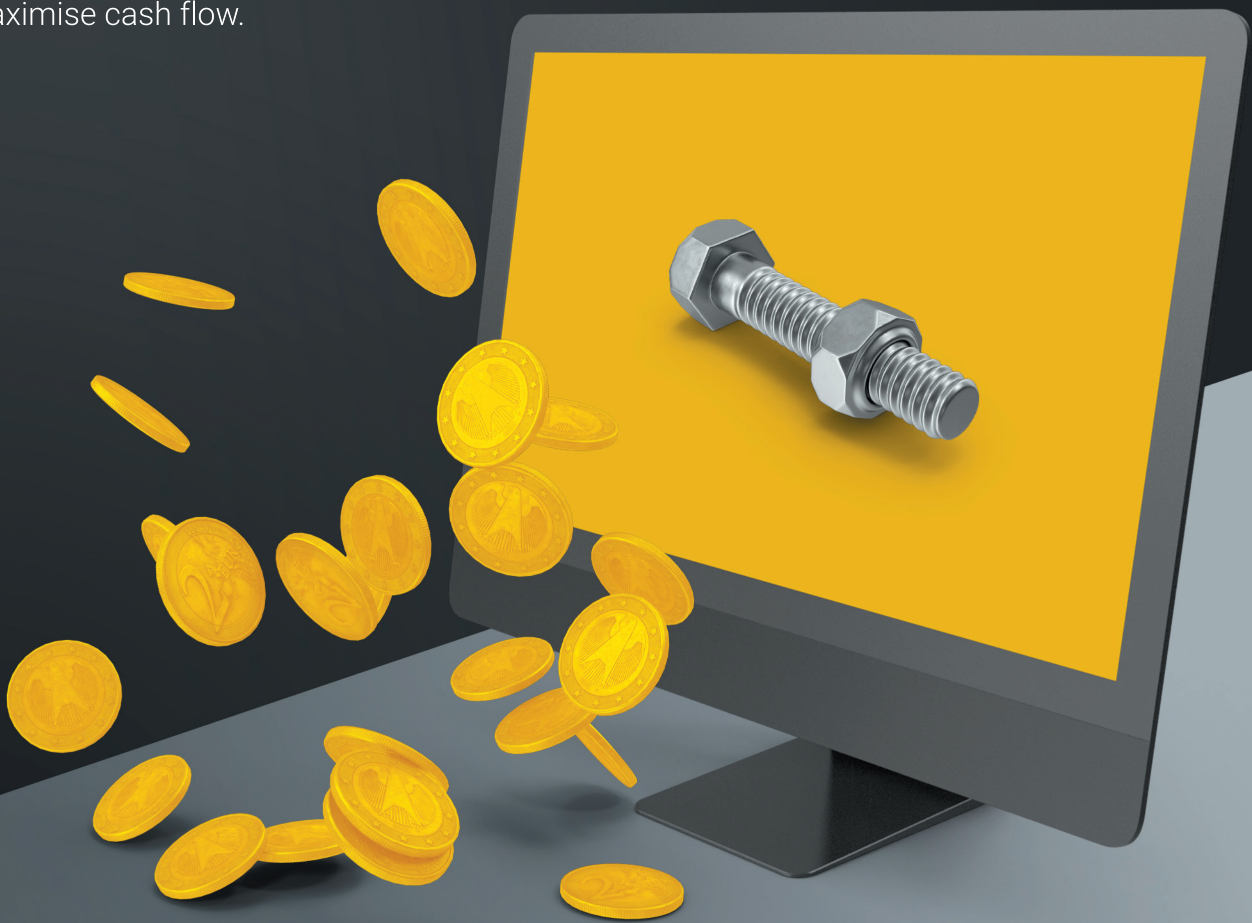
Why is BlackLine a perfect match for accounts receivable?

Find out how intelligent automation is transforming accounts receivable to help improve team efficiency and maximise cash flow.



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Some things in life are meant to go together: mouse and keyboard, bits and bytes, nuts and bolts.

If you work in Finance, it's credits and debits, assets and liabilities, profit and loss.

Over in accounts receivable (AR), however, only bad things come in twos: (endless) rows and columns, ticks and boxes. Cash application can be a ball and chain, where precious hours are burned up by manually matching receipts to customer accounts and invoices.

