HOW TO EASE A CASH CRUNCH WITH E-INVOICING

IOFM Institute of Finance & Management

Sponsored by corcentric™

How would your organization respond if its cash flow is disrupted?

A cash crunch – the combination of a slowdown in payments from customers and a significant decline in sales – would threaten the survival of many businesses, regardless of their size or industry.

Businesses with low cash reserves or unstable revenues are particularly vulnerable to a cash flow disruption. But even businesses that appear to be on a solid financial footing are not immune to cash flow issues, depending on how long it takes for customer demand and supply chains to rebound.

The problem is that slow payments and declining sales cut off the cash that organizations need. If enough customers do not pay, and if sales decline far enough, the organization grinds to a halt.

While economic downturns are inevitable, one way for organizations to manage a cash crunch is to rethink the way that they invoice their customers. Traditional paper-based approaches to invoicing customers create lots of friction that can delay payments and negatively impact cash flow.

This white paper details the importance of invoicing, the problems with paper invoices, how e-invoicing accelerates cash flow, and strategies for achieving optimum cash flow.

Revenue is vanity. Profit is sanity.
Cash flow is reality.

Why invoicing matters more

A healthy business depends on free cash flow. This is especially true for businesses that self-fund. Businesses need cash to purchase raw materials, invest in facilities and research and development, market, manufacture and distribute goods, pay administrative costs and other overhead, and more.

Unfortunately, the cash flow at most businesses remains trapped in inefficient and ineffective paper-based invoicing processes. Despite years of effort to digitize back-office processes across the enterprise, many businesses still bill their customers using paper invoices sent through the mail.

Businesses cite a lot of reasons for dragging their feet on migrating to an e-billing or e-invoicing solution such as:

- Lack of IT resources
- Insufficient capital budget
- Concerns that customers will not accept them
- Legacy system integration issues

But COVID-19 changes the equation for how businesses invoice their customers. The extreme cash flow disruptions caused by the pandemic are a bigger threat to businesses than the perceived challenges of deploying e-invoicing. Cash insolvency is a growing danger for many organizations.

The problems with paper invoicing

Before COVID-19, more organizations were embracing e-invoicing for its ability to reduce costs and save time. Invoicing customers electronically eliminates the need for envelope-stuffers, franking machines, and printers. This equipment is expensive to buy and maintain and is susceptible to break-downs that can indefinitely delay invoice delivery. Generating invoices electronically also frees accounts receivable staff from having to gather invoice details, print, stuff and mail invoices, and deal with lost or erroneous invoices. That is why migrating to electronic invoices has saved some organizations 59 percent of the hard costs of preparing and delivering paper invoices.

The scalability of e-invoicing solutions also eliminates the need for suppliers to pay staff overtime or bring in temporary workers to help manage seasonal spikes in invoice volumes and aid in wider digital transformation efforts.

But it is the impact the technology has on cash flow that should really excite organizations.

Paper invoices negatively impact a supplier's cash flow in several ways:

- **Invoicing float.** Paper invoices typically are created in batches once or twice a week. When combined with the time that it takes for the U.S. postal service to deliver an invoice (which has gotten longer in recent years), this means that there will be a considerable delay between the time that a supplier delivers its goods or services and the customer receives the bill.
- **Wasted employee time.** Manually printing, stuffing, and mailing invoices can consume several days of an accounts receivable department's time each month. Time spent on manual invoice preparation is time that staff cannot spend chasing late payments from customers.
- **Friction in the invoice approval process.** Poorly designed paper invoices make it hard for customers to determine what or when to pay a supplier, or whether they should pay the invoice at all. Moreover, rekeying data from paper invoices and physically routing paper invoices for approval can significantly slow things down on the customer's side.
- **Lots of errors.** It is easy to mis-key invoice data, overlook promotions or calculate sales tax incorrectly when an accounts receivable department manually prepares customer invoices. Incorrect customer information frequently goes undetected in a paper invoicing environment. Complicating matters, the data required for customer invoices may vary from country to country. As a result, many invoices are delayed or rejected because they are missing a specific control field, serialized invoice number, or other non-transactional data point. It also is not uncommon for paper invoices to be sent to the wrong person. The time is takes to investigate and correct billing errors or resend invoices can delay payments considerably.
- **No transparency.** With paper invoices, a supplier can never be sure whether a customer received or opened an invoice. The lack of visibility into the status of invoices prevents accounts receivable from taking proactive action to reduce the possibility of late payments. Poor invoice visibility also makes it hard for senior management to accurately forecast cash.

Few businesses can afford the cash flow issues caused by paper invoices, no matter the economy.

How e-invoicing frees up cash flow

E-invoicing frees up cash flow by speeding customer payment and reducing delinquencies.

