

BUYER'S GUIDE

Cash Application Automation

An Actionable Summary for Assessing Current Processes, Defining Requirements and Evaluating Technology Options



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Executive Summary

Introduction

Growth and expansion are key initiatives driving business decisions in today's world. As businesses experience a high level of growth and great sales, it's important to ask whether your Accounts Receivable process are able to scale to support the growth. The cash application process is often cited as a thorn in the side of A/R leaders. It does not add any value to the bottom-line but continues to require an increasing number of resources.

While they start out simply, cash application operations grow in complexity along with the growth in business, scaling with new customers and with the ever-changing landscape of how customers choose to pay and share remittance information. Technology has long been an ally for Accounts Receivable departments looking to sanitize cash application processes. In this whitepaper, we take a close look at various solutions which have come to the aid of over-worked cash analysts across industries and business sizes.

We start by detailing the different challenges which keep teams from the promise-land of straight-through processing, followed by sharing an in-depth perspective on technology options available for automation, and closing with a comprehensive guide on estimating ROI from your cash application automation initiative and preparing a business case.

This whitepaper is for you if

As an A/R leader, you should read this whitepaper if you have ever had any of these questions about automating cash application:

1. Accuracy of operations – Cash application, despite being a low-strategic function, has a high impact on the business information available to users across the organization. Will technology and automation compromise accuracy?
2. Seamless, fast deployment – Any interruption in the cash application operation could have a disruptive impact on other business processes. Will a technology solution be able to integrate into the existing IT landscape while maintaining business continuity?
3. Resource and cost optimization – A primary driver for an organization to consider an automation solution for cash application process is to achieve real and measurable optimization. Will technology free up resources or burden them with more work?
4. Prepared for the future – Any enterprise-grade technology solution must be ready for the future. Will the technology solution remain relevant in the face of the changing scenario of payments and remittance information?

Read on to discover answers to these questions.

Cash Application Automation: Trends and Forecasts



Current state of credit-to-cash automation

There are no apples-to-apples comparison for cash application processes between companies because there is no single metric. There is a lot of variability in how companies receive payments (payment mix), how they get their remittance information, what type of accounting and ERP processes they have, and so on.

However, based on extensive research covering a large pool of companies belonging to different industries and market sizes; we were broadly able to classify cash application processes as:

- 1. **Best-in-Class:** Companies which have streamlined payment processing with relatively less reliance on human resource for day-to-day cash posting. This could be a result of technology adoption, controlling the incoming payment and remittance mix, or other best-practices.
- 2. **Laggards:** Companies where processes are still highly manual and consume a lot of costs in terms of direct resource costs or processing fees for third-party vendors or bank lockbox key-in.

The difference between Best-in-Class and laggards

Improving cash application and hit rates provides a significant cost savings and is indicative of a high-performing receivables process. A collaborative survey by NACHA and the Credit Research Foundation of one hundred thirty mega-corporations pinpoints the key differentiators between high and low performing organizations with respect to cash application.

Tracking payment metrics and impact on customer profitability

Best-in-Class companies measure the cost of processing payments and its impact on customer profitability, whereas Laggards don't.

Accounts Receivable is one of the largest assets on the balance sheet. Yet financial executives often undermine its impact on profitability. The cost of payment processing could harm the bottom line if it is not monitored closely. An important part of this is that most B2B companies have a check-heavy landscape where checks comprise up to 75% of the payment mix.

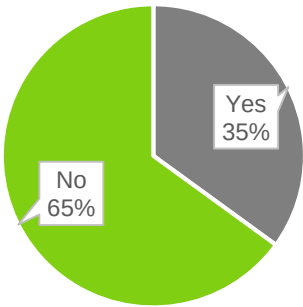
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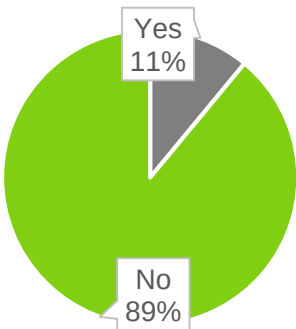
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Fig 1: Tracking payment metrics: Best-in-Class vs Laggards

Do you track payment cost metrics?
(Best-in-Class)



Do you track payment cost metrics?
(Laggards)



Source: Payment Trends, Preferences & What Works for Credit-Receivables Professionals, NACHA-CRF Survey

Buyers have continued to prefer checks because of the so-called check float. Suppliers have not made a lot of effort to change this trend because any large scale switch to e-payments would require buyers to handle these internally. This inertia to stay with the status quo is cost-avoidance in the short-term.

Laggards do not factor in the downstream cost of cash application.

When it comes to cash application, here are some of the costs which eat away customer profitability.

1. High Lockbox fees:

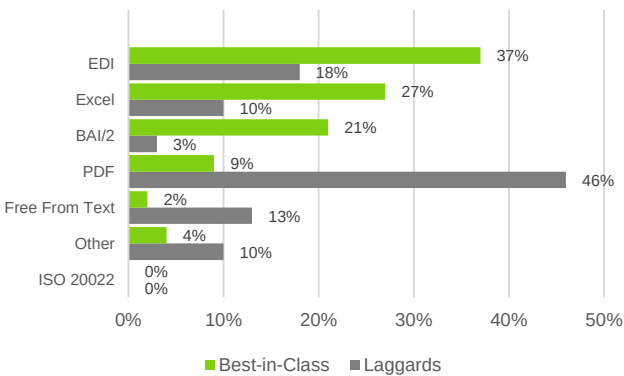
A high volume of checks necessitates costly lockbox services. Companies end up paying a fortune for lockbox services. Banks charge for capture, keystrokes, and transmission costs. Looking at the different components – companies could end up paying \$1 to \$3 for a single check. (Source: *Current Trends in the Practice of Lockbox Usage, Credit Research Foundation*). A company receiving tens of thousands of checks a month could easily be looking at a six-figure lockbox fee for the year. This directly harms the bottom line.

2. Cost of resources for manual cash application:

In most cases, remittance and payment information are de-coupled, which tremendously increases the manual effort required to process the remittance. Remittance must be gathered, interpreted, linked with payment files, and then matched to the invoices extracted from the open A/R in the ERP system. All of these manual processes are greatly reliant on human resources, incurring a large processing cost.

Best-in-Class companies usually keep a close tab on all costs associated with cash application. This allows them to identify areas of improvement and cost-reduction and be proactive about process improvement and automation. Laggards don't typically pay close attention to the process-level costs in cash application and therefore aren't able to identify opportunities for cost-reduction and do not invest time and resources in revamping cash application. However, long-term, this hurts their bottom-line and has a negative impact on customer profitability.

Fig 2: Remittance formats: Best-in-Class vs Laggards
How often do you receive remittance advices in the following formats?



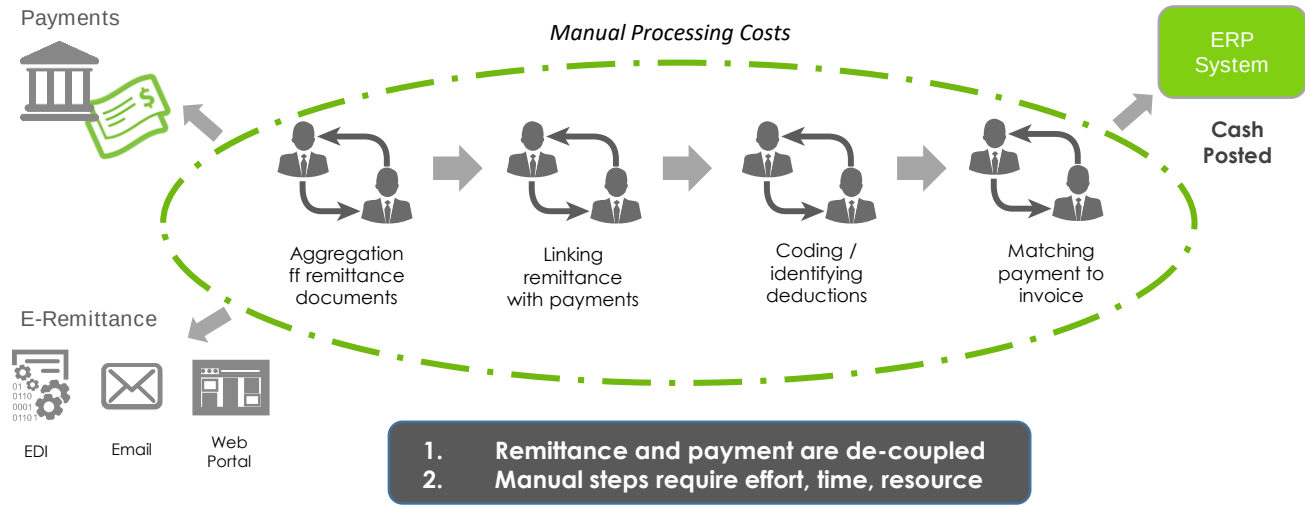
Source: Payment Trends, Preferences & What Works for Credit-Receivables Professionals, NACHA-CRF Survey

