



Why Cloud-Based Solutions Bring
Maximum Efficiency
to A/R Processes

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The current business environment has posed a mighty challenge for many businesses. Entire processes have had to be re-engineered because of lockdowns, disrupting manual workflows as a result. Now, more than ever, automation is the need of the hour.

We have found that many businesses have read the signs and are accelerating their automation programs.



Organizations are approaching automation, especially for accounts receivable, in different ways, but are likely finding that cloud-based, Software as a Service (SaaS) solutions offer the greatest advantages especially when it comes to data accuracy resulting in fewer exceptions. Indeed, in a 2016 study, The Aberdeen Group points out that companies with greater than 90% data accuracy rates are 35% more likely to have implemented cloud-based automated systems.

The top companies surveyed in the study, designated as Leaders, differed from the rest of the pack primarily regarding their approach to cloud implementation. The study found that

Leaders are three times more likely to adopt cloud-based processes in their effort to gain greater agility to adapt to fast-changing customer requirements. This is backed up by observations from Forrester Research as well.

In this paper, we examine the challenges faced by companies with regard to A/R processes and the solutions that cloud-based platforms provide. We will highlight the issues faced by companies' A/R departments and examine how cloud-based solutions solve those issues and conclude with definitive data that proves cloud-based solutions are the best choice.

A/R Challenges That Drive Need for Automation

The following points represent the greatest challenges identified in the 2016 Aberdeen Group study:

DSO

Reducing Day Sales Outstanding (DSO)

This should come as no surprise. Given that A/R's primary purpose is to collect outstanding payments and apply cash as soon as possible, reducing DSO is one of the primary pain points. Reduced DSO times improves working capital levels and cash flow forecasting accuracy.



Reducing Costs of A/R Processing

Many companies are less than aware of how much it costs to deliver an invoice and process a payment. The mere presence of manual cash collection and application processes bears this out. With business conditions changing quickly, companies now face pressures to reduce frivolous costs and A/R is no exception.



Better Customer Risk Management

Close on the heels of costs is the pressure to forecast cash flow. This, in turn, is closely tied to projecting customer risk and reducing any chances of payment delays. Early payment discounts are one way of managing this risk, but companies need more analytics-based solutions instead of simply discounting their invoices.



Reduce Paper-Based Processes

Paper-based processes have a double impact in terms of costs. Not only do they increase the cost of invoice processing, but they also draw employees away from key tasks such as cash flow projection and cash application, to menial tasks such as stuffing envelopes and physically [cashing checks](#) at the bank. The desire to reduce paper dependency is closely tied to increasing a business's overall efficiency.

It's easy to question why companies don't simply adopt automated processes. A 2019 Forrester Research report indicates that many companies want to adopt automation, and do so with certain processes, but do not fully automate all processes because they lack the technical know-how needed to implement and/or integrate with existing systems and solutions.

The Forrester study shows that companies typically seek to integrate existing legacy systems with SaaS solutions.

The result is a patchwork of solutions that don't provide them with the benefits of either the old system or the new one. With one system not being able to talk to the other, many employees find it easier to stick to paper-based routines.

As a result, while some of the challenges mentioned above are addressed, others such as reducing costs are made worse when viewed at the enterprise level.

Cloud-Based Solutions Resolve Challenges

Cloud-based solutions help companies address the previously defined challenges in the following ways:



Increase Access to Information

According to Forrester Research, consumers demand better and faster engagement from companies. In order to make this happen, companies need to empower their employees with easily accessible data across multiple platforms. Cloud-based solutions allow for data sharing across multiple workflows and eliminate the creation of data silos.

Lower Costs, Better Security

The primary business of a cloud solutions company is to offer storage and infrastructure solutions to their clients. The presence of large volumes of data on their servers coupled with their ground-up expertise in delivering these solutions allows them to pass on both cost reductions as well as expertise to their clients.

Better Scalability

Costs of expansion are minimal thanks to the service model of cloud-based companies. A company that wishes to expand its infrastructure simply rents more space from their service provider. There are no costly hardware installations or additional expertise to be learned first.

Automation

Most companies are hesitant to adopt cloud-based services due to data concerns. However, cloud-based companies offer better security and seamless connectivity thanks to automated upgrades and backups. No more scheduled downtimes for maintenance or service upgrades. This enhances employee and customer experience.

Platform Independence

Accessibility is one of the key requirements of any solution. With cloud-based platforms inherently designed to be accessible on mobile, tablet, or PC, there are no concerns about data integrity between platforms. Data sharing and interpretation are easier than ever and customization is as easy as clicking a few buttons.

Aberdeen Group's study shows that firms that adopted automated cloud invoicing solutions have a better ability to forecast cash flows, along with having a real-time view of cash balances and positions.

With greater efficiency brought to invoicing workflows, employees can spend more time on the issues that truly matter to the company, instead of being tied up in clerical or repetitive tasks.

Cloud-based Automation is Clearly Superior to Manual Processes

Evidence that cloud-based automation lowers DSO, improves productivity, and decreases costs for both accounts receivable and accounts payable teams is clear. Below are comparisons of key metrics provided by The Aberdeen Group in a 2015 report.

In every metric, electronic solutions prove superior to legacy, manual processes (No Cloud). However, despite the evidence,

many companies resist adopting SaaS solutions for various reasons. Perhaps they buy into the many *myths* haunting implementation of automated solutions.

Or perhaps they think they are too small to benefit from a cloud-based solution. In both cases, the presumed hurdles do not exist.

We recommend that every A/R and A/P leader take the time to explore how automation can increase the value of their teams.

Performance Benchmarks	Cloud	No Cloud	Improvement with Cloud
Processing time – total time required to process an invoice from initial receipt until approved for payment (including weekends).	2.67 days	11.33 days	76%
Invoice Processing Cost – the total cost of labor and fees (transaction-based, postage, etc.) for processing a single invoice from receipt through an approval.	\$8.10	\$10.08	20%
On-time payment rate.	92%	83%	11%
Average time for payment to clear A/R ledger.	2.05 days	5.98 days	66%
Percent accounts receivable past due.	6%	12%	50%

Source: Metric comparisons (Keir Walker, Aberdeen Group, Driving Speed And Accuracy In AP/AR: How The Cloud Separates Leaders From Followers, 2015)

Perhaps the most significant metric from the table above is that it takes less than a third of the time for an invoice to be applied to cash in a cloud-based system as opposed to a manual-based process.

In addition to a significant decrease in invoice processing costs, electronic invoice processing time is less than a fifth of manual processing time.

The Cloud is the Future and it is Here Now

While it might be tempting to hang onto legacy solutions, there's no doubt that automation is necessary to maintain scalability and profitability, and the best medium for automation is the cloud.

Billfire™ VALET is the Ideal Accounts Receivable Automation Solution.

As the most intuitive invoice-to-cash solution, VALET eliminates all payment friction to deliver faster payments, increased efficiencies, and improved customer relationships. Accelerate your cash flow today with Billfire™ VALET.

Call us on 602-888-0853 or email betterday@billfire.com to learn how we Make it a Better Day with Billfire.