

Digital A/R solutions increase efficiency, promote business continuity

Electronic payment processes streamline operations and keep cash flowing in a crisis

It's taken a little longer for accounts receivable (A/R) processes to go electronic — compared to trends in corporate accounts payable — but digital A/R solutions have emerged to ease the burden of manual payment processing and speed incoming cash flow.

By helping to squeeze paper out of A/R processes, a number of bank solutions are minimizing the hours companies must devote to processing incoming payments — often allowing businesses to reallocate staff to more productive work. At the same time, these services are turning accounts receivable into good funds faster by eliminating traditional bottlenecks associated with processing paper payments, starting with mail float.

In addition, the COVID-19 pandemic has highlighted the value of digital A/R solutions in keeping cash flowing in times of disaster. Many electronic solutions promote business continuity, enabling efficient collection and posting of payments even at times when:

- Your company's A/R staff is unable to work from the usual company location.
- Postal operations that deliver paper checks are slowed.
- Your local bank branch is temporarily closed.
- Your customers' accounts payable staffs are unable to work from their company locations to issue check payments.

Digital solutions strengthen A/R continuity by reducing or eliminating the need for staff to be physically in the office to process paper payments, and instead enabling them to collect and shepherd payments while working from remote locations.

Below are some solutions you may want to consider to increase your A/R department's everyday operational efficiency and shore up your business continuity plan.

ELECTRONIFYING PAYMENTS AT THE POINT OF ORIGIN

For the sake of both efficiency and business continuity, the ideal strategy is to stop your customers from ever issuing checks. One solution that does that is **electronic invoice (or bill) presentment and payment**. EIPP (for business customers) and EBPP (for consumers) eliminate paper on both ends of the transaction. The invoices and bills you send and the payments you receive start out and remain electronic throughout the payment cycle.

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A typical EIPP or EBPP solution allows your customers to receive bills and notifications online or through a mobile device. Customers can then initiate payment to you on a mobile device or computer, or over the phone, by providing checking account, credit card or debit card information.

EIPP and EBPP streamline collections by integrating payment information easily with your A/R system. They also satisfy customer demand for convenient billing and payment options. What's more, because EIPP and EBPP are end-to-end digital solutions, customers can receive bills and make payments regardless of their location — and you can receive and post those payments even if you and your staff are working remotely.

CONVERTING PAPER PAYMENTS IN MID-STREAM

In contrast, many of today's digital A/R solutions were conceived to convert checks and related paper documents into electronic form for faster, easier processing. There are several digital solutions you should consider to execute that conversion.

A decades-old cash management service, **lockbox** transfers the manual processing of check payments from your A/R staff to your bank service provider. Your customers mail checks to a bank post office box, and the bank picks them up, deposits them and sends you ready-to-post electronic files with the payment information. Today's enhanced services offer access to digital images of checks and correspondence so you can research exceptions, eliminate in-house processing and quickly update receivables.

Lockbox services eliminate the need for employees to process checks in the office. These services can be geared toward business or retail payments or a mixture of the two (the latter is known as "wholesale" lockbox). Some banks are developing reasonably priced lockbox services that can accommodate smaller-than-traditional check volumes.

Large check depositors can also gain efficiency and reduce processing costs by using bank **image cash letter** services. A company can use its existing image infrastructure to easily scan and transmit check images to its bank for electronic clearing.

Banks also offer **eLockbox** services to collect and record online banking bill payments from your consumer customers

in a more automated fashion, reducing the need for staff to manually process these payments. With an eLockbox service, the bank receives your customers' online bill payments and remittance details from bill pay service providers and credits your account electronically on the same day. You can upload remittance data directly to your A/R system.

Typically, bill pay service providers consolidate some of your customers' online bill payments into a single check that they deliver to you accompanied by a paper list of associated customer names, accounts and dollar amounts. Using tools available through eLockbox services, you can reduce the number of these "check-and-list" paper payments that your organization must manually reconcile.

Another digital service that can eliminate trips to bank branches to make check deposits is **remote deposit**.

Companies can use an office scanner to capture the images of the fronts and backs of checks and remotely deposit those items by transmitting the images and related information to their bank. Some banks offer mobile remote deposit to allow salespeople to use a smartphone to scan and deposit checks they collect out in the field — eliminating the need to make check photocopies or transport checks to the bank.

RESPONDING TO PAYMENT TRENDS

The most recent Federal Reserve statistics* indicate the volume of U.S. check payments has been declining by about 7% a year. This suggests a growing number of payers want to pay electronically. To take advantage of this, A/R managers can consider adopting services like EIPP and EBPP that offer end-to-end electronic payment processing efficiency.

At the same time, the Fed says at last count there were still more than 14 billion checks being issued annually. As a result, A/R managers are wise to seek tools that will help them efficiently convert checks into electronic payments so their companies receive good funds faster — and ensure continuous cash flow even at times when their staff is forced to work from home.

Digital tools like those noted above can ease the workload of A/R departments, speed payments to reduce days sales outstanding (DSO), improve the customer payment experience and bolster business continuity plans.

*2019 Federal Reserve Payments Study results. Available at: <https://www.federalreserve.gov/paymentsystems/fr-payments-study.htm>