



# Digital products need digital processes

How digitizing core business processes, like the order-to-cash cycle, is critical to seizing market opportunity in the heavy machinery sector

## The need to digitize

The heavy machinery sector is exhibiting some spectacular digital innovation. It's inventing a new generation of smart, connected and autonomous machines for construction, mining and many other industrial uses.

But the industry isn't showing the same enthusiasm for modernizing its internal business processes. Equipment service providers have been neglecting to digitize back office functions, like the order-to-cash cycle, which are so critical to the financial health and long-term competitiveness of their business.

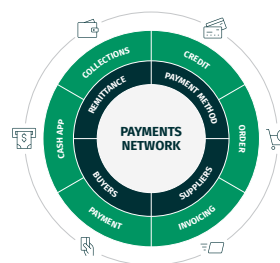
Continuing trends will only exacerbate this. As revenue models shift from purchase to rental, and data services are added to products, companies will need access to more flexible and automated financial systems.

As business volumes grow and customers demand different invoicing and payment options, the old paper-driven processes reveal themselves as inadequate. Manual processes can't cope with the scale of transactions or

the complexity of security and regulatory compliance requirements, and they can't deliver customer satisfaction.

Investment in digital business processes is essential if firms are to seize the full market opportunity for digital heavy machinery.

This white paper discusses how adopting an integrated digital platform that manages the whole order-to-cash process can enable heavy machinery companies to create a sustainable competitive advantage – by developing financial processes as intelligent as their products.



## The whole order-to-cash cycle

It's critical to digitize the entire order-to-cash cycle as an integrated process to unlock cash flow, simplify operations and deliver the best possible customer experience.

# Challenges and opportunities

## Seizing the growth opportunity

The market for heavy machinery is strong and growing – yet companies lack the scalable, flexible financial processes and systems necessary to realize the market opportunity.

CHALLENGE: UNABLE TO SCALE	OPPORTUNITY: DIGITIZE AND GROW
Revenue streams are changing: renting is now 55% of the construction machinery market <sup>i</sup>	Get the ability to handle the scale, diversity and volatility of financial transactions
Companies don't have the financial systems to process more diverse transactions types at scale	Replace antiquated, manual financial processes with scalable, integrated, automated ones
Only 19% of the construction machinery sector sees digitizing business processes as a priority <sup>ii</sup>	Transform accounts receivable from a cost center into an growth engine

## Beating the labor shortage

The heavy machinery industry is suffering from a shortage of skilled labor, especially in industrial nations, and should respond by digitizing and, where appropriate, automating financial processes.

CHALLENGE: LABOR SHORTAGES	OPPORTUNITY: PROCESS AUTOMATION
A shortage of skilled labor is the biggest challenge, facing 58% of the industry <sup>iii</sup>	Mitigate rising labor costs by streamlining and automating
75% of Associated General Contractors of America (AGC) members are hiring more people <sup>iv</sup>	Digitize the order-to-cash process to reduce costly manual work and improve data accuracy
82% of AGC members expect recruiting difficulties <sup>v</sup> , forcing higher labor costs	Improve efficiency, release cash more quickly and counteract pressure on margins

## Out-thinking the collective mindset

In an industry preoccupied with digitizing products, it takes an independently minded company to invest in digitizing business processes early enough to secure a competitive advantage.

CHALLENGE: INVESTMENT CAUTION	OPPORTUNITY: PROACTIVE TRANSFORMATION
19% of the industry viewed investment in digitizing business processes as a challenge rather than an opportunity <sup>vi</sup>	Digitize accounting processes to secure a competitive advantage
Many companies in the construction industry have already recognized the relevance of digitization, but are still investing with caution	Take a holistic approach to process modernization. The value of digital order placement is undermined if credit applications are still processed manually
'An above-average willingness to invest is necessary in order to remain competitive in the long term' (Klaus Dittrich, CEO, Messe München <sup>vii</sup> )	Invest proactively in digital accounting to transform accounts receivable from a cost center into a source of competitive advantage



# Digitize the whole order-to-cash cycle

An integrated platform delivers benefits to customers, employees and the business across the order-to-cash lifecycle.