Controlling and standardizing remittance information from customers

- The advantages of the standardized remittance formats, like EDI and BAI2, are:
- Direct transfer from banks
 - Auto-posted into the ERP
 - Better, faster exchange of business information
 - Reduced administrative costs
 - Separate reason codes for disputes
 - Fewer errors
 - Improved customer service

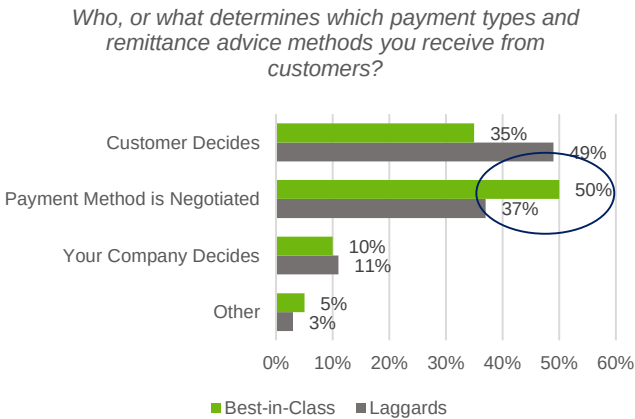
Best-in-Class companies have been able to take some proactive steps to move their customers to start submitting standardized remittance information. Laggards have not done this, so they have to manage data, reconciliation, and exception handling manually.

Fig 3: Manual processing costs in cash application



Payment method decision

Fig 4: Payment method decision: Best-in-Class vs Laggards



Source: Payment Trends, Preferences & What Works for Credit-Receivables Professionals, NACHA-CRF Survey

For most companies, the payment method is driven by customer preference as buyers typically have most of the leverage.

However, negotiated or supplier-enforced payment methods give better leverage in controlling the payment mix.

Best-in-Class companies negotiate the mode of payment with their customers. This gives them the freedom to drive adoption for payment formats which facilitate:

- Smooth reconciliation
- Standardized cash application
- Reduced data entry costs
- Improved data accuracy
- Better cash forecasting

Laggards however, are less likely to negotiate payment type. As discussed above, customers generally prefer to use checks to leverage the check float. This acts as a hurdle for suppliers who wish to adopt electronic payments and revamp their cash application process.

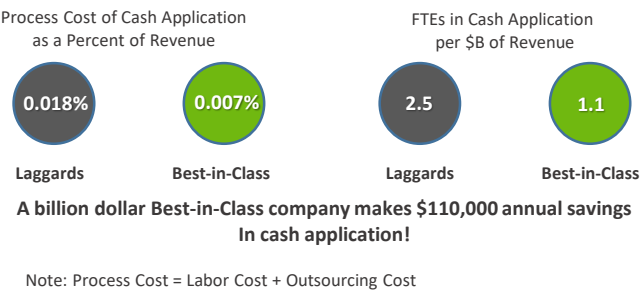
Resource requirements for cash application

Research by The Hackett Group unveiled that Best-in-Class have a lower percentage of resources dedicated towards cash application, as a result of the automation that they have deployed.

On the contrary, Laggards have to shell out a major percentage of their revenue as process cost. The above survey highlights that compared to Laggards, Best-in-Class spend half as much in process costs and have half the employee size.

Fig 5: Payment method decision: Best-in-Class vs Laggards

Taking an end-to-end view, we see that Best-in-Class employ less C2C Process Resources with a direct correlation to lower Process Costs



Source: Customer to Cash Scorecard, The Hackett Group

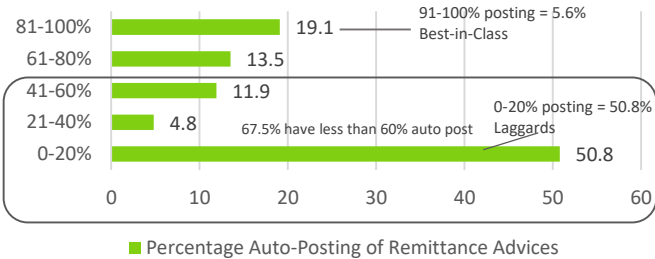
Auto-posting of remittance advices

One of the areas where Best-in-Class companies have an edge over others is that they have a high percentage of remittance advices auto-posted. This means that analysts do not need to collect remittances from multiple channels, match them individually with payments, and handle exceptions in case of incorrect/missing information. The entire process happens automatically. This cuts costs, saves time, and improves operational efficiency.

For Laggards, linking payments and remittances is a taxing job that involves a lot of back-and-forth with customers, handling lots of paper and spreadsheets, and identifying each payment line-item with the remittance details.

Fig 6: Auto-posting of Remittance: Best-in-Class vs Laggards

What percentage of your payment remittance advices flow through your system and are posted automatically, such that cash can be applied, and invoices can be closed, without any manual intervention?

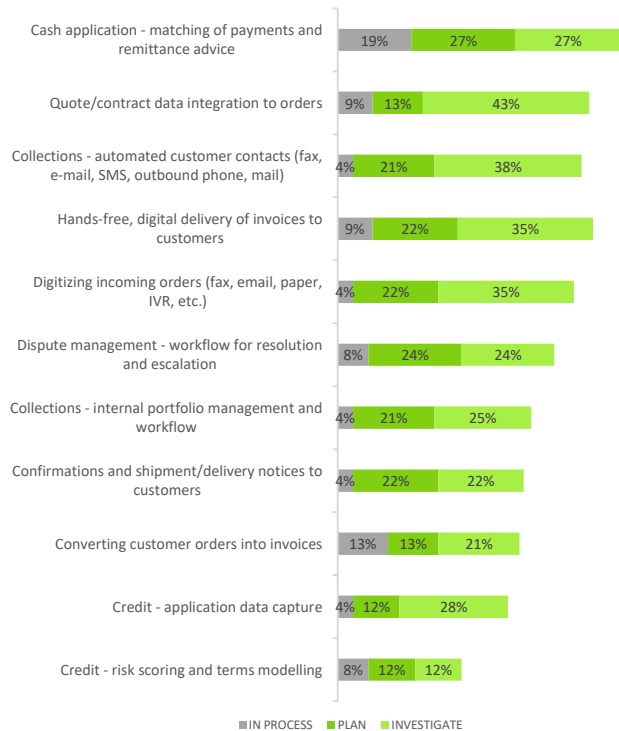


Source: Payment Trends, Preferences & What Works for Credit-Receivables Professionals, NACHA-CRF Survey

Credit-to-cash automation - plans for the future

The fundamental goal in Accounts Receivable (A/R) is to efficiently process the payments coming in. Only companies who have figured out cash application should proceed to automate other areas such as credit, collections, billing, and deductions.

Fig 7: Automation over next 12-24 months



Source: Customer-to-Cash Intelligent Process Automation Study, The Hackett Group, 2016

According to a research by The Hackett Group, the majority of the companies reported that an important focus for the next couple of years would be automating cash application. While receiving and processing payments is largely automated, companies still struggle with posting the payment. This struggle is mainly attributed to inconsistent channels, formats, and data with payments and remittances.

But despite the deplorable state of automation in cash application, most decision makers across both Best-in-Class and Laggards are looking to automate higher-order functions such as credit and collection.

“E-payments are undoubtedly on the rise. Therefore, cash application teams must address the hockey stick growth in e-payments.”