Here is how e-invoicing accomplishes that:

- **Creation.** E-invoicing solutions combine data parsed from a supplier's billing system with previously built templates. Some e-invoicing solutions can use the existing native data produced by the supplier's billing system, eliminating the need for configuration or system changes. The templates created for an e-invoicing solution as part of the initial system setup can match a supplier's existing documents, down to the branding and layout.

Electronically creating invoices eliminated the considerable amount of time that a U.S. cable and satellite television channel spent printing documents when it was time to bill its clients.

- **Distribution.** E-invoicing solutions distribute invoices, statements, and other documents via e-mail, fax, or file transfer protocol (FTP). E-mailed invoices and other documents can be sent as an attachment or made available through a secure online portal. Invoices and other documents also can be sent via the mail. E-mailed invoices are sent in HTML format, which allows for a more professional appearance. The subject line and file size of e-mailed invoices can be configured to customer requirements. Invoices also can be formatted for ingestion by a customer's EDI or e-Invoicing platform.

E-mails made available through a portal are protected with a username and password or embedded links.

- **Availability.** Leading e-invoicing solutions include an online portal that facilitates the delivery, management, and archival of invoices and other documents, as well as account management. Invoices and other documents sent through a portal are digitally stored for at least 12 months. Customers can use a portal to search invoices and other document, instantly retrieve archived documents, or have invoices electronically re-sent. Digitally storing invoices for 12 months makes it easier for customers to audit their transactions and to meet government regulations for storing invoices in accordance with EU mandated value-added tax (VAT) laws.

The real-time visibility provided by e-invoicing enabled a UK global leader in the design, manufacture, marketing and distribution of branded lifestyle apparel, footwear, and accessories to transition over 35 percent of their document distribution to an electronic format.

Digitizing the creation, distribution, and availability of customer invoices removes friction in the invoice lifecycle that can delay payments and negatively impact an organization's cash flow.

The digitally transformative powers of e-invoicing

Delivering invoices electronically has big implications for an organization's cash flow:

- **Fast delivery.** E-invoicing ensures fast and predictable delivery of invoices. With an e-invoicing solution, information can be uploaded from the supplier's billing system in real-time. A supplier then can instantly send electronic invoices to all its customers through a single solution, regardless of the invoice format. And invoices are immediately delivered to customers, compared to a delay of several days in a paper environment.
- **Makes you easy to do business with.** Invoices are a key customer touchpoint. Delivering a well-designed, accurate and easy-to-understand invoice makes it easier for customers to pay in a timely fashion. This is especially true when modern invoices are combined with early payment discount offers. Similarly, delivering electronic invoices that are formatted to be easily ingested by a customer's automated accounts payable solution eliminates friction in the invoice approval and payment process. For instance, there is no need for re-keying of data.
- **More time for proactive collections.** Eliminating the drudgery of preparing customer invoices frees up staff to chase down late payments and proactively resolve issues.

Freeing staff to focus on collections, rather than creating invoices, improves cash flow.

- **Fewer errors.** Uploading invoice information directly from a supplier's billing system greatly reduces the possibility of incorrect or missing data elements and eliminates the need to route invoices as they are being prepared between stakeholders for review. All the invoice data is checked in real-time, as it is uploaded. And the direct electronic connection between the supplier and its customers eliminates the chance of misrouted or lost invoices.
- **Transparency.** E-invoicing solutions provide suppliers with unprecedented visibility into the status of their invoices. Delivering invoices electronically enables suppliers to know when an invoice was received and opened, quickly identify bottlenecks, resolve delivery issues with the touch of a button, and instantly review historical invoice information.

Users can instantly access invoicing information and analytics via a portal. Administrators can configure access based on the user's role. For instance, credit controllers and senior management can instantly access invoice status reports. Other users may have the ability to re-send invoices or update customer information. Invoice information for multiple business units, offices or brands can be accessed and managed from a single portal. All this greatly reduces the possibility of payment delays and facilitates better cash flow management.

From making your invoices easier to understand to improving visibility across the invoice lifecycle, e-invoicing uniquely addresses the invoicing challenges that negatively impact cash flow.

