

10 tips to manage order-to-cash for your distribution company



52.3% of companies in the distribution sector report that late payments are their main challenge regarding cash flow.

At Billtrust, we work with over 400 distributors to speed invoicing, payments, cash application and collections. Our automated AR software solutions lower DSO and improve cash flow in businesses across multiple sectors including: building materials, industrial supply and machinery, electrical, and plumbing / HVAC.

Our fintech expertise and deep knowledge of the distribution industry can move your financial objectives forward.

1. Streamline and future proof your invoice process

The invoice is the most important document in the entire invoice-to-cash cycle, ensuring that it is generated, presented, and delivered in a fully compliant manner can really help to improve your cash flow and improve satisfaction levels with all customers.

A paper-based invoicing process isn't the best way to do business as a growing company. But even when you ditch paper and send invoices through email, it doesn't mean you've been future-proofed.

According to the [Business Payments Coalition \(BPC\)](#), even though 25% of invoices are sent electronically in the U.S. market, few of them can be considered actual e-invoices. A PDF attached to an email can hardly be considered an e-invoice. It contains no structured data, meaning buyers have to manually key in all the invoice information into their system in order to start processing.

Electronic invoices have been around for 30 years, using electronic data interchange (EDI) and XML formats. Businesses saw that electronic invoicing brought in a range of easy benefits: a reduction in resources (paper, postage, overhead), the introduction of automation for document presentment and delivery, improved delivery rates, faster lines of communication, and more.

More recently, the main driver behind e-invoicing adoption has come at

the government level. Governments, particularly in Europe, are mandating the use of electronic invoicing for all business to-government (B2G) transactions, and, in a rising number of cases, B2B transactions. Over 100 countries are already [mandating electronic invoicing](#) in one form or another, with more on the way.

While e-invoicing hasn't yet made its way into every country's tax system, construction businesses participating in the global economy will be affected. They will need to be prepared for a world driven by real-time compliance and mandatory e-invoicing.

These **government mandates** don't make things easier for suppliers - it's not easy to obtain information on what kinds of mandates exist country-by-country.

Many companies are ill-equipped for such an undertaking. Developing individual connections to B2B & B2G invoice networks is an extremely time consuming, complex, and costly process. As more of these platforms are created, the complication grows.

Partnering with a service provider that is experienced with building channel connections and offers an extensive, [global compliance service](#), with established connections to countries across multiple continents, would be a wise move for many international businesses to consider. Such a partnership would relieve them of a heavy IT project and alleviate many of the costs involved in setting up and maintaining such connections.

2. Solve AP portal management

The rise of these accounts payable (AP) portals, or procure to-pay portals, has made getting paid more complicated for distribution companies. For vendors and suppliers, these portals have added an unwelcome level of complexity and labor to the B2B payments process. AR teams need to maintain login credentials to dozens of portals, follow complex invoicing rules for each customer, then return to those portals again and again to check on payment statuses and download remittances.

Faced with the need to integrate with AP portals, more distribution companies are joining digital B2B payment networks.

Joining these networks reduces labor, time, and human error, while ensuring compliance.

Bonus tip: Track status of your submitted invoices.

Each of your buyers' portals has their own nomenclature for statuses making it hard to know the status of invoices without manually logging into different AP portals. You need to be able to monitor the status of your invoices in real-time, regardless of the buyer's portal. Incorporate a smart AR automation solution that allows you to automatically track updates across various AP portals, empowering you to take swift action and accelerate your payment process. Streamline your workflow and get paid faster than ever before.