In the event of Laggards imitating top performers, it could result in getting involved with complex areas of credit and collections without fixing the basics. As a best practice, Laggards should start by achieving straight-through posting for cash application and then focus on other elements, rather than blindly “following the leader” and falling off the automation cliff.

Changing payment trends and impact on cash application

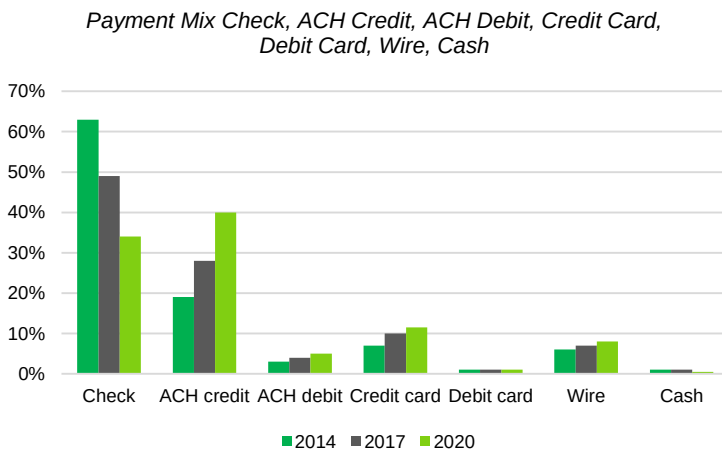
A survey by NACHA and CRF revealed that over the years, the payments mix for B2B companies has undergone a drastic shift. The payment trends have a direct impact on cash application and A/R teams need to be on their toes to support a diverse mix of payment.

E-payments are undoubtedly on the rise. Therefore, cash application teams must address the hockey stick growth in e-payments.

The Best-in-Class have successfully migrated towards e-payment adoption and are doing better at processing a wide range of payments. For them, their area of focus is standardizing the processing of electronic payments across ACH, credit cards, and wires and achieving straight-through cash posting.

Laggards are still stuck with a check-heavy receivables landscape. For them, the growing volume of payments is the biggest challenge. Having zero straight-through processing, they have to depend on additional resources to tackle growing check volumes. As opposed to their Best-in-Class counterparts who are focusing on applying straight-through cash posting, they are still trying to figure out the “scale” problem.

Fig 8: Payment Mix: 2014-2017-2020



Source: Payment Trends, Preferences & What Works for Credit-Receivables Professionals, NACHA-CRF Survey

Research Summary

Why cash application is important

A major priority of any receivables team is successfully reconciling received payments with open receivables. Unless the customer invoice is closed, all the efforts directed towards credit, collections, and deductions are in vain.

The majority of the resources in cash application are burdened with low-value manual tasks such as rekeying, reconciling, and data fetching. Having an automated cash application process speed up these tasks and could aid other A/R processes such as:

Collections: Having real-time visibility of the payments received allows dunning to be more systematic and strategic

Deductions: Automated dispute coding would help analysts focus on speedy deduction resolution instead of figuring out the nature of the deduction.

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Why the Best-in-Class are focusing on standardization and straight-through processing

Having an automated cash application system that has a standardized payment processing and straight-through posting is a boon for future growth. A robust system is able to tackle the problems of growing payment volume and changing payment trends.

Why cash application needs to be automated

It is well beyond the point where companies are able to debate whether or not to automate. Cash application is a low-hanging fruit that requires automation in order to stay up-to-date with the dynamic payments landscape.

Self-Assessment for Your Cash Application Process

What is straight-through processing?

Straight-through processing is when payments are posted against open invoices in your ERP without any manual intervention.

The level of straight-through processing depends on how much manual intervention has been eliminated from each of the tasks and sub-tasks involved in the cash application process.

The ideal situation

In a perfect world, the A/R department would receive all of its payments in electronic format, accompanied with a standardized remittance advice which could directly be reconciled for cash posting. The direct match between the invoice numbers on the remittance and your invoices would create a true straight-through process.

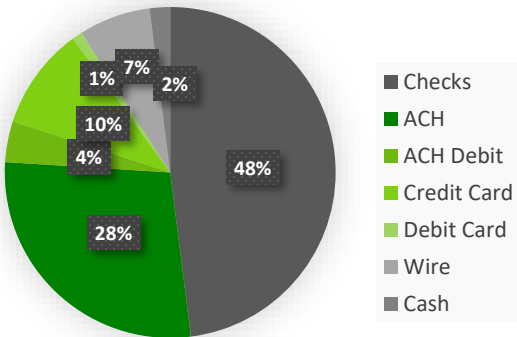
This would obviously free up tremendous amounts of time and resources which are currently devoted to cash application. It could also potentially enable real-time reconciliation, thereby resulting in better visibility for cash flows.

But we are still quite some time away from utopia. As long as multiple payment and remittance formats continue to co-exist, the lack of standardization is likely to require manual intervention in reading, matching, and reconciling of incoming payments.

Roadblocks to utopia: Multiple payment and remittance formats

The US B2B payments space has a long way to go before any sort of payment and remittance standardization. While the UK and most of Europe have mostly migrated to e-payments since the SEPA intervention, the US still has nearly half of B2B payments being made via check.

Fig 9: Payment Mix: 2017



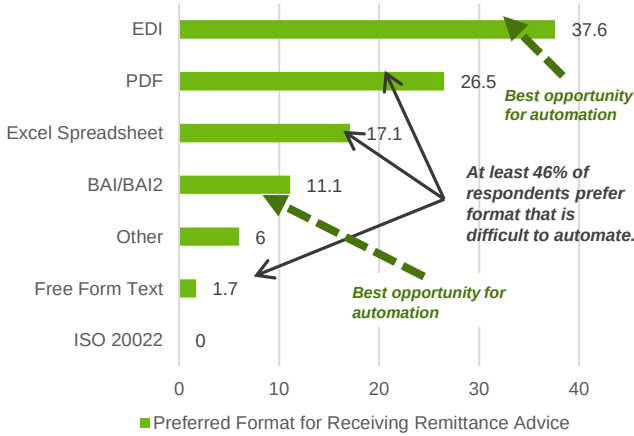
Source: Payment Trends, Preferences & What Works for Credit-Receiveables Professionals, NACHA-CRF Survey

This is followed by electronic formats such as ACH, Credit Card, Debits Card, and Wire; and then cash.

In addition, when buyers pay electronically, the remittance data is typically “de-coupled” from the payment and sent via email and fax or even uploaded to customer websites or third-party A/P (Accounts Payable) portals.

Fig 10: Preferred Format for Receiving Remittance Advice

What is your preferred format for receiving remittance advices from customers?



Source: Payment Trends, Preferences & What Works for Credit-Receiveables Professionals, NACHA-CRF Survey

- EDI, BAI/BAI2, and ISO 20022 offer a great deal of standardization. However, non-standardized remittance continues to exist because:
1. Standardization will only be a long-term benefit. Suppliers have not been very keen in driving this, primarily to not disrupt buyer relations, but also because they do not realize the disruptive impact it could have in terms of enabling straight-through processing
 2. It is an enormous effort to get banks, businesses, third-party agencies, and payment platforms on the same page about the benefits of standardized remittance

Incorrect estimation of your straight-through processing rate

While making a concerted effort for standardizing buyer payment and remittance formats is important, a basic first step for any supplier organization is to be able to assess their straight-through processing rate. However, not many credit and A/R professionals are aware of how to go about this process.

For example, a company claiming an 85% straight-through processing rate with an automation system might be painting a rosier picture than reality, if they have analysts handling a ton of exceptions and linking email remittance with payments. In reality, a company is able to achieve an 85% straight-through processing rate only if it posts 85% of received payments into their ERP against open-invoices without any manual or human intervention.

Breaking down the cash application process

It is important to start by breaking down the different manual tasks that are involved in the cash application process. Drilling down into the individual cash application processes isolates areas which are still largely manual and require immediate automation. In order to gain a true picture of how straight-through their cash application process is, these are the areas leaders need to focus on.

