



How to build a best-in-class AR team

Determine your AR team's modernization level and learn the next steps to becoming best-in-class



What is a best-in-class AR organization?

In 2021, Billtrust commissioned Paradoxes Inc. to research what a modern AR organization looks like, how firms can assess their organization to determine their modernization stage and what steps companies can take to modernize their AR processes with automation and technology.



From this research, we determined that best-in-class AR teams have five unique characteristics:

100% digital payments and invoicing

All payments accepted are digital and invoices are presented to customers electronically.

Cash forecasting

Unlike traditional AR capabilities, best-in-class teams can forecast their cash flow and proactively identify liquidity issues.

Predictive analytics

AR teams leverage cutting-edge machine learning and predictive analytics for reporting and accuracy.

Touchless cash application

Reconciliation is done automatically without the need for human intervention.

Highly-proactive account coverage

Proactively reach out to accounts who are past due before they escalate into 60 or 90 days past due.

The benefits of best-in-class practices

Did you know that best-in-class AR organizations are ahead of the curve in the modernization journey compared to industry peers? They typically perform better than the average AR department across traditional KPIs.

25%

better customer service levels

23%

collections improvement

20%

more self-service capabilities

15%

faster payments

12%

more organized cash application

One surprising discovery from our industry research was that best-in-class AR teams even **measure success differently** than more manual counterparts. Rather than measuring performance by immediate cash flow (DSO), best-in-class AR teams measure success based on **customer satisfaction** with AR processes.



Introducing the Accounts Receivable Maturity Model

You may be wondering,
“How modern is my AR department?”

We typically see AR teams fall along a 4-stage spectrum on their modernization journey from Stage 1: “Manual AR teams that are the least modern” up to Stage 4: “Best-in-Class with the most modern processes.”

Below is a high-level overview of typical company characteristics of firms in each stage of their maturity journey and specific recommendations that any AR team can adopt to operate like best-in-class teams.



LOW
↑
AR MATURITY LEVEL
↓
HIGH

STAGE 1 Manual	<ul style="list-style-type: none">• Heavy paper check payments and invoicing• Manual lockbox• Focused on total loss prevention for credit app• Key and critical account coverage only for collections• Performance based on immediate cash flow (DSO)
STAGE 2 Scaling	<ul style="list-style-type: none">• 50% of payments and invoicing are digital• Lockbox with data keying• Some loss prevention for credit app• Reactive account coverage for collections• Performance based on Collections Effectiveness Index (CEI) and DSO
STAGE 3 Modern	<ul style="list-style-type: none">• 75% of payments and invoicing are digital• Rule-based cash application• AR as a revenue generator for credit app• Proactive account coverage for collections• Performance based on Collections Effectiveness Index (CEI) and DSO
STAGE 4 Best-in-Class	<ul style="list-style-type: none">• Nearly 100% of payments and invoicing are digital• Cash forecasting• Predictive analytics• Touchless cash application with payments network• Total revenue generation• Highly proactive account coverage• Performance based on customer satisfaction



Recommendations based on level of modernization

Based on your specific stage of the AR maturity model, Billtrust has recommendations to help you level up from whatever point on the AR maturity spectrum towards best-in-class organizations with industry best practices, whether your department is manual, scaling or modern.

Advice for Stage 1: Manual AR Teams

Your AR team has more manual processes compared to most AR teams and there are many strategic opportunities for improvement. A few strategic growth opportunities to modernize your current processes are:

AUTOMATE CASH APPLICATION

Manual cash application and hunting down remittances for invoices for matching is a time-consuming activity for most AR teams. Automate your cash application with a software solution to boost your staff's productivity.

AIM FOR AT LEAST 50% DIGITAL PAYMENTS AND INVOICING

You have made great progress by beginning to accept digital payments and receive invoices electronically. The closer you can get to 100%, the better.

AUTOMATE COLLECTIONS

To move from only covering key accounts to proactive account coverage, your organization can standardize collections policies and automate them with a collections software tool.



Manual AR teams typically focus on days sales outstanding (DSO) and immediate cash flow. In addition, customer satisfaction with your payment and invoicing processes is typically below average. You can improve customer satisfaction by applying the recommendations above.

Advice for Stage 2: Scaling AR Teams

Your AR team is on par with most AR teams in terms of digital transformation and there are a few strategic opportunities for improvement. A few strategic growth opportunities to modernize your current processes are:

AUTOMATE CASH APPLICATION

Manual cash application and hunting down remittances for invoices for matching is a time-consuming activity for most AR teams. Automate your cash application with a software solution to boost your staff's productivity.

AIM FOR AT MOSTLY DIGITAL PAYMENTS AND INVOICING

You have made great progress by beginning to accept digital payments and receive invoices electronically. The closer you can get to 100%, the better.

FOCUS ON PROACTIVE ACCOUNT COVERAGE

To move from reactive to proactive account coverage, your organization can standardize collections policies and automate them with a collections software tool.



Scaling AR teams typically focus on collections effectiveness index (CEI) and days sales outstanding (DSO). In addition, customer satisfaction with your payment and invoicing processes is typically average. You can improve customer satisfaction by applying the recommendations above.

Advice for Stage 3: Modern AR Teams

Your AR team is ahead of most AR teams in terms of digital transformation, but there are a few strategic opportunities for improvement. A few strategic growth opportunities to modernize your current processes are:

ADOPT MACHINE LEARNING BASED CASH APPLICATION
Rather than using less efficient rule-based cash application software that requires custom programming, adopt a machine learning-based solution that can predict more accurate invoice and remittance matches.

AIM FOR 100% DIGITAL PAYMENTS AND INVOICING
You have made great progress by having a majority of your accounts pay digitally and receive invoices electronically. The closer you can get to 100%, the better.

AUTOMATE RECONCILIATION FOR AP PORTALS
Complex buyers typically require AR teams to log into AP portals to retrieve invoices and remittance data. We suggest automating this with a payments network.



Modern AR teams typically focus on collections effectiveness index (CEI) and days sales outstanding (DSO) like their scaling counterparts. You can reach best-in-class customer satisfaction by applying these recommendations.

Want to discuss your results further?

Your Billtrust team is standing by to help guide you through what best-in-class AR teams are doing to stay ahead of the curve. Just reach out to sales@billtrust.com.

