorrect information. Further, it costs $30 to process a paper invoice verses less than $10 to process an eInvoice. Using digital solutions that streamline and automate invoicing processes and subsequent tasks, such as accounts receivable reconciliation and reporting, can help credit managers more closely monitor their credit and reduce their days sales outstanding (DSO).

Expedited payment processing boosts cash flow

Compared to traditional payment methods like cheque and EFT, electronic payment platforms facilitate faster payment processing. According to a recent McKinsey report, payments processed via eCommerce gateways result in a 20 per cent reduction in cash conversion cycles. Similarly, an integrated payment solution can have the same impact by making it easier for suppliers to send invoices and for customers to pay. Notably, invoices can often remain unpaid due to errors or omissions of the information required to make payment. Implementing an integrated payment solution addresses these issues so credit managers can receive payments faster, improving cash flow and reducing the risk of late payments.

For those customers who need access to trade credit but don't fit your company's risk profile, or if your company is aiming to reduce its reliance on trade credit, some digital payment platforms can provide customers with access to third-party finance. This allows a customer to effectively extend their payment terms to those that better align with their inflows and outflows. In this win-win scenario the supplier receives payment in full, while the customer gets more time to pay, and the financial risk shifts to the finance provider – a key benefit to credit managers whose key focus is proactively managing the risk of outstanding payments.

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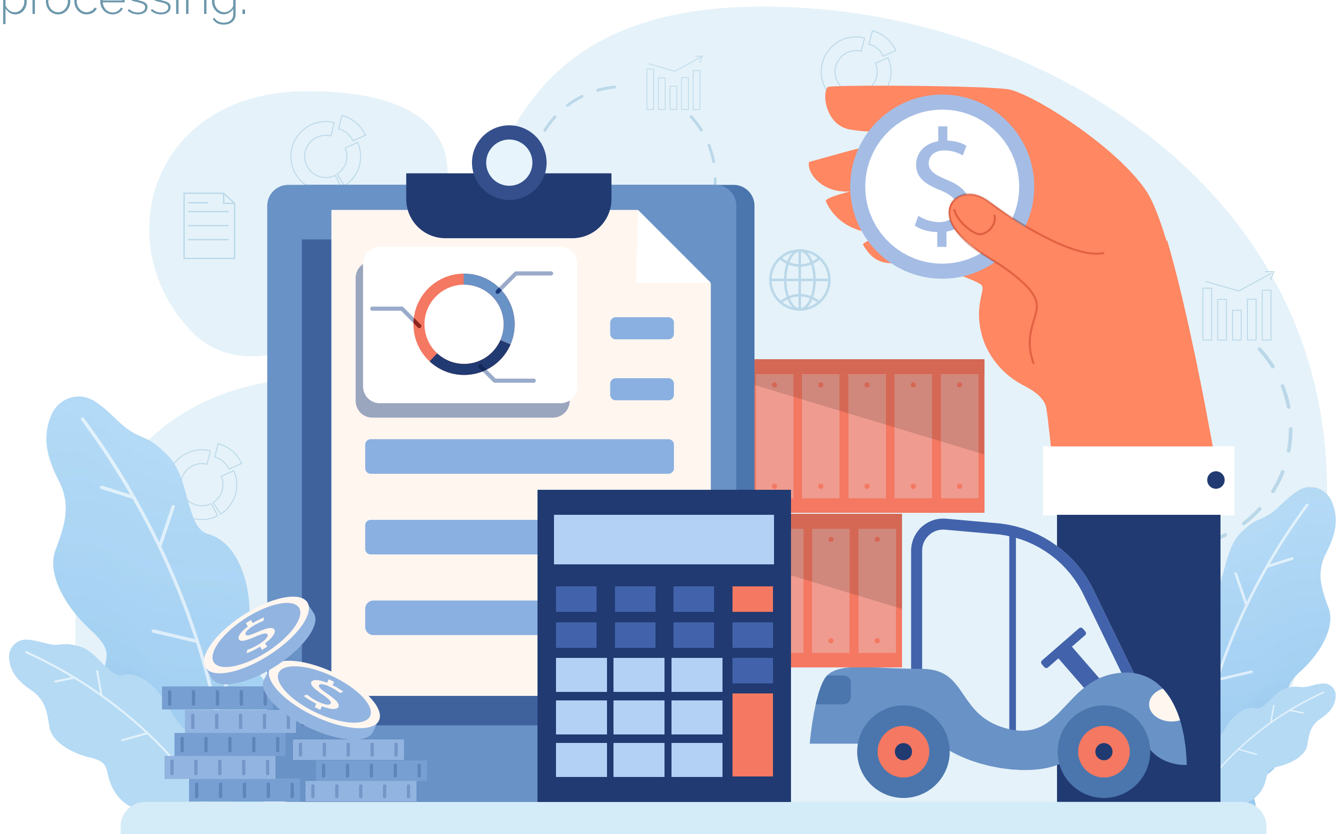