Remittance information aggregation

For checks

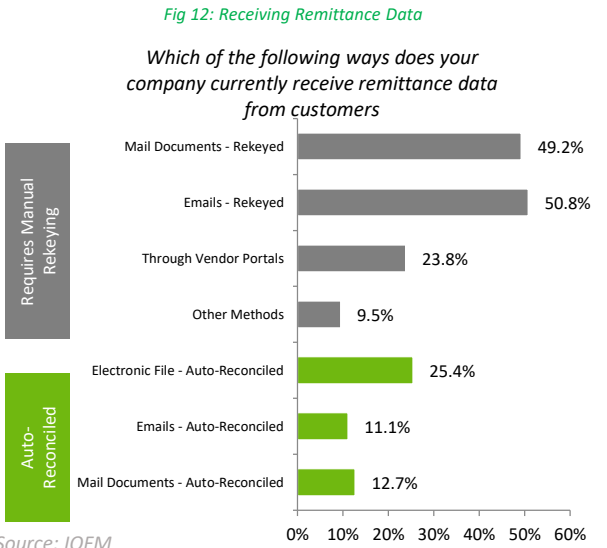
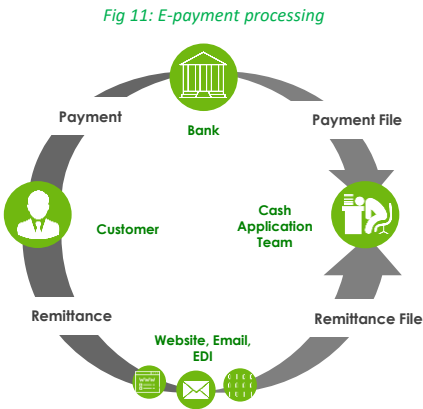
Check remittance data mostly arrives in the form of paper check stubs. The paper-based information needs to be manually entered into a spreadsheet by the analysts to match it with payments. Keying in remittance data is a time-consuming and low-value activity that relies entirely on human resources.

Keying-in check remittance data could partially be averted if the company uses lockbox keying-in services or outsources it to third-party vendors. However, this is not cost-effective as keying-in costs would escalate with an increase in payment volumes.

- Lockbox service providers provide companies with keyed-in remittance data.
- Analysts manually aggregate paper check stubs received from print and mail, e-mail, or fax and key them on a spreadsheet.

For electronic payments

E-payments and remittance information are often received separately. Remittance comes in multiple formats (.txt, .csv, BAI2, .pdf) and through multiple channels (email, web-portals, fax). Analysts manually fetch, read, and match remittances to payment.



According to an IOFM survey, most of the remittance data has to be keyed-in by the analysts before posting. The largest contributing factor to this is the unsurprising non-standardization in remittance formats.

- Companies receive remittance information coupled with payments in standard- templates such as EDI 820, ISO 20022, which can be included in ACH payments.
- Remittances arrive de-coupled, but in standardized formats such as EDI 823 or BAI2 with the receiver having the technology to process it.
- Analysts manually download remittance data from email, web-portal, or EDI and key-in all remittance data.

Payment information aggregation

For checks

Suppliers leveraging lockbox services have their banks consolidate check payments received into an electronic lockbox file. However, in most cases the header data information available in the payment file is not sufficient for posting cash.

 Lockbox data consists of the all the necessary payment details such as invoice date, payee name, remittance detail, invoice amount, check amount, check number, and invoice number.

 Lockbox data is incomplete and analysts fill in the missing data manually by going through the scanned check images.

For electronic payments

This information is again received through payment files from the bank. Analysts typically need to log in to the bank portal and download these payment files.

Linking incoming remittance and payment

Payment-remittance linking is a challenge

A/R teams collect the de-coupled remittances from various sources such as email, PDFs, Excel files, websites, and EDI files and read the remittance data to link each remittance with the payment file.

The expectations of electronic payments in terms of automation are completely crushed under the weight of the manual work required to link the payment with the remittance.

 Payment and remittance data is coupled when received, such that matching with the open invoice may be done instantly.

 Analysts have to manually link each remittance with incoming payment before matching them with the open invoices.

Open A/R invoice mapping

Once the payment and remittance are linked, the next part of the process is matching the payment with the open invoices. Analysts perform this matching based on the details present in the remittance information such as invoice numbers and purchase order or shipment details. If these details and the paid amounts match, the open A/R invoice is closed.

Fig 13: Inaccurate and incomplete data

Inaccurate Invoice Nos. (Replaced with PO Nos.)	
Payment Number : 16349001427839 Payment Amount : US\$5551.50	
Invoice Number	Net Amount
7120454	US\$3084.8
65092LMT	US\$732.18
64643ABRI	US\$711.97
7242017	US\$696.25
7170276	US\$110.80
6889195	US\$108.00
7062641	US\$107.50
TOTAL	US\$5551.50

Incomplete Invoice Nos. (Missing Digits)	
Payment Number : 16348000081479 Payment Amount : US\$24939.25	
Invoice Number	Net Amount
270384	US\$6300.80
109426	US\$5978.01
917596	US\$5974.97
055530	US\$5639.96
241913	US\$1045.51
TOTAL	US\$24939.25

 Analysts map the open invoice with the payments received at a line-item level. This is how mapping should be done since it identifies deductions, discounts, and any inconsistencies for individual line-items.

 Analysts match the payment with open invoice irrespective of the type of reference information included in the remittance.

 Analysts just compare the open amount and the received amount at a customer level. If they match, then the amount gets closed and they call it a day. Mapping at an account level overlooks any discrepancies that could arise at a line-item level.

Short-payments

When matching payments with open invoices, if the received amount for a particular invoice is different than the due amount, analysts need to identify the reason for the inconsistency. For that, analysts need to pull out the remittance details for that particular payment and isolate the reason for short-payment.

Buyers make short-payments due to eligible trade promotions, early payment discounts, or disputed services or goods. Deduction analysts go through the customer master, followed by customer documentation such as Proof of Delivery and Bill of Lading and then do back-and-forth with the sales and customer service teams to validate the short-payment. If the discount is eligible, the analysts need to map the relevant reason code for that discount to the payment before applying it to the ERP. All of the above processes consume a lot of time which drive analysts to write-off discounts within a specific threshold without proper research to avoid spending time rummaging through a pile of papers.



Suppliers have standardized internal codes for different types of deductions.



Suppliers make discounts very clear so that customers do not take ineligible or unearned discounts.



Customers provide no reason code for their deductions; or the reason codes provided don't match the internal reason codes of the supplier.

Posting to the ERP system

Companies could use any ERP system, including SAP, JD Edwards, Microsoft, or legacy systems, each with their own unique configurations. At the end of the day, cash application is not complete until the payments have been successfully posted to ERP. In a highly manual world, this is done with batch files made with Excel or spreadsheets. Once the batch file is created, it is pushed into the ERP. Once the batch file is pushed, the status of the application appears on the ERP. The application statuses are:

- Applied: cash applied at a header level
- On Account: cash applied at a customer level
- Partially Applied: cash applied based on limited fields
- Unprocessed: cash is not applied

In case of the unprocessed status, analysts need to manually resolve the exceptions before the cash is applied.



The file created by the analyst or received from the bank is auto-posted to the ERP system and all payments are successfully applied.



Analysts need to handle exceptions or reconfigure the file before posting it to the ERP system.

“

At the end of the day, cash application is not complete until the payments have been successfully posted to ERP. In a highly manual world, this is done with batch files made with Excel or spreadsheets.

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Cash Application Technology Evaluation Checklist

The first step toward achieving high levels of straight-through processing with technology is to understand what you should expect technology to be able to do at an individual process and sub-process level. This chapter re-examines the different parts of the cash application process and defines an ideal end-state with the support of technology.

Capture of remittance and payments from multiple sources

Technology should enable the capture of remittance details even if they arrive unbundled from the original payments. Specifically, technology should be able to work with the following sources of remittance:

Check stubs

Technology solutions should be able to eliminate manual keying of check remittance data. This should effectively remove any dependence on bank lockbox services or in-house resources for key-in, thereby reducing costs and eliminating human error.

Emails

Technology should be capable of extracting remittance data sent in an email message body as well as from email attachments in formats such as CSVs, PDFs, and text files. This should be possible regardless of the structure of the incoming document.