Line by line, cell by cell, productivity slumps—and time that could be better spent on high-value activities goes up in smoke.

When things match perfectly, there's a natural order and a sense of balance. When they don't, friction, frustration, and disharmony reign.

In this ebook, we'll explain how intelligent automation is making the cash application process fast, accurate, seamless, and predictable—freeing up cash flow and bringing much-needed harmony to the working lives of modern AR teams.

Manual systems in a digital age

From data collection to analysis, service to responsiveness, digital transformation is changing how companies define success. Yet while digital touchpoints make the front end of businesses faster and more efficient, the back office infrastructure that keeps the machine humming runs on yesterday's technology: spreadsheets, PDFs, paper forms, and manual data entry.

Left with legacy tools and systems, accounts receivable is digital's forgotten department. When payments have to be matched to invoices by hand, cash application becomes a giant game of Snap!—but without the fun, pushing up bad debt provision, impacting cash flow, and complicating customer relationships.

A 2019 study cited in Financial Director looked at the administrative efficiency of businesses. Researchers found that more than a quarter of an employee's day is wasted on avoidable administrative chores. That equates to 76 days a year of lost productivity per employee.

44% of UK respondents said their company's back-office technology was 'woefully outdated.' Manual processing of payments and invoices was cited as one of the biggest time wasters. Letting legacy systems dictate daily accounts receivable workflow makes cash application slow and error-prone. Executing tasks with pen and paper and relying heavily on Excel holds teams back and causes delays from sales to collections.

Gathering data for analytics and reporting is a time-consuming chore, with insights arriving too late to act on them effectively. Credit controllers lack confidence in their data and worry about false positives showing up in their past-due reports. Conscious of the risk of upsetting customers, they often have to contact accounts receivable and verify delinquent accounts on a case-by-case basis before starting collections.

Defragmenting digital transformation

A lot has been said about the pandemic's role as a catalyst for digital transformation. Microsoft CEO Satya Nadella told shareholders back in April 2020 that the planet had seen "three years' worth of digital progress in six months". The problem is: the digital future he spoke about hasn't been evenly distributed across organisations.

Companies had to react quickly to enable remote working, shift to digital channels, and transform products and services to meet customer needs that changed dramatically overnight.

But even as COVID-19 forced businesses to work virtually and automate ways of working, most initiatives were more tactical than strategic—and despite the progress made, they've left the job of digital transformation partially undone.

There's still fragmentation and a lack of alignment among front, middle, and back-office functions.

From customer service to operations and even within departments, there are stubborn disconnects that impact the ability of companies to set a financial footing suited for distressed times.

To stay agile and reactive, every business needs its AR and credit teams focused on high-value tasks that deliver immediate benefit to the company.

Operational costs need to be minimised, productivity needs to improve, and customer relationships have to be protected.

Digital's forgotten department

Cash sits at the heart of every business and accounts receivable manages the largest and most liquid asset on the balance sheet. On any given day, there is more than $1.3 trillion in excess working capital sitting on business balance sheets. Recognising AR as a critical process and optimising its processes is vital to freeing up that cash.

AR influences so many essential components of business success, from cash flow to customer relationships and salesforce motivation, but it's often at the bottom of the list when it comes to digital investment.

A typical company might send 10,000 invoices a month and receive between 5,000 to 10,000 payments back. When all that cash has to be allocated manually, it may not be recognised and usable for weeks.

Matching payments received to debts outstanding on the sales ledger is how CFOs gain visibility into the company's working capital position. They need to be able to see how much cash is waiting to be released from debtors so they can cover current liabilities and make intelligent decisions on how to invest cash into the business.

CFOs should be in a position to offer board-level advice about where time and effort should be focused. But out-of-date systems limit their capability:

- If new sales are being closed but held up because the system erroneously lists overdue invoices or balances that are over the account limit, that delays new revenues.

- If credit control staff are wasting time chasing debts that have already been paid, that risks upsetting customers, demotivating credit teams, and causing avoidable upset with sales teams.

If customer accounts are 95% up to date and accurate when each new day begins, customers can place orders without issues and credit teams can focus on collections with confidence.

“With BlackLine Cash Application, all parts of the process—application rates, turnaround time, unapplied cash, and team performance—are monitored and measurable. When we see an area for improvement, we can identify exactly what needs to be done and predict how the customer will benefit.”