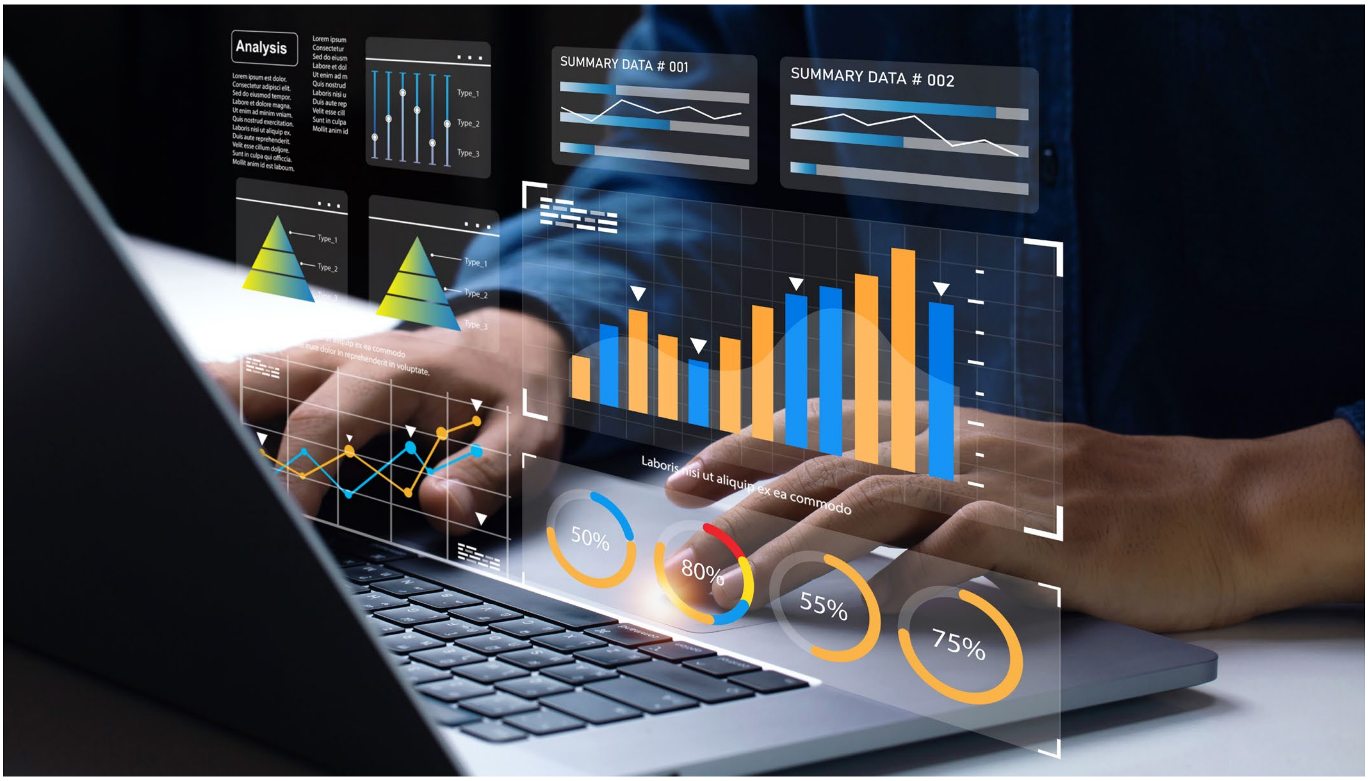

Real-time payment monitoring drives proactive credit management and better cross-functional collaboration