Web portals

Software programs should be able to log into buyer websites or A/P portals and extract remittance information similar to what analysts manually do today.

EDI

EDI files are not formatted alike. EDI parsing solutions should be able to operate in a format-agnostic manner to capture core remittance details as well as rich information on discounts, reason codes, and deduction and dispute amounts.

Linking of remittance and payments for e-payments

Automatic linking of payment and remittance only happens when remittances are able to identify the payment with the right invoice number, payment data, or other customer identifier. However, this is often not the case, due to incomplete and non-standard remittance information.

An ideal technology solution should be able to solve this, especially for electronic payments, and link both of these documents based on either of the reference details mentioned above, email sender domain or the MICR number.

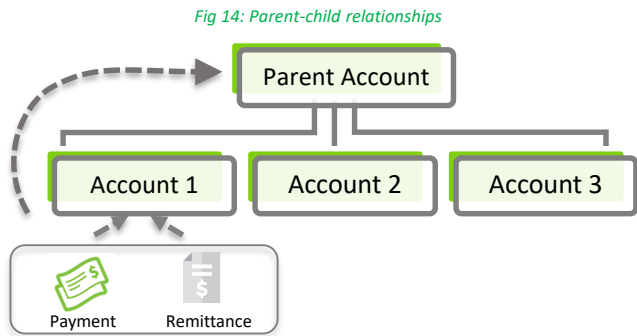
Customer identification for incoming payments

Performing a basic payment-customer match

Customer identification takes place through customer reference fields such as MICR and IBAN number for checks and account numbers in the case of e-remittance and payments. However, often the MICR/IBAN number is not legible or requires an analyst to manually map it to the right customer.

Technology should be able to extract all of the customer details from payment and remittance files and map these automatically with the customer master database.

Complex parent-child relationships



Mapping payments to customers is often complicated due to intricate parent-child relationships that might exist in the customer master database. In some scenarios, sales invoices are closed on a parent account level, but the deductions are posted at the child level. Technology should facilitate this based on individual business structures.

Open A/R invoice mapping

In an ideal world, it should be possible to post the payment directly against an open invoice, based on the invoice information shared in the remittance. However, that's not always the case.

Technology solutions should be able to map payments to open invoices even if non-invoice reference information is shared on the remittance or the reference information does not exactly match the invoice numbers in the A/R data. This includes cases such as:

- A partial or truncated invoice number is mentioned
- Other reference numbers, such as Sales Order numbers or Purchase Order numbers have been used
- Payments have been made by alternate payers

Short-payment identification and application of reason codes

Customers don't always make short-payments, but when they do, they might not share deduction reason code information how you expect them to.

An ideal technology solution should not only be able to identify short-payments but also be able to map the customer provided reason code to your internal reason codes for proper deduction case routing to the right analysts on your team.

Additionally, solutions should also be able to handle short-payments where complex parent-child relationships exist. The use cases of such scenarios are:

Split

This will be the case when an analyst identifies that the original claim raised needs to be researched by two different departments which requires the deduction to be split into two separate deductions. As part of a split, the system should be able to divide amounts and copy items from parent dispute onto child disputes.

Merge

When a buyer takes multiple deductions for the same reason (such as shortage or spoilage) on a single invoice, the system should automatically merge those deductions into a single category.

ERP cash posting

The technology solution should be able to submit final processed files for cash posting into any ERP system. This requires the capability to generate file formats as per the particular ERP systems requirements, including BAI, EDI, and CAMT.

“

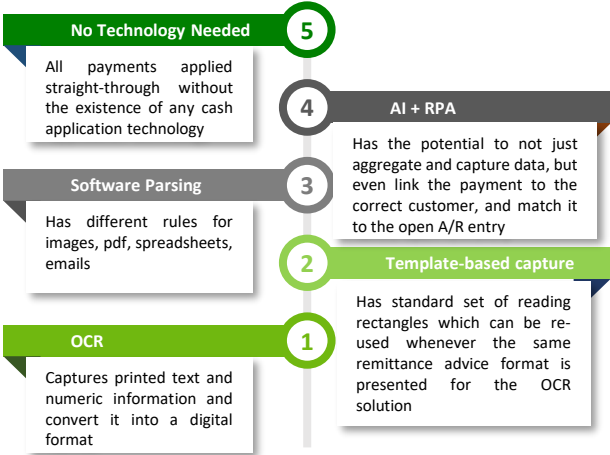
An ideal technology solution should not only be able to identify short-payments but also be able to map the customer provided reason code to your internal reason codes for proper deduction case routing to the right analysts on your team.

”

Technology Option Overview

Once you have armed yourself with a feature checklist, it's time to go shopping. Taking a closer look at how cash application technology has evolved over time is a great way to understand what to expect out of the different solutions and software vendors you are likely to encounter in the market. The graphical continuum below represents the evolution of different cash application technologies.

Fig 15: Evolution of cash application technologies

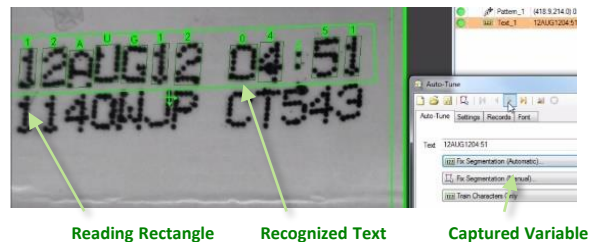


These stages of technology evolution have been explained in detail in the following part of this chapter.

Optical Character Recognition (OCR)

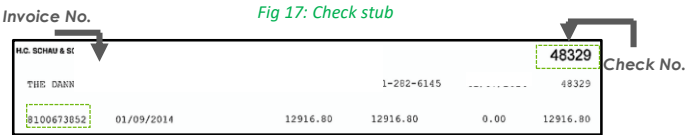
Optical Character Recognition – or OCR – is common inside A/R departments and anywhere else that printed text needs to be captured and converted to a digital format. OCR solutions work best with text which has been printed and scanned at a high resolution.

Fig 16: Optical Character Recognition



Why OCR cannot achieve straight-through processing

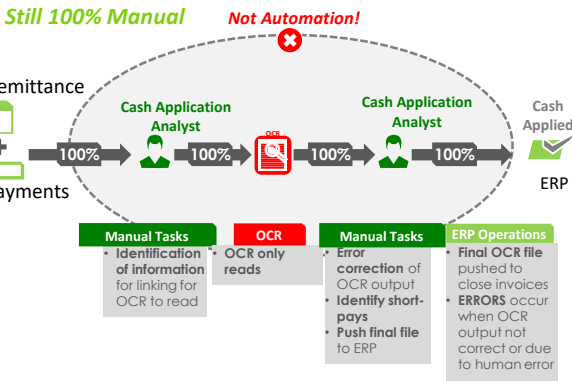
Even though OCR reads data, it does not have the functionality to use reasoning to identify the data it reads. which is a problem for non-standard remittance information.



In the above scenario, an OCR solution does not distinguish between the check number and invoice number in a check remittance, which is second-nature for a human analyst.

While OCR solutions could save time that analysts otherwise spend reading the remittance and then typing out the required information, it is still a long way from achieving automation.

Fig 18: Limitations of OCR



Analysts are burdened with identifying the information which the OCR needs to read. Analysts are also responsible for correcting errors in the OCR output in addition to the regular tasks of identifying short-pays and pushing the final output into the ERP. Cash application processes which use OCR as a solution are highly error-prone as they are exposed to both machine and human errors.

Fig 19: Technology evaluation: OCR

	Multi-source remittance, payment capture	Payment-remittance linking	Customer identification	A/R mapping	Short-payment processing	ERP Cash Posting
OCR	✗	✗	✗	✗	✗	✗

Template-based capture technology

The limitations of OCR led to the implementation of reading templates to be used along with OCR solutions for cash application. A template is a standard set of reading rectangles which are re-used whenever the same remittance advice format is presented for the OCR solution.