CHRISTOPH KOENIG, DIRECTOR I2C, SERVICE DELIVERY EU & GLOBAL PROCESS OWNER, BRAMBLES

Counting the cost of AR errors

CFOs know how to unpick the cost of errors in supply chain and manufacturing processes. There are best-practice formulas and methodologies that help them identify, analyse, and count the impact of mistakes.

Assessing the impact of errors in the accounts receivable department is harder to do. Despite being in their own departments, CFOs may not be accustomed to the manual processes that dominate AR and put them down to the price of doing business. When that happens, they miss hidden costs and inefficiencies hiding right under their noses.

Human error is a fact of life, and when processes rely heavily on working by hand, mistakes will happen. As the old saying goes, it takes a second to make a mistake and an age to put it right.

Once you start looking, the amount of time it takes to rectify common errors and inefficiencies like this can be significant. What's harder to see is the opportunity cost and impact on sales and customer relationships.

Mistakes will happen, but with the right systems in place, they can be captured and addressed quickly. They can also be remembered and recognised when they happen again, then solved automatically without the customer ever knowing there was a glitch.

If a customer tries to place a new order and can't complete it because of an erroneous credit stop, they'll need to ring their account representative to find out what's happened. The salesperson will need to call AR and flag the issue. AR will then investigate the matter.

While time is being eaten up by addressing the issue, the sale might be lost as the customer moves to another supplier. If errors are a common occurrence, then future orders are put in jeopardy as customers shift their business elsewhere in frustration.

"BlackLine Cash Application allowed us to focus on collecting cash and managing risk. It's no coincidence that we have achieved outstanding cash collections and our bad debts are lower than the industry standard."

UK CREDIT MANAGER, VEOLIA

How manual processes decrease morale

It's a common complaint across Finance that finding skilled people is hard. And when you do find them, keeping them isn't easy either. Placing skilled staff in roles defined by spreadsheets and stacks of paper only exacerbates the issue.

In too many finance teams, the working day of an AR professional is defined by an endless string of repetitive tasks. With the incoming workforce expecting job fulfilment and more opportunities to master the latest tools and technologies, retaining skilled staff can be particularly hard when manual processes are pervasive.

Typing numbers into fields, manipulating tables, and manually matching stacks of invoices to payments all day won't keep staff engaged for long. What's better for them—and the business—is time to focus on higher-value responsibilities.

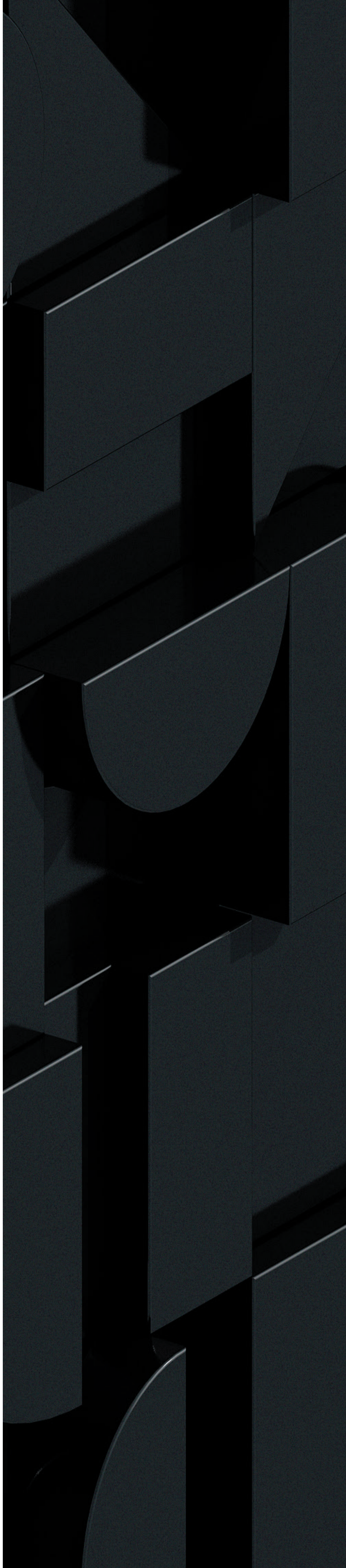
Getting rid of as many tick-box tasks as possible is vital. Intelligent accounts receivable automation is the way to achieve it.

