



**corcentric™**

# The Evolution of Accounts Receivable

**Accounts receivable and credit management are adapting to an increasingly digital world. As a product of this world, electronic invoicing offers a competitive advantage for businesses.**

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## Introduction

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Credit Controllers and Accounts Receivable teams operate in an increasingly digital world. Digital transformation of the wider business impacts customer lifestyles and can cause friction when people are faced with processes and communications that do not match their digital expectations.

Traditionally, AR departments have held on to paper-based processes for longer than most parts of the business. This is an understandable result of AR communication, especially invoices, being of very high value to the business. Adopting a new system causes disruption that businesses are reluctant to risk.

Channel shift, the process by which organisations encourage their customers to interact with services outside of their standard process, is one of the most important topics in

business. The time has come for AR departments and credit controllers to embrace digital solutions for credit management and collection processes. The decision goes beyond internal benefits. Buyers increasingly demand digital communications from every aspect of a business and, most especially, when it comes to processing invoices. In B2B, AR teams may be required to manually enter invoices into buyers' portals, if no machine-to-machine connection is made.

This paper evaluates changing customer needs around invoicing and associated AR processes, how solutions have evolved to meet these needs, the optimal way to deploy these solutions, and how to demonstrate success.

## The Silent Heroes of Credit Management

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Cash flow is the lifeblood of any business. It falls to credit controllers and the wider accounts receivable team to ensure and track the continuation of a robust cash flow. Sales teams may receive the lion's share of the praise for the money coming in from each month's sales, but it is the skilful determination of the accounts receivable team that ensures that revenue growth becomes a reality.

Digital communications and reporting have revolutionised the cash collection process. Communication is key to an effective process, and the visibility of payment status provides actionable insight to keep the process on track.

So why do so many AR departments still send paper invoices and letters? The answer lies in the very human resistance to change. Although it may be sales who receive the slaps on the back for a successful month, there is no doubt that businesses are painfully aware of the value

contained within the invoices and statements sent each month. It is this intrinsic value to the process that reduces the willingness to change it. "If it ain't broke..." and all that. As we'll explore in this paper, customer expectations have changed, and extremely robust solutions now exist to move AR processes into the digital age without fear of disruption.

AR teams and credit controllers provide an incredibly valuable service to the business and should be supported to excel at their

work. One way to do this is to automate the repetitive, mundane, tasks they are responsible for. The resulting process visibility can also empower better decision-making. In our ever more cut-throat world of business, innovation is often our only competitive edge. So, it is time to overturn the existing paradigm of credit management and embrace the strategic advantages of the new.

## It's a Digital World

There can be no doubt that the 21st century has seen our experience of the world become increasingly digital in character. We spend more hours attached to screens than ever before – on our phones, monitors, or televisions. As a result, we are, on the whole, more comfortable with communications sent digitally – whether over email or through connection to another messaging platform.

## The Digital Individual

At a personal level, we can be considered digital individuals. In 2019, the value of digital transactions to make payments globally reached US\$4.1 trillion<sup>1</sup> and is expected to grow by a compounded annual growth rate of around 13 percent until 2023. Businesses recognize that they need to take these preferences into account. Email remains a central part of daily digital life<sup>2</sup>. We prefer email communications over paper and we expect these to be easy to read on mobile screens. We have become accustomed to

accessible communication histories and we expect to be able to respond electronically, too. At a corporate level, digitisation means systems are expected to talk directly to other systems. Machine-to-machine communications have reached epic proportions. However, machines run on a variety of operating systems and store equivalent data in a variety of different formats, structured in different ways. Just like the digital individual, businesses have communications preferences, as well as challenges.

## Digital Order-to-Cash

The digitisation of the order-to-cash process is still, in most cases, heavily biased towards the order end of the process. Think about how commonplace it is to progress from an online connection to a brand through to its electronic catalogue and ordering process. In an efficiently functioning digital platform, these aspects work seamlessly to connect the customer experience from interest through to purchase.

However, customer engagement and customer experience do not stop at point of purchase. As every AR team and credit controller knows, the process of bringing the cash into the business is a delicate balance of communications. Effective communication may be direct with the buyer or handled entirely automatically. Regardless, this purchase-to-payment process requires accuracy, speed, and visibility to maintain value for both sides of the purchasing process.

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## Digitising Accounts Receivable

With the advent of e-invoicing, accounts receivable processes have evolved to embrace the benefits of the digital paradigm. Some businesses have been experiencing the benefits for longer, but it wasn't until the last decade that e-invoicing has really started to gain ground.

The e-invoicing market is growing at around 16.2 percent<sup>3</sup> year-on-year as word spreads and the business case becomes more evident. In principle, the digitisation of accounts receivable covers the following elements:

## #1

Electronic invoicing

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## #2

Sending of other communications electronically, e.g. statements

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## #3

Facilitating payments to be made online/digitally.

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## #4

Digital overview and analytics of the process.

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## #5

Automation.

These elements come together to improve the accuracy, speed, security, and quality of communications, whilst providing a managerial overview of the payment status for each individual. These processes also enable faster payment, thus improving cashflow while allowing for direct integration with payment processing systems on the buyer's side.