N° FACTURE INVOICE NO.		MONTANT BRUT GROSS AMOUNT	ESCOMTE DISCOUNT	N° 284210	MONTANT NET NET AMOUNT
0097070044		6302.24	63.02		6239.22
0097070533		1090.65	10.91		1079.74
0097070534		35320.32	353.20		34967.12
0097072663		39731.21	397.31		39333.90
0097072664		256.90	2.57		254.33
0097074807		80872.18	808.72		80063.46
1877237		-966.25			-966.25
1880929		-203.65			-203.65
1880932		-533.94			-533.94
195309		-19.25			-19.25

INVOICE		DESCRIPTION		GROSS AMT.	DISCOUNT	NET AMOUNT
D1407420		Information Enc		100.00	0.00	100.00
D1410638		Information Enc		41.58	0.00	41.58
0097082464		ENC		20592.00	439.92	20152.08
100814		COUP DED 10/08/		21.08	0.00	21.08
100914		COUP DED 10/09/		17.26	0.00	17.26

Reading rectangle defined for:
Net Amount

However, templates fail, even with same remittance format, when there is even a small change in the incoming data.

CENTRAL GROCERS, INC. JOLIET, ILLINOIS			
DATE	DESCRIPTION	AMOUNT	
1/15/71	1914000004	\$ 1,020.00	
1/15/71	1030000102	\$ 965.41	
1/24/71	0200004001	\$ 12,343.00	
1/30/71	0300000001	\$ 4,509.00	
1/30/71	1900000124	\$ 8,774.82	
1/30/71	1900000123	\$ 8,452.00	
		\$ 35,064.23	
TOTAL			
DATE	DESCRIPTION <td>AMOUNT</td> <td></td>	AMOUNT	
1/15/71	1914000004	\$ 1,020.00	
1/15/71	1030000102	\$ 965.41	
1/24/71	0200004001	\$ 12,343.00	
1/30/71	0300000001	\$ 4,509.00	
1/30/71	1900000124	\$ 8,774.82	
1/30/71	1900000123	\$ 8,452.00	
		\$ 35,064.23	
TOTAL DEBIT			
DATE	DESCRIPTION <td>AMOUNT</td> <td></td>	AMOUNT	
1/15/71	1914000004	\$ 1,020.00	
1/15/71	1030000102	\$ 965.41	
1/24/71	0200004001	\$ 12,343.00	
1/30/71	0300000001	\$ 4,509.00	
1/30/71	1900000124	\$ 8,774.82	
1/30/71	1900000123	\$ 8,452.00	
		\$ 35,064.23	
TOTAL CREDIT			
DATE	DESCRIPTION <td>AMOUNT</td> <td></td>	AMOUNT	
1/15/71	1914000004	\$ 1,020.00	
1/15/71	1030000102	\$ 965.41	
1/24/71	0200004001	\$ 12,343.00	
1/30/71	0300000001	\$ 4,509.00	
1/30/71	1900000124	\$ 8,774.82	
1/30/71	1900000123	\$ 8,452.00	
		\$ 35,064.23	
TOTAL DEBIT			
DATE	DESCRIPTION <td>AMOUNT</td> <td></td>	AMOUNT	
1/15/71	1914000004	\$ 1,020.00	
1/15/71	1030000102	\$ 965.41	
1/24/71	0200004001	\$ 12,343.00	
1/30/71	0300000001	\$ 4,509.00	
1/30/71	1900000124	\$ 8,774.82	
1/30/71	1900000123	\$ 8,452.00	
		\$ 35,064.23	
TOTAL CREDIT			
DATE	DESCRIPTION <td>AMOUNT</td> <td></td>	AMOUNT	
1/15/71	1914000004	\$ 1,020.00	
1/15/71	1030000102	\$ 965.41	
1/24/71	0200004001	\$ 12,343.00	
1/30/71	0300000001	\$ 4,509.00	
1/30/71	1900000124	\$ 8,774.82	
1/30/71	1900000123	\$ 8,452.00	
		\$ 35,064.23	
TOTAL DEBIT			
DATE	DESCRIPTION <td>AMOUNT</td> <td></td>	AMOUNT	
1/15/71	1914000004	\$ 1,020.00	
1/15/71	1030000102	\$ 965.41	
1/24/71	0200004001	\$ 12,343.00	
1/30/71	0300000001	\$ 4,509.00	
1/30/71	1900000124	\$ 8,774.82	
1/30/71	1900000123	\$ 8,452.00	
		\$ 35,064.23	
TOTAL CREDIT			
DATE	DESCRIPTION <td>AMOUNT</td> <td></td>	AMOUNT	
1/15/71	1914000004	\$ 1,020.00	
1/15/71	1030000102	\$ 965.41	
1/24/71	0200004001	\$ 12,343.00	
1/30/71	0300000001	\$ 4,509.00	
1/30/71	1900000124	\$ 8,774.82	
1/30/71	1900000123	\$ 8,452.00	
		\$ 35,064.23	
TOTAL DEBIT			
DATE	DESCRIPTION <td>AMOUNT</td> <td></td>	AMOUNT	
1/15/71	1914000004	\$ 1,020.00	
1/15/71	1030000102	\$ 965.41	
1/24/71	0200004001	\$ 12,343.00	
1/30/71	0300000001	\$ 4,509.00	
1/30/71	1900000124	\$ 8,774.82	
1/30/71	1900000123	\$ 8,452.00	
		\$ 35,064.23	
TOTAL CREDIT			
DATE	DESCRIPTION <td>AMOUNT</td> <td></td>	AMOUNT	
1/15/71	1914000004	\$ 1,020.00	
1/15/71	1030000102	\$ 965.41	
1/24/71	0200004001	\$ 12,343.00	
1/30/71	0300000001	\$ 4,509.00	
1/30/71	1900000124	\$ 8,774.8	

Fig 22: Limitations of reading rectangles part 2

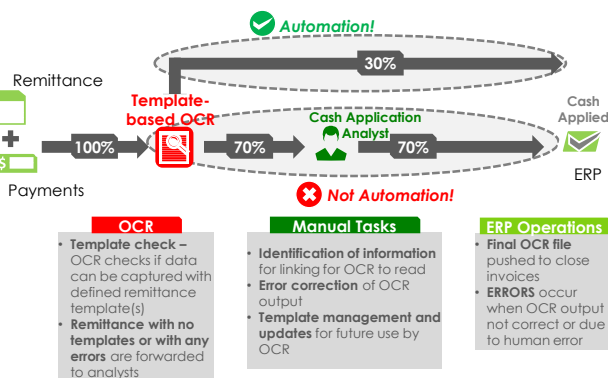


Fig 23: Technology evaluation: Template based OCR

	Multi-source remittance, payment capture	Payment-remittance linking	Customer identification	A/R mapping	Short-payment processing	ERP Cash Posting
OCR	✗	✗	✗	✗	✗	✗
Template based	✗	✗	✗	✗	✗	✗

The emergence of different electronic formats for remittances necessitated software parsing technology. This technology eliminated the task of printing and scanning images of e-remittance data.

Software parsing requires a software template that defines the elements to be parsed in an electronic document. This program then extracts the information from the source document and populates the database. The main advantage of software parsing is that there is no need to convert a document into an image format. It extracts information digitally, thereby reducing any loss of information which could occur when converting scanned image data into digital text.

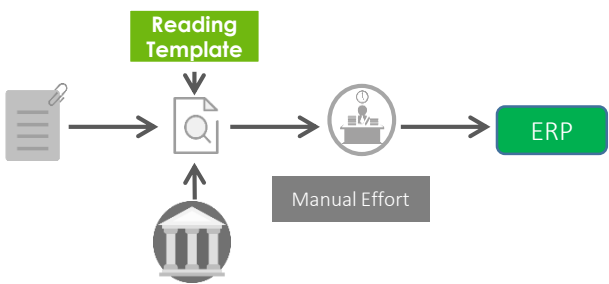
```

graph TD
    WP[Web Portal] --> SP[Software Parser]
    E[Email] --> SP
    EF[EDI Files] --> SP
    T[Template] --> SP
    SP --> RI[Remittance Information extracted]
    SP --> P[Printer]
  
```

“70% of the time when a template-based OCR cannot read remittance data, it simply forwards the remittance to an analyst, who then has to re-train the OCR by creating a new template on how to read.”