How AR effectiveness is improved with intelligent automation

Intelligent automation is the use of highly-evolved algorithms to automate tasks and make finance functions fitter and faster. The intelligence part means IT systems gain the ability to learn. Rather than simply carrying out duties as programmed by humans, they can adapt when conditions change.

In accounts receivable, artificial intelligence and machine learning can be applied to cash application and its underlying business processes. Payments can be matched to invoices faster and with greater accuracy, and at a level of output that is greater than can be achieved through human intervention. Endless hours logged keying in data, searching, checking, and doublechecking simply disappear.

That's excellent news for customers who see cash application happening faster and errors reduced. It's good news for AR staff as well. Manual tasks are taken off their plates, so they can spend more time using their training and experience.



The benefits of intelligent automation from BlackLine

Traditional accounts receivable processes are spreadsheet- and paper-driven, lacking real-time visibility into debtor positions. BlackLine automates the accounts receivable function and makes cash application smarter, optimising collections and revealing insights that support data-driven decision-making.

Protect sales from erroneous credit holds

Automation captures errors and remembers them, stopping unnecessary credit holds due to misallocated or slowly allocated payments.

Speed up collections

Errors and outdated collection methods use up resources and delay time to collection. BlackLine's machine learning stops errors and analyses individual customer payment behaviour over time to help credit teams prioritise collection actions.

Reduce credit risk

Extending credit to new and existing customers is vital for growth. BlackLine's automation and analysis solutions help accelerate speed-to-revenue without increasing credit risk.

Integrate easily with any ERP

BlackLine's remittance allocation software integrates with your existing ERP to automate the collection of remittance information and the application of cash against customer accounts, down to the billed line item level.

In disrupted times, improving your capacity to predict business conditions and anticipate issues before they arise is vital to survival. That makes the CFO's role in accurately forecasting cash position absolutely essential.

In the past, CFOs have relied on experience, their expertise, and complex macros in Excel to forecast cash. BlackLine synthesises decades of experience with each company's AR data, using sophisticated algorithms that automatically analyse debtor behaviour against current debt levels to predict the forward cash position accurately.

CFOs can report to the board with confidence that the AR position in their month-end accounts is accurate and current, and know that the process of collecting and allocating cash is going forward efficiently.

Successful AR automation in action

Asset-based lender Ultimate Finance was growing rapidly, but manual cash application was slowing them down. A team of six in accounts receivable used up most of the day processing cash and matching payments to invoices via spreadsheets.

Rather than capturing trends and behaviours, each payment had to be reviewed individually and without reference to previous activity.

Since implementing BlackLine Cash Application, Ultimate Finance is applying 75% of its incoming cash quickly and accurately without any manual intervention. They're also achieving an 85% auto-match rate where all cash is typically applied within 5 hours.

Environmental solutions giant, Veolia, provides an extensive range of waste management services to energy businesses that help reduce their environmental impact.

With more than 80,000 customers, the company's accounts receivable function has to manage a hailstorm of payments in a complex and sometimes stressful environment.

Before implementing BlackLine, Veolia had high levels of unallocated cash and typically faced a month-end crunch period with credit controllers spending all their time chasing payment.

To improve credit control, cash flow, productivity, and compliance with anti-money laundering policies, Veolia implemented BlackLine Cash Application.

Now, 99% of payments are applied on the same day they are received, and unapplied cash has dropped to 0.002% of the ledger balance. They've also seen a 70% increase in efficiency and a 75% reduction in costs associated with remittance matching.

Why AR professionals count on BlackLine

With results like these it's easy to see why more and more finance teams are moving to BlackLine.

AR teams love it because automating repetitive accounting tasks makes life easier. They love being liberated to flex their problem-solving skills, focus on collections, and concentrate on the most difficult-to-solve cases.

Customers love knowing their payments are being received and allocated correctly so that orders can be processed quickly and any issues solved without fuss.

Sales teams love being able to take orders without having to umpire erroneous disputes about accounts limits.

Boards love reducing bad debt risk, seeing cash position enhanced, and knowing AR and collections are happening smoothly and quickly.

CFOs love seeing their AR teams operating efficiently in a positive work environment and allocating payments faster and more accurately than ever before.