## STAGE

## WHY DIGITIZE?

## OPERATIONAL EFFICIENCY



### CREDIT

Putting credit applications online gets you off to a good start:

- Improve risk management decisions
- Reduce friction between sales and finance
- Help things work better down the line

- Process credit applications and references automatically
- Credit data stays accessible for later stages
- Real-time portfolio monitoring and alerts
- Combine third-party data with industry and peer information



### ORDER

Offering a web store lets customers order online if they want to:

- Speed up purchasing
- Improve customer experience
- Get data right from the start

- Build your own web store
- Add your branding
- Link data across the lifecycle



### INVOICING

Automated invoicing cuts out time-consuming, error-prone manual work:

- More accurate invoices
- Fewer queries and disputes
- Faster payments
- Easier reconciliation

Offer your customers every invoicing format, through a single unique supplier:

- Print and mail
- Email or fax
- Electronic invoice presentment and payment (EIPP)
- Deliver invoices straight into accounts payable portals



### PAYMENTS

Allow your customers to pay by whatever means they like:

- Offer credit card payment without prohibitive costs
- Match payment methods to customer preferences
- Reduce effort and labor through automation
- Ensure secure and compliant payments

- Reduce interchange fees for credit card payments
- Offer an online payments portal
- Capture virtual card numbers and apply the cash automatically
- Integrate with ERP systems
- Run campaigns to encourage your customers to adopt electronic payment methods



### CASH APPLICATION

Digitizing cash application improves a business' liquidity:

- Improve the accuracy and speed of reconciliation
- Get access to cash more quickly
- Eliminate bank lockbox and data entry fees

Speed up the cash application process by:

- Cutting data entry and keying costs
- Assisting with matching
- Investigating and researching exceptions
- Posting to your ERP



### COLLECTIONS

Replacing spreadsheets with a digital collections solution helps you:

- Prioritize more effectively
- Improve success rates
- Reduce manual effort through automation

- Automate contact management
- Prioritize accounts strategically and increase account coverage
- Reduce the average age of debt
- Provide a consistent customer experience

# Holt CAT

Texas heavy machinery dealer finds scalability through automation



## 71% MATCH RATE

Achieved for line items

## REDUCED

Keying costs

## STABILIZED

A/R team headcount

### THE CHALLENGE

Holt CAT, an authorized Caterpillar® heavy equipment and engine dealer based in Texas, had been relying on a local bank's lockbox services for cash application. But the system was straining under the volume of payments, and they were having to take on extra accounts receivable staff to get by.

### THE SOLUTION

They began using Billtrust's Cash Application solution which features Optical Character Recognition (OCR) technology. This allowed them to scan and capture accurate remittance data right in the lockbox and automate the cash application matching process.

### THE RESULTS

They've seen significant savings in keying costs and achieved a full return on investment in a few years. Their automatic cash application match rate has risen to over 71% — and they're now able to manage increasing business volumes with just one full-time A/R employee.

**“We’ve been able to grow our receivables from \$0 to \$30 million in the last couple of years. We’ve also opened up 12 store locations and we’re still able to process payments and apply cash with one full-time employee.”**

— Terry Ludzenski,  
Director of Financial  
Services, Holt CAT



## Recommendations

1. Heavy machinery companies should invest in modernizing business processes to give them the scalability and flexibility necessary to seize the opportunity in the market.
2. Companies should view the core order-to-cash cycle as a critical enabler of business growth and invest in it accordingly.
3. Any new financial systems should be able to handle not just a greater volume, but also a wider variety, of transaction types.
4. Firms should react positively to the competitive pressures they are under by improving the efficiency of business processes through digitization.
5. To realize desired efficiencies, it is essential to choose a solution that digitizes the whole of the order-to-cash cycle, not just parts of it.
6. Companies should work with suppliers who understand not just accounting processes, but the special nature of today's heavy machinery industry.

Billtrust serves approximately 100 customers in the North American heavy machinery industry. Using our services, Thompson Machinery (part of the Caterpillar group) **achieved an automatic match rate of 80% within the first 30 days and reduced misapplied cash to zero.**



If you'd like to learn more about how Billtrust could help boost your business performance by integrating and digitizing your order-to-cash cycle, please get in touch with one of our heavy machinery sector specialists via [heavymachinery@billtrust.com](mailto:heavymachinery@billtrust.com).



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i Economic and Political Uncertainties May Affect Growth of Construction Industry', *OEM Off-Highway*, March 2019.

ii Messe München, quoted in 'Construction Machinery Industry on a High in bauma Year', *OEM Off-Highway*, February 2019.

iii Messe München, already quoted.

iv 'Seventy-five percent of construction firms plan to take on more headcount', Associated General Contractors of America (AGC), 2018, website agc.org.

v AGC report already cited.

vi Based on participants at the International Trade Fair for Construction Machinery, Building Material Machines, Mining Machines, Construction Vehicles and Construction Equipment.

vii Klaus Dittrich, Chairman and CEO of Messe München, 'Construction Machinery Industry on a High in bauma Year', *OEM Off-Highway*, February 2019