Software parsing - still requires templates

Fig 25: Limitations of software parser technology



Similar to OCR, software parsing is a template-based technology which produces errors when a document format changes. Moreover, even though software parsing is able to capture the data, it is unable to aggregate the data from various sources. For example, a simple template-based program will not be able to log onto an email server and download and open the attachment. The template-based software parser will just go through the information that has been directly presented to it. Logging into the email server, opening the file, and downloading the data is still done manually.

Artificial Intelligence + Robotic Process Automation

Artificial Intelligence or AI is the ability of computer systems to learn, reason, think, and perform tasks that require complex decision-making. AI is capable of:

- performing complex tasks that need judgment by humans
- evolving with experience and improving results over time
- handling new inputs based on past experience

Robot Processing Automation or RPA are software “robots” which mimic human actions on a computer to complete a business process. RPA is suitable for automating high-volume rule-based and repetitive tasks.

The combined effect of AI and RPA is the most advanced technology available on the market today. It has the potential to not just aggregate and capture data but even link the payment to the correct customer and match it to the open A/R entry.

Eliminating repetitive, low-value work

Repetitive clerical tasks such as going into the bank system and downloading files, pulling remittances from email inbox, and keying in remittance data into the system could be completely automated using an RPA system.

Smart data capture

Once RPA has been able to aggregate all required data, AI could be used to not just read the data but understand it as an analyst would. It is able distinguish different components from a remittance document such as invoice number, due date, and purchase order number. AI systems are also capable of identifying patterns in the way analysts solve exceptions and automatically resolve them going forward.

Close to 100% straight-through, but still not there

Even though RPA and AI combined are capable of offering up to 95% straight-through processing, there will always be exceptions that cannot be solved by the system. Such exceptions arise when the remittance information is missing, illegible, or inaccurate.

Fig 26: Technology evaluation: AI + RPA

	Multi-source remittance, payment capture	Payment-remittance linking	Customer identification	A/R mapping	Short-payment processing	ERP Cash Posting
OCR	✗	✗	✗	✗	✗	✗
Template based	✗	✗	✗	✗	✗	✗
Software parsing	✓	✗	✗	✗	✗	✗
AI + RPA	✓	✓	✓	✓	✓	✓

No technology - the final frontier

This is the pinnacle of cash application, where there would be no need for cash application technology. This is the ideal state for cash application, where all payments and remittances would be bundled in standardized formats so that they could be applied straight-through rendering all cash application technology unnecessary.

Thinking about technology

As a closing note, the most important advice is to focus on what you need the technology to do to increase your straight-through processing rate. While the technology-free end state is far from reality, it is important to understand that it does not mean that cash application must continue to be a burden and resource strain for your accounts receivable team.

Always choose a vendor offering which checks most of the boxes in terms of core capability at a sub-process level.

Building a Business Case for Cash Application

A key challenge in technology purchases is gaining approval from upper-level executives who require formal analysis and justification. As a result, it's necessary to have a strong sales mindset when A/R funding requests compete against other projects for capital and operating budget dollars.

In many companies, IT projects must be justified through formal processes that detail the spending requirements and estimated savings to produce a return on investment (ROI) measurement. Justifying a project that does not require capital expenditures, such as subscribing to a Software-as-a-Service (SaaS) solution, will often prove easier and less time-consuming.

This chapter will help you develop a business case for investment in an automated cash application system, focusing on the ways to identify and quantify the benefits from automating cash application, how to calculate the financial return, and how to prepare a business case to gain executive approval.

What executives look for

An important component of a winning business case is to set clear objectives. By establishing clear objectives, you are able to remain focused on what is important and communicate with your executives in a language they will understand. Setting up these clear objectives is centered upon understanding the value from the executives' perspectives. Instead of viewing this activity as "what is in it for you", communication should be about "what is in it for the executives."

Three good questions that will establish clear objectives are:

- What is the investment?
- What is the value?
- What is the payback?

These three questions build on each other. The first question establishes the costs of this project while the second outlines the benefits. For a cash application initiative, the benefits are usually best described in terms of savings – either in terms of human resource full time equivalents (FTEs) which are then refocused on higher-value activities or in dollars.

The third question uses the costs and savings as inputs in a financial analysis to determine the ROI. ROI helps management understand, rationalize and prioritize purchase selections, and ensure these choices maximize payback and minimize risk. The three common measurements of an ROI analysis are net present value (NPV), internal rate of return (IRR), and payback period, which is the time required until the savings outweigh the investment costs.

This payback period is often referred to as the breakeven point – the time when the savings become equal to the investment.

The investments and costs

It is important to understand the full costs incurred on a project to reach the desired business objectives or automation goals. We will discuss how to set these goals realistically in the next section. This includes not only the up-front costs but the ongoing costs to run the system. A cash application project, like any IT project, should be considered in terms of a number of components. Some common ones to consider are:

1. Hardware – do we need to buy, install, and maintain new hardware?
2. Software – how much do I pay for the product and how is it spread over the evaluation horizon?
3. Vendor setup – how much will it cost for the vendor to implement the project with the characteristics necessary to achieve the expected automation targets?
4. Internal project resources – how many resources do my team and the IT department have to allocate to the project?
5. Ongoing system maintenance – how will the system be maintained, updated, and managed and what will this cost?
6. New system management tasks – what tasks will my team need to perform and how often to keep the system running as expected on top of their day-to-day business activities?

Hardware

Depending on the delivery model, on-premises or Software-as-a-Service (SaaS), you may have to consider hardware costs. For on-premises solutions, you will have to procure servers and software licenses. Additionally, there may be IT resources necessary to install, configure, and manage the new hardware. For SaaS projects, there is no hardware to procure and manage as the system is delivered entirely through the cloud (over the internet).

Software

Typical technology solutions follow either a License and Maintenance (L&M) or a SaaS model. For L&M solutions, you should take into account not just the upfront license costs but also the maintenance costs over the entire period in which you are evaluating the project. For SaaS solutions, there is usually no up-front cost but periodic service charges are assessed based on usage. It is important to understand all charges for which you are liable, and under what circumstances you incur them so that an accurate estimate of recurring fees over the evaluation horizon is included.

Vendor setup

Setup costs usually cover any work that the vendor team needs to perform for your team to achieve your automation and savings objectives. This would cover installation, integration, and configuration time as required. For some systems, custom work may be needed.

Internal project resources

It is easy to forget that you will have to dedicate resources, from both your team and IT to this project. Depending on the integration requirements and system capabilities, more or less time will be needed. Traditionally, the opportunity costs of waiting on IT to staff a project is not included in the project analysis. However, the less dependency there is on IT resources, the more quickly and cheaply a project goes live.

Ongoing system maintenance

For on-premise solutions, you will have to account for update and upgrade costs to take advantage of new capabilities and enhancements. You also need to understand how often updates are released, what capabilities they cover, and what it takes to apply them. Be aware that for some on-premise systems, such upgrades may be significant IT projects on their own and are associated with delays and system downtime. For SaaS systems, the vendor is responsible for any updates, and upgrades are usually seamless and subject to standard service level agreements (SLAs). The cost of SaaS updates is part of the recurring fees.

New system management tasks

This is a key area that is often missed in business cases. It takes into account the tasks that the cash application team did not have to perform prior to the installation but will be required to perform on a daily (or other periodic) basis with the new system. One regular example that should be considered is the transformation of scanned images. OCR templates will need to be managed for reading paper checks and electronic remittance if the system does not work with email or web portal remittance natively.

The value - what will automation save me?

The second piece of the puzzle is identifying what will be saved or increased from implementing the system. Having realistic numbers for before and after is necessary to understand what the system will do for you and from where your savings and optimization will come.

The best practice is to follow an adjusted value stream analysis process:

1. Identify process tasks
2. Break key tasks into sub-tasks
3. Identify opportunities for improvement
4. Model the potential benefits

Sample analysis of cash application automation benefits

A simple breakdown before and after is shown in the following table. Additionally, tasks may be further broken down according to the needs of your process.