With the advent of robotic process automation (RPA), many businesses are innovating by automating repetitive tasks, such as invoicing and related processes. This creates a faster, more accurate accounts receivable business function. RPA frees up staff with AR expertise to focus on exceptions to the standard process and bring cash into the business more quickly.

### Putting the Customer First

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Not every customer is going to opt for electronic invoicing and associated communications. There are ways to encourage them to accept digital processes as a positive change. For those who really cannot do without paper, there are solutions that can integrate the automated printing and posting of AR communications with broadly digital processes. As digital processes and electronic communications present savings on overheads and delays, some businesses pass the savings on to their customers – providing a compelling reason to switch to electronic invoicing.

Over time, customers typically favour the slicker and more convenient experience of electronic communications and online access to their billing history. Many businesses are driven to implement e-invoicing primarily due to

customer demand.

Through online access to AR details – such as billing history, reprinting of past invoices, contact detail admin and even bill payment online – user experience is vastly improved for customers. Empowering customers to do more themselves, via an online interface, reduces calls to the support line and presents a more supportive and less obstructive face to the brand. In competitive markets where customer loyalty is a function of brand experience, this type of experience is an important consideration.

Every touchpoint from AR to the customer should be considered from a customer experience perspective. The billing process is the one set of communications that customers cannot ignore and, therefore, offers a superb chance to present a modern and professional brand experience. Putting the customer first, through digitisation of AR processes and communications, is a smart decision for any brand.

### The Shortcut for Those Who Know

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As credit managers grapple with the variety of e-invoicing solutions to modernise AR processes, there is a considerable amount to evaluate in vendors' offerings. One of the most efficient approaches can be working with an expert partner,

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such as Corcentric, to evaluate the business needs and support them through an outsourced model. This way, the costs and concerns of keeping up with the growing number of formats and compatibility requirements are offloaded to an expert partner who can achieve economies of scale, resulting in far broader support than is practical for a business to achieve in-house.

Selecting the right partner requires careful evaluation (see our evaluation tips [here](#)). One of the most pertinent questions to ask is whether the solution limits your ability to do business with existing or future customers. The evolution of AR processes, such as e-invoicing, should be about integration, not isolation.

### Outsourcing for Success

One of the most common roadblocks to selling e-invoicing internally within a business is the involvement of the IT

department. Unless your business has experience in delivering e-invoicing solutions, it will be more cost effective to consider outsourcing the project to an expert partner.

Outsourcing may raise concerns about control and risk, but these are easily answered. The control remains within the business, as you dictate the requirements, and the outsource partner provides assurances by way of contractual obligations and service level agreements.

By delegating the responsibility you're allowing someone else to take care of the details and address any risks. Outsourcing allows you to tap into the knowledge, experience, and capabilities most suited to successfully realise the task.

### CapEx vs. OpEx

When determining viability and negotiating funding to digitise AR processes, consider how licensing an e-invoicing solution can offset capital expenditure as an operational expenditure. This allows the business to experience the benefits sooner and deliver return on investment more rapidly. Migrating customers from expensive paper-based communications to electronic format and the resulting savings can offset the operational expenditure. Billentis<sup>4</sup> suggest that savings in the range of €6.60 per invoice can be achieved through converting to e-invoicing.

## Demonstrating Success

The push for digitisation is typically driven by competitive pressures – such as customer demand for invoices to be delivered electronically or for better insight into payment processes. However, reducing costs and improving efficiency are part of the bigger picture. A successful implementation will be judged by performance against these metrics. In order to demonstrate success, steps need to be taken to measure this improvement in performance.

### Competitive Advantage

The greatest value from digitised AR processes comes from the competitive advantage of being able to connect with customers' payment systems seamlessly. The autonomous production of invoices removes human error and the ability to deliver billing communications to customers in the broadest range of formats and formatting makes you easier to do business with. The demand for that growing number of invoice format requirements, across a range of media, includes a percentage of customers who still want to receive paper, whilst others demand HTML email, PDF, and even EDI format.

Information is power and innovation in credit management can provide levels of insight that enable businesses to grow ahead of their competitors.

Electronic communications provide a mechanism to quickly determine payment status across business units or regions. This provides both management information that can be acted on strategically and operational insight that can enable dedicated resources to focus on anomalies and bring cash into the business more quickly.

## Reducing Cost

Determining what the reduction in cost will be can vary significantly, depending on the business scenario. Following are some areas where those cost savings may be hiding:

- + **Materials** – including paper, toner/ink, staples and binders
- + **Overheads** – including electricity, postage costs, storage costs, hardware, and insurance
- + **Human costs** – time spent manually creating and delivering invoices, as well as filing, searching, copying, recreating, updating, and sending documents. Add in time spent handling queries and complaints due to gaps in paper-based delivery.
- + **Business costs** – reduction in lost business and fines for late delivery or payment

Offset these cost savings against the investment in hardware, software, and expertise to deliver a digital solution. In the case of working with an outsourced service provider, you'll need to consider ongoing license/service costs. This can be more challenging to calculate when internal resources are applied to a project. Where possible, however, these calculations can be measured through staff time and infrastructure usage costs.