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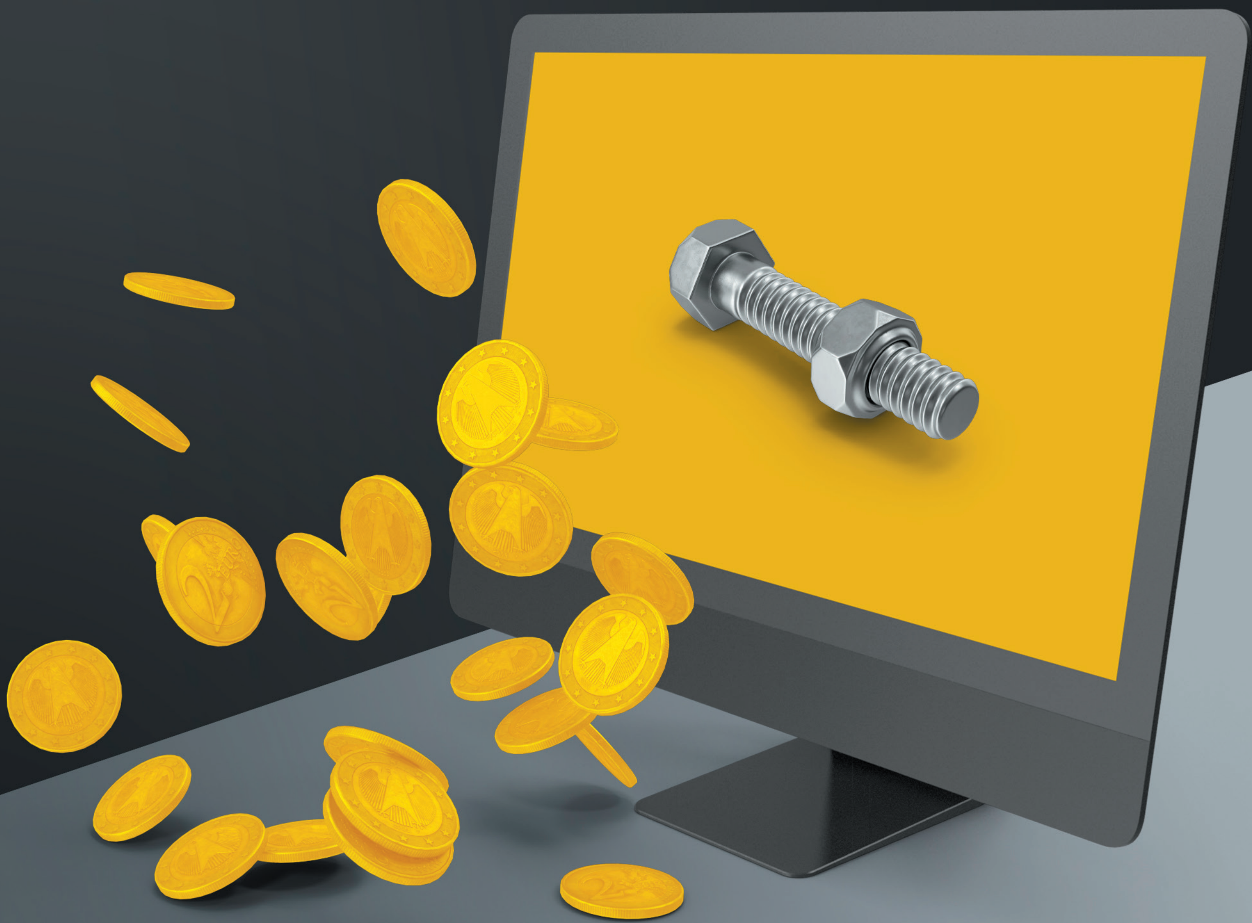
Make the Move to Modern AR Automation with BlackLine Cash Application

By applying artificial intelligence to the accounts receivable function, BlackLine helps businesses realise the promise of digital technologies at the front and back end. BlackLine Cash Application matches payments to invoices faster, with greater accuracy, and at a volume of output human intervention alone can't deliver.

All of the excess hours logged by AR teams keying in data, searching, checking, and double-checking, simply disappear. Customers see cash application happening faster, errors are reduced, and more time is made available for credit control.

To learn more, please visit
blackline.com/cash-application/



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