Activity Group / Activity	Status Quo (Hours / Week)	With Solution (Hours / Week)
Payment and Remittance Through Bank Lockbox		
Preparing file for the lockbox program	? hours	? hours
Resolving errors after initial processing	? hours	? hours
Reading paper remittance image from file	? hours	? hours
Check remittance data to identify right invoice	? hours	? hours
Posting on-account or on-invoice	? hours	? hours
Paper Remittance Not Received Through Lockbox		
Linking remittance and payment	? hours	? hours
Reading the remittance	? hours	? hours
Check remittance data to identify right invoice	? hours	? hours
Posting on-account or on-invoice	? hours	? hours
EDI Remittance		
Preparing EDI file for processing	? hours	? hours
E-Mail Remittance		
Fetching remittance from e-mails, attachments	? hours	? hours
Reading the remittance	? hours	? hours
Linking the remittance to payment	? hours	? hours
Check remittance data to identify right invoice	? hours	? hours
Posting on-account or on-invoice	? hours	? hours
Website, Portal Remittance		
Downloading remittance	? hours	? hours
Reading remittance	? hours	? hours
Check remittance data to identify right invoice	? hours	? hours
Posting on-account or on-invoice	? hours	? hours
Exception Handling (Missing Remittance, Illegible Remittance Information)	? hours	? hours
Deduction, Dispute Coding	? hours	? hours
Additional Tasks		
Managing Templates	? hours	? hours
Resolving electronic remittance OCR processing errors and exceptions	? hours	? hours
TOTAL	? hours	? hours

This method will help you identify the current demands on your team in terms of FTEs or time spent to process cash. It will also show you how much time your team will need to allocate in terms of FTEs to process the same payment volume with the system you are evaluating.

Notice that if your team is spending more time to do their work with the system than without, this project already doesn't make sense.

The payback or “should we do this at all?”

The final step in developing the ROI model is summarizing the inputs across all expenses and savings, then the financial calculations are performed. The different expenses and savings usually considered for project ROI calculations are described below.

Capital expenditure

This includes all costs incurred in the initial setup and the costs associated with the implementation project. These include costs for one-time software licensing, any other one-time software costs, and internal resource costs incurred towards the actual implementation. Many software solutions providers also charge consulting fees for product implementation, which should also be included in this section.

Recurring annual expenditure

All recurring fees incurred toward software maintenance and depreciation over the five year useful life are reconciled under this heading. If the software is delivered as a service (software-as-a-service) then the recurring expenses need to account for the annual subscription charged for the software. Software updates and upgrades which require additional expenditure or internal resource allocation should be added under this heading as well.

Net profit impact

This item accounts for the net operational savings achieved with the software solution being evaluated. It is possible that the solution might have a net negative impact on operational costs, in which case the project should not move forward. In addition to direct FTE-related operational savings, profit impact may also cover savings from a reduction in bank lockbox fees. If an automation solution helps eliminate the data key-in costs, which often form a significant part of the bank lockbox expense statement, those savings should be reflected here.

Getting to the math

Once the cash flows (net of costs and savings) are laid out by year, the Net Present Value (NPV) measurement for the ROI calculation is used, with a discount rate dependent on your business, to decide whether the project is financially attractive. The calculation parameters will differ depending on whether you calculate for a software-as-a-service or an on-premise solution. Examples of both have been provided below.

“

If your team is spending more time to do their work with the system than without, automation doesn't make sense.

”

On-Premise Software - ROI & NPV Example

A. Capital Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5
Additional Hardware/ Servers	\$ 15,000				
Software Licenses	\$ 60,000				
Other Vendor Fees	\$ 7,000				
Consulting/ Implementation Fees	\$ 40,000				
Internal IT Resource Costs for Implemen- tation	\$ 10,000				
Internal Business Resource Costs for Implementation	\$ 5,000				
Sub-Total	\$ 137,000	\$ -	\$ -	\$ -	\$ -
B. Recurring Annual Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5
IT Maintenance Cost (On-Premise Software)	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000
Software Maintenance Fees	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Depreciation	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Sub-Total	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000
C. Net Profit Impact Estimate	Year 1	Year 2	Year 3	Year 4	Year 5
Operational Expense Savings					
(less) Reduction in FTE Costs	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
(Add) Costs for Additional Business Processes	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operational Expense Savings	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Bank Fee Savings	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Sub-Total	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Flow Before Tax (C-B-A)	\$ (129,000)	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
Tax @ 40%	\$ 51,600	\$ (3,200)	\$ (3,200)	\$ (3,200)	\$ (3,200)
After Tax	\$ (77,400)	\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800
Depreciation Add Back	-	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Net Cash Flow	\$ (77,400)	\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800
NPV @ 8%	\$ (61,502)				
Internal Rate of Return (IRR)	-39%				

Software-as-a-Service - ROI & NPV Example

A. Capital Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5
Additional Hardware/ Servers	Not required for SaaS				
Software Licenses	Not required for SaaS				
Other Vendor Fees	\$ 7,000				
Consulting/ Implementation Fees	\$ 40,000				
Internal IT Resource Costs for Implementation	\$ 10,000				
Internal Business Resource Costs for Implementation	\$ 5,000				
Sub-Total	\$ 62,000	\$ -	\$ -	\$ -	\$ -

B. Recurring Annual Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5
Subscription Fees (SaaS Software)	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
IT Maintenance Costs (Internal)	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Depreciation	Not applicable for SaaS				
Sub-Total	\$ 83,000	\$ 83,000	\$ 83,000	\$ 83,000	\$ 83,000

C. Net Profit Impact Estimate	Year 1	Year 2	Year 3	Year 4	Year 5
Operational Expense Savings					
(less) Reduction in FTE Costs	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
(add) Costs for Additional Business Processes	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operational Expense Savings	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Bank Fee Savings	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Sub-Total	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Flow Before Tax (C-B-A)	\$ (45,000)	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
Tax @ 40%	\$ 18,000	\$ (6,800)	\$ (6,800)	\$ (6,800)	\$ (6,800)
After Tax	\$ (27,000)	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200
Depreciation Add Back	Not applicable for SaaS				
Net Cash Flow	\$ (27,000)	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200
NPV @ 8%	\$ 6,784				
Internal Rate of Return	19%				

Notice that some of the elements above will not apply to all systems. We have tried to include some costs elements that our customers have come across. The exact nature of these will depend on the specifics of each solution.

Summary

Automating cash application in order to move resources to higher-value activities is a must for any organization looking to compete in an environment where the payment-mix will only continue to become more complex. When developing your business case, contact other credit professionals in your network to learn how they have succeeded in gaining executive approval for technology projects. But don't stop there. Understand the budgeting cycles within your own company and be sure to meet any deadlines for capital and operating expense requests. A project which is included in an annual budget plan has a greater chance of implementation than one not budgeted.

Additionally, learn from individuals in your own organization who work in other functional areas, such as sales, customer service, and supply chain, who compete for limited funds, and find out what approach they use for submitting a successful business case.

Below are several of the key points to remember in choosing a cash application automation solution:

- Put yourself in the shoes of your senior management.
- Think like a CFO - Most CFOs are looking for hard ROI, and the initiative should make or save money.
- Understand the full cost of the solution from setup and implementation to maintenance and the new system workflow.
- Know where the savings are. Review the current and proposed process task by task to understand where your team is spending time now and where they will spend time in the future.
- Create ROI models consisting of costs, savings, timing of cash flows, cost of capital, Net Present Value, Internal Rate of Return, and payback period.

About the Author



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Jay is responsible for defining HighRadius' Credit and A/R products and for educating the market about the value of automation and Artificial Intelligence. He and his team work closely with sales, consultants, and customers to make sure the products address critical pain-points and provide quantifiable, high-value solutions. Jay has fifteen years of experience in software development, product management, and marketing and numerous successful product launches.

Special thanks to:



Robert Unger

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NACHA – The Electronic Payments Association***

HighRadius wishes to acknowledge the contribution of Robert Unger, Senior Director, NACHA-The Electronic Payments Association in developing this white paper. NACHA's multifaceted role in the payments industry involves both administrating the ACH Network and acting as an industry trade organization to promote electronic payments. More information on NACHA is available at nacha.org. With the launch of Elevation consulting, NACHA is able to offer advisory services to help businesses with payment education, strategy and enablement. Visit elevationconsulting.org for more information.