## Improving Efficiency

Through greater efficiency, staff are empowered to focus on more profitable work, reducing customer payment timeframes and closing deals faster. These elements, and more, contribute to improved cash flow as well as improved profitability. Cash flow metrics, such as reduction in days' sales outstanding (DSO), or delinquency are of huge value to any businesses. Free cash flow is one of the most important metrics for a healthy business – determining the business's ability to invest in growth or reward shareholders.

Improved efficiency is simply measured by how much time and investment in resources is saved to generate the same volume of business. This associated cost saving leads to improved profitability, and the time saving delivers profit in a shorter timeframe, leading to a more efficient business.

## The Future of Credit Management

There's no escaping the fact that we are entering times of greater economic volatility, with aspects such as Brexit in the UK (and ramifications of this in the EU), the rapid growth of emerging markets, the economic downturn due to the Covid-19 pandemic, and broadly credit-based economies. Credit managers need to be better equipped to manage credit risks, through better insight and control over payment processes.

Digital transformation of accounts receivable processes, such as the application of e-invoicing, provide exactly the sort of control and insight needed in these less certain times. The ability to automate repetitive processes and free up knowledgeable staff to proactively tackle exceptions and anomalies, whilst maintaining a clear management overview, creates tangible competitive advantage.

Aside from the risks of economic uncertainty, credit managers also face an explosion in the variety of invoicing formats and accounts payable systems they need to present invoices to. Adhering to the formatting requirements of one specific VAN is one approach to this, but limits who you can do business with. Businesses that can adapt and connect with the broadest range of customer requirements will stand to gain the most as this variety increases over time.

As buyers implement automated accounts payable processes, the onus shifts to those who enter invoices into the automated systems.

Having invested in automation to reduce time and effort in invoice processing, buyers increasingly expect sellers to bridge the gap and either directly connect (electronically) with their new systems or manually enter invoicing details in the formats required.

A direct connection from AR to AP is the most realistic way to address this extra load on accounts receivable teams – and that can only be done through electronic means. As with any revolution, there will be challenges and disruption as both sides establish equilibrium. Credit managers and their teams need to be equipped with the best tools to stay competitive and come out on top.

There are two clear ways to do that:

- + Upgrade AR systems to work with the broadest range of invoice formats, media, and formatting requirements
- + Automate invoicing production and distribution.

Credit management and accounts receivable processes have evolved considerably over the last 50 years, but there's much change ahead. Innovation offers the best type of competitive edge. Use it to your advantage.

## About Corcentric EIPP

Corcentric EIPP is a managed service dedicated to streamlining, automating, and enhancing business invoicing, from delivery through to payment. Corcentric EIPP ensures accurate and efficient delivery of invoices to your customers in the medium which suits them.

Beyond saving time and cost through invoice automation, Corcentric EIPP enables a risk-free and seamless shift towards electronic invoicing, reducing errors and driving down DSO.

Corcentric EIPP also removes the classic challenges of document storage and retrieval for auditing and compliance. Businesses depend on Corcentric EIPP to provide secure online access to their document distribution history, facilitating ease of reporting, performance analysis and proof of delivery along with a range of other document management functions.

Headquartered in the United States, Corcentric helps more than 2,000 of the largest companies leverage smarter technology and services to reduce operating costs, improve cash flow, and unlock the hidden value within their enterprise.



**15 global office locations - US and Europe**



**\$245 Billion in invoices sent each year**



**2,000+ customers and growing**

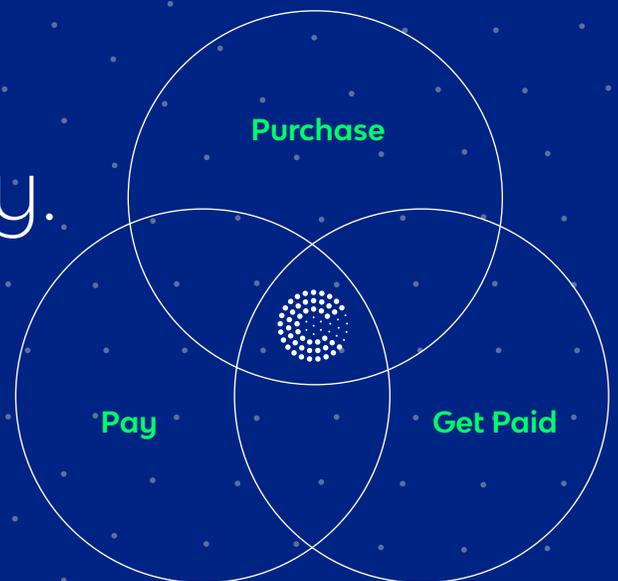
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# Spend smarter, optimize cash flow, and drive profitability.

Corcentric is a leading provider of procurement and finance solutions. We help companies reduce costs and improve working capital by optimizing the way they purchase, pay, and get paid.



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