An effective integrated payment solution should drive productivity and deliver benefits across an organisation. A key part of implementing and deriving the most value from these solutions is using business intelligence dashboards to get real-time updates on payment statuses and cash flow. This enables credit managers to track payments and address any delays promptly. For businesses that proactively monitor 90 per cent or more of their invoices, they are more likely to get paid within a week of the invoice date. This is because the analytics dashboard within an integrated payment system can prompt follow-up through integration with your accounting and ERP software to determine which invoices are unpaid. Reminders can start with a prompt in the lead-up to the invoice's due date, progressing to a follow-up on or soon after the due date checking when payment will be received.

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By continually monitoring financial dashboards, credit management teams can collaborate more effectively across the business. This collaboration involves proactive monitoring and reporting for accounts receivable professionals and financial leaders. It also includes liaising with supply chain management and sales staff to manage the sales pipeline effectively, achieving revenue-growth targets without compromising the company's credit risk.

In cases where a problem account is not paying, real-time monitoring allows credit managers and supply chain management teams to collaborate on how the delivery of products and services will be managed. Solutions could include delaying delivery until payment is made, revising the customer's order frequency so that transactions best align with all parties' cash inflows and outflows, or reducing the amount of trade credit available on future orders. This ability to collaborate, while helping professionals across a business deliver on their responsibilities provides strategic, operational, and commercial value all through the data derived from one connected payments platform.

Integration with accounting systems improves productivity and reduces errors

It's estimated that accounts teams spend 520 hours per year on manual tasks, such as data entry, manual reconciliation, and reporting. Further, businesses spend an average of 12 days per year following up overdue invoices. Digital solutions that seamlessly integrate with accounting and ERP systems streamline reconciliation and reporting processes while reducing errors due to manual data entry.

Seamless integration drives data from a single point within the business – the point of payment. This data is pushed to the company's existing systems, saving time and reducing errors. As more time is saved, more time is made available for strategic tasks, producing a *flywheel effect*, where the longer the solution is in place, the more the benefits compound.

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Enhanced customer relations strengthen retention and loyalty

Digital payment solutions offer customers convenience and flexibility by improving their payment experience. Not only do features such as access to a range of payment options, ledger-to-ledger integration, and the ability to access third-party finance provide an unrivalled payment experience, but it also demonstrates how the right solution will benefit your business, and all the other stakeholders in your supply chain. Further, providing multiple payment options and a user-friendly payment process can encourage prompt customer payments. When you can offer this seamless payment experience, customers will return, resulting in lower churn and the benefits of loyalty – consistent cash flow, quality customers, and the ability to plan for investments in growth.

Strengthened security measures reduce fraud risk

Apart from more proactive credit management and improved cash flow management, digital payment solutions provide advanced security features. These features safeguard sensitive payment information and reduce the risk of fraud through functionality such as tokenisation, which ensures a customer's sensitive information is never stored or shared. For businesses that implement options such as ledger-to-ledger integration, it reduces the risk of common types of fraud, including business email compromise. In the 2020-21 financial year, business email compromise cost Australian companies over $81 million, with three-quarters of ASX-200 companies failing to implement basic email protection.

By implementing solutions that provide more secure payment options and gateways, trust with your customers and suppliers is strengthened. Payment disputes are also minimised, as your business will have implemented the appropriate measures to mitigate the risk of fraud originating from your systems and processes.

Expedite your payment cycle and transform your systems and processes with integrated payments

Accelerating payments benefits credit managers by improving cash flow, reducing credit risk, enhancing operational efficiency, and fostering stronger customer relationships. Further, investing in integrated payment solutions and eInvoicing yields a high return on investment by ensuring financial stability, stronger cross-functional collaboration, and long-term success.

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Spenda is an integrated business platform that enables businesses across the supply chain to sell better and get paid faster. The Company serves as both a software solutions provider and a payment processor and delivers the essential infrastructure to streamline business processes before, during and after the payment event. They deliver one connected platform that displaces multiple disparate systems in favour of one collaborative solution that improves transactional efficiency between businesses.

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