Strategies for achieving optimum cash flow

None of this is to suggest that accelerating your cash flow is a slam dunk with e-invoicing. Here are seven strategies for ensuring your business achieves the optimum cash flow improvements:

1. **Optimize your invoices.** The creation of e-invoicing templates is an opportunity for suppliers to redesign or tweak the design of their invoices. Customers will be more likely to pay on time when key invoice information is easy to find. Consider rationalizing multiple variants into a universal format, adding localization to generic invoices, changing the color or layout of an invoice, or adding data fields such as contact numbers of remittance details.
2. **Do not cut corners on customer adoption.** Customer adoption is a linchpin of a successful electronic invoicing initiative. That is why it is critical that suppliers look for a technology provider that includes migration services as part of its solution. Find a partner with a proven track record for achieving optimum customer adoption of electronic invoices, a range of e-invoicing delivery options to meet the needs of your diverse customers, and a systematic approach to migrating customers to electronic on an ongoing basis. It is not uncommon for 80 percent of a billing organization's customers to adopt e-invoices. Getting more customers to accept electronic invoices will eliminate potential payment delays.
3. **Do not try to reinvent the wheel.** Some IT staff may be tempted to try developing an in-house solution for invoicing customers. A better approach is to avoid the time, complexity and risk involved in developing an e-invoicing solution and deploy a commercially available platform that provides the integration and data management tools that IT craves.
4. **Think globally.** In today's increasingly global economy, it is critical that an e-invoicing solution meet the needs of your customers, no matter where they are located. Look an online portal that is available in any language, including those with non-Western character sets, such as Japanese, simplified Chinese or Korean. Ensuring that invoices appear in a customer's language will reduce the possibility of a misunderstanding that can result in a delayed or incorrect payment. Also, look for an e-invoicing solutions provider that has local print and mail services for sending invoices to customers who require printed invoices. Having print and mail services that are close to the destination point minimizes mail float, while reducing postage costs.
5. **Demand configuration flexibility.** Suppliers could watch their anticipated time and cost savings evaporate if they choose an e-invoicing solution that cannot keep up with ever-changing requirements for invoice formats and standards, integration, and security.
6. **Remember that failure is not an option.** Organizations cannot afford disruptions to their customer invoicing. That is why it is critical that you look for an e-invoicing solution with hardened security, formalized back-up processes, resilient disaster recovery, and robust business continuity measures.

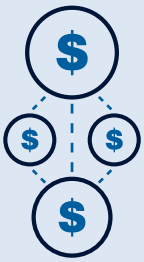
Leading providers of e-invoicing solutions also meet International Standardization Organization (ISO) compliance requirements.

7. **Line up senior management support early.** Change can be hard, particularly when it comes to a hot-button topic such as invoicing customers. Some stakeholders may be tempted to pull the plug on an e-invoicing initiative at the first perceived sign of trouble. Convincing senior management of the cash flow benefits of the need to migrate to e-invoicing early in the process will provide the support you need to see things through.

Each of the strategies above will help ensure the success of your e-invoicing initiative. Together, they position your organization to achieve maximum cash flow improvements.

Escape the cash crunch

Companies tend to get lax about their receivables processes when the economy is booming, interest rates are low, and cash flow is steady. But, as payments slow and sales decline, it is critical to take a hard look at how your receivables are managed. This analysis should start with the way that your organization invoices its customers. Traditional, paper-based approaches to customer invoicing create friction that can delay customer payments and negatively impact your cash flow. E-invoicing solutions uniquely eliminate friction across the invoice lifecycle without impacting a supplier's existing back-office processes or upending customer relationships. That makes e-invoicing solutions an effective way to improve cash flow, regardless of the economic conditions.



Given the importance of cash flow during a crisis, accounts receivable departments should develop a plan for migrating to e-invoicing as part of their go-forward digital transformation efforts.

ABOUT CORCENTRIC

Corcentric is a leading provider of procurement and finance solutions that transform how companies purchase, pay, and get paid. Corcentric's procurement, accounts payable, and accounts receivable solutions empower companies to spend smarter, optimize cash flow, and drive profitability. Since 1996, more than 6,000 customers from the middle market to the Fortune 1000 have used Corcentric to unlock new potentional within their enterprise.

Learn more at corcentric.com or follow Corcentric on LinkedIn at **www.linkedin.com/company/corcentric.**

About the Institute of Finance & Management

Accounting and finance professions have each undergone nothing short of a complete transformation since the Institute of Finance and Management (IOFM) was founded in 1982 and since then our mission has been, and continues to be, to align the resources, events, certifications, and networking opportunities we offer with what companies need from the accounting and finance functions to deliver market leadership. IOFM empowers accounting and finance professionals to maximize the strategic value they offer their employers.

Our enduring commitment to serving the accounting and finance professions is unmatched. IOFM has certified over 25,000 accounting and finance professionals and serves several thousand conference and webinar attendees each year.

IOFM is proud to be recognized as the leading organization in providing training, education and certification programs specifically for professionals in accounts payable, procure-to-pay, accounts receivable and order-to-cash, as well as key tax and compliance resources for global and shared services professionals, controllers, and their finance and administration (F&A) teams.

Learn more at IOFM.com

IOFM Institute of Finance & Management