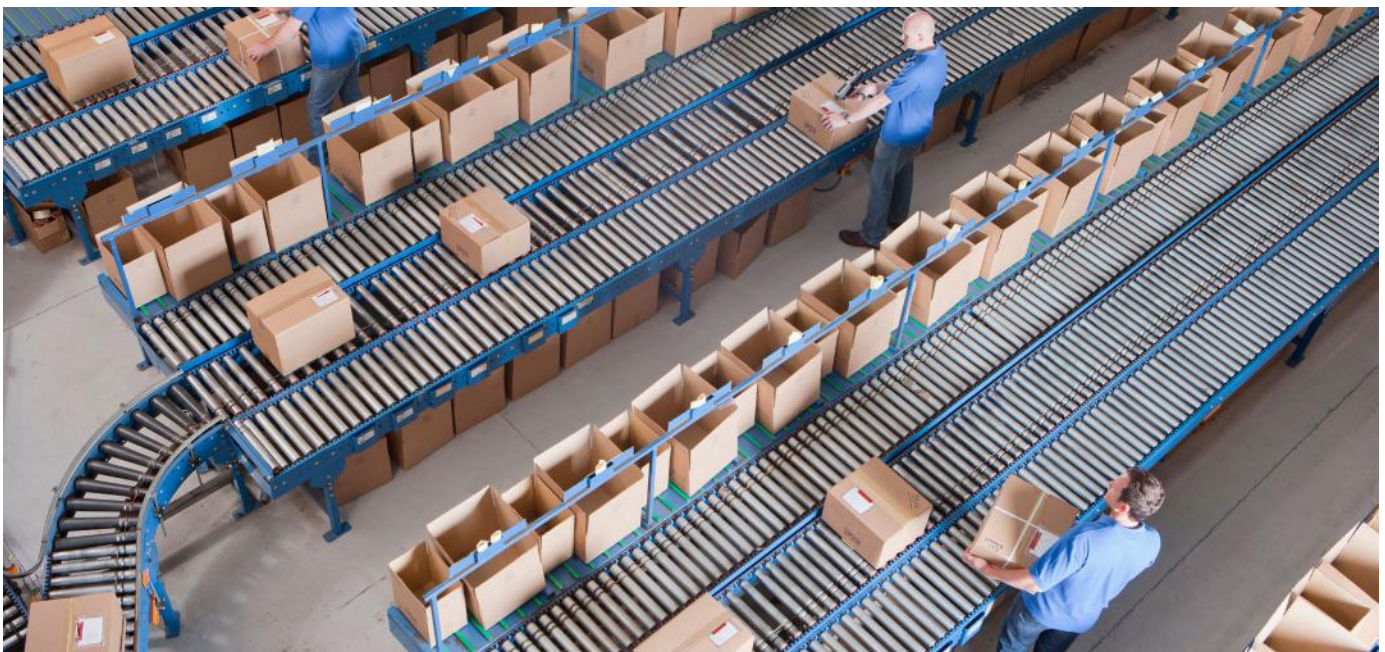
3. Maximize straight-through processing

Digital payments arrive from multiple channels like ACH, wire and (virtual) credit cards. These payments are becoming more complex and labor-intensive to process for your accounts receivable (AR) department.

Take virtual credit card payments for example. These 3rd party card payments are one of the fastest growing payment methods in B2B. They are the preferred payment method for today's mid/large buyers due to the additional days to pay, the rewards/rebates, and the inclusion of complete remittance details.

But credit card payments are usually sent via email and are not processed automatically. Additionally, until you can correlate the funds in your bank account with the remittance data you've received, your clients will feel the squeeze on their credit line.

Automating these payments, and **capturing the remittance** when the invoice is paid, should result in a clean remittance file, fully reconciled to your payments and ready to ingest into your system of record or ERP. Your level of cash application automation should enable your staff to improve straight-through processing, increase accuracy and shorten the time needed to apply cash.





4. Add surcharging to offset credit card payments

Credit cards are wonderful. Employees can use credit cards to buy their supplies without having access to their company's accounts. Companies can earn cashback for purchases, and some credit cards come with interest rates as low as zero percent during promotional periods.

But in order to accept credit card payments, you as a seller must pay 1.5 to 3.5% fees.

By **implementing surcharges**, you can counter these expenses and reduce the cost of customers making credit card payments.

Surcharges can be a legitimate way to recover some of the money lost in processing credit card payments.

When deciding to accept credit card payments with a [surcharging program](#), you must be confident that you have the tools to notify and communicate with your customers and the card issuers.

Billtrust can make compliant and accurate surcharging simple.

5. Give customers access to invoices and payments

Make sure that customers can pay as easily and efficiently as possible.

When you establish a billing and payments portal, you're not only giving your customers the ability to **easily view and pay their invoices**, you're also creating a system where you control how your buyers pay.

You give your customers a positive payment experience that empowers them to schedule payments easily, view payment history, modify or dispute a charge, and export these files for their own use.

You can also create payment rules that **reward faster payment**. For example, you can make it a rule to only accept credit card payments within ten days of invoice delivery. Your buyers that want to use credit cards will be incentivized to pay faster and you'll realize benefits that offset the cost of credit card acceptance.

6. Stay on top of collections

Implement an automated solution that send automatic payment reminders to customers with bills coming due – or that are delinquent.

And give your collectors an advantage with software that helps them prioritize their contacts, record notes from their conversations and promises-to-pay, track disputes and accept payments easily.

7. Handle disputes the right way

A dispute is often the reason why invoices are not paid. Quickly resolving discrepancies that would lead to late payments protects your company from future disputes.

Disputes also have repercussions for other aspects of business operations. For example, customer satisfaction can decrease, and a team's workload increases within the company. A dispute with a particular customer can put all the other payments from that same customer on hold.

By approaching disputes in an orderly and systematic way, you will increase the probability that outstanding invoices are paid quickly. Your AR automation software should have powerful dispute management features built in.

Why optimize your invoice-to-cash processes?

8. Keep track of how much money your customers owe you at all times

This might seem like a no-brainer, but it's essential to have a clear picture of your accounts receivable at all times. This information will help you make informed decisions about chasing down late payments and offer payment terms that are fair to both parties.

9. Every conversation counts

Communication with your customers is key. **Improve the customer experience** with personalized communication templates and language support.

10. Check the financial health of customers

A **sound credit policy** is essential. Various external sources can be used to find out the financial health and creditworthiness

of a company you are dealing with, making you better able to assess the risk.

But you want to onboard customers quickly to avoid slowing the sales cycle.

Automated credit applications can get your customers information, references and credit reports together quickly – leading to faster and better credit decisions.

Bonus tip: Provide a stellar online buying experience.

Your customers expect a frictionless, intuitive way to buy your products online. Make sure you deliver an experience that makes it easy for them to find what they need, and makes it easy for you to upsell with automatic product recommendations, advanced search capabilities, and product catalog management.

Proper management of your business' accounts receivable avoids cash flow or collections issues.

If all your stakeholders agree there are areas for improvement in your AR processes and you've discovered the pain points for your teams and your customers, you have the opportunity to create state-of-the-art AR processes that improve your bottom line, increase employee and customer satisfaction and build brand reputation in your industry.

The automated, digital invoicing and payment solutions provided by Billtrust check all the boxes for your distribution business and your customers. These solutions allow you to enhance payment acceptance flexibility across every touchpoint within the AR process.

Learn more at billtrust.com. [Contact sales](#) | [Our locations](#)