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WORKING CAPITAL

PLAYBOOK

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How automation can help AR teams meet remote work challenges



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Information about PYMNTS.com and YayPay

The Working Capital Playbook was done in collaboration with YayPay, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.



WHAT'S INSIDE



The pandemic has reshaped the business world in countless ways, from economic hardships that damaged revenues to travel being replaced with teleconferencing. One of the most consequential changes has been the surge in remote work, with employees staying home to observe social distancing orders rather than coming into the office. With the pandemic now more than 18 months old and temporary changes quickly becoming new habits, workers have grown used to remote work, and many prefer it over commuting to the office daily.

Employers seem to feel differently, however, as remote work throws a wrench into many day-to-day business procedures, such as accounts receivable (AR). Nearly three-quarters of companies in the United States with annual revenues between \$25 million and \$100 million **said** that late payments have gotten worse since the pandemic began, and 60 percent of these small to mid-sized businesses (SMBs) reported an increase in their days sales outstanding (DSO). Both results stemmed from the lack of communication and in-person collaboration that remote work often brings.

One option to keep employees safely working from home without compromising cash flow is AR automation, which can reduce reliance on in-person accounting staff in favor of artificial intelligence (AI)-aided accounting processes. More than 87 percent of firms that deployed AR automation **reported** faster processing speeds, with 79 percent saying it improved

team efficiency and 75 percent reporting better customer experiences. These systems are often expensive to deploy but are much better than potentially losing employees who prefer a remote work environment.

WORKING CAPITAL DEVELOPMENTS AROUND THE GLOBE

The pandemic is one of many factors fueling a sea change in the world of AR. A recent [report](#) stated that 83 percent of firms have changed their AR processes since the beginning of the pandemic, with 70 percent planning to deploy automation to aid their accounting teams. Driving the push for automation is the need to improve processing speed, as manual AR

procedures can slow payments collection by up to 67 percent.

Late payments are one of the most severe consequences of AR complications, with far-reaching financial and emotional impacts. A recent [study](#) found that businesses in the United Kingdom were awaiting payments for £23.4 billion (\$32.1 billion USD) in overdue invoices, with most firms saying they expect an increase in late payments over the next year. Nearly two-thirds of companies were more concerned than ever about their customers' ability to pay, and 46 percent feared this payment gap could jeopardize their business growth. Experts called on big businesses to be mindful of late payments' potential human costs to workers and their families, urging them to speed payments to their small suppliers.

One example of AR improvement comes from the U.K.-based commercial law firm gunnercooke, which [partnered](#) with YayPay for its automation solution. The YayPay system works by consolidating real-time data from enterprise resource planning (ERP), customer relationship management (CRM) and other accounting sources and presenting it on dashboards to AR staff. The YayPay partnership was part of gunnercooke's larger initiative to digitize many of its existing procedures, according to a press release.

For more on these stories and other working capital developments, read the Playbook's News and Trends section (p. 10).



HOW QUORA LEVERAGED AR AUTOMATION TO ADJUST TO REMOTE ACCOUNTING WORK

The pandemic-driven shift to remote work affected countless industries, resulting in cybersecurity gaps, reduced efficiencies and a number of other downstream effects. Many companies' AR processes were also significantly affected, but those that leveraged automation have managed to weather the impact better than most and largely keep their operations afloat. In this month's Feature Story (p. 7), PYMNTS spoke with Adam D'Angelo, founder and CEO of question-and-answer site Quora, about how automated AR processes and an emphasis on digital payments have helped the company seamlessly transition to a work-from-home paradigm with minimal aftereffects.

DEEP DIVE: HOW AR AUTOMATION COULD MITIGATE REMOTE WORK CHALLENGES

Remote work has become the new normal for many offices as employees grow used to the new conditions social distancing and stay-at-home orders have brought on. AR has become much more complicated due to this new paradigm, and the downstream effects, such as delayed payroll, could be catastrophic. In this month's Deep Dive (p. 14), PYMNTS explores how remote work has affected the AR industry and how automation could help accounting departments keep up with the evolving business environment.

EXECUTIVE INSIGHT

Four-fifths of companies in a recent survey said AR automation has improved their accounting teams' efficiency. How does automation augment accounting teams to this end?

"Automation is making a significant impact in accounts receivable. This finance process has historically been extremely manual and inefficient, and today, companies are leveraging automation to complete tasks within the O2C cycle quickly and accurately. These [tasks] span credit assessment and approval, invoice delivery, customer communication strategies (dunning), identifying follow-up tasks, dispute management and payment processing. Traditionally, these tasks have been siloed and, in some cases, overlooked due to a lack of visibility into the actions required to accelerate the payment process. Through automation, the "busy work" done by AR teams is removed, which allows them to focus on value-added tasks. Teams are now able [to] home in on the exceptions, where true risk exists, which has positively impacted the length of the payment cycle, increased working capital, contained costs and enhanced the customer experience."

ANTHONY VENUS

CEO

Yaypay

5 FIVE FAST FACTS

93%

Portion of U.S. firms with at least \$25 million in revenue that are integrating digital technologies into AR

70%

Share of chief financial officers who say the pandemic exacerbated payment delays

61%

Portion of chief financial officers who say longer DSO has a negative impact

40%

Share of chief financial officers who say digitizing accounting has reduced the use of paper checks

83%


Portion of chief financial officers who say digitization will better integrate their accounting systems

FEATURE STORY

QUORA ON TAPPING AUTOMATION, ERP INTEGRATIONS TO CONFRONT AR MANAGEMENT CHALLENGES IN THE B2B SPACE

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Multinational businesses face complex AR management challenges in their B2B operations. The constantly evolving payments space means finance departments must manage new technologies alongside maintaining legacy processes for consumers — many of whom still pay with older methods — all while watching their margins.

One of the biggest AR headaches for leading question-and-answer website Quora is payments management for customers who opt for traditional invoicing, Adam D'Angelo, the company's founder and CEO, told PYMNTS during a recent interview. Other pain points include manual steps in the invoicing process, nonautomated payments and even customers who continue to pay by paper check.

D'Angelo said that the company's AR process does not appear to require major changes or overhauls in the short to medium term, thanks to standardized procedures and automation put in place before the pandemic. Some challenges remain, however, especially when it comes to B2B digital payments.

B2B DIGITAL PAYMENTS REMAIN A PAIN

D'Angelo said that approximately 60 percent of Quora's revenue is settled via credit card, greatly increasing efficiency. Accounts can be automatically suspended if payments do not clear, which can prevent excessive overspending.

"Credit card customers are billed in real time based on threshold billing methodology," he explained. "Risk of non-collection is low and minimized this way."

The other 40 percent of the company's revenues come through traditional invoicing, where the potential for more headaches primarily occurs. D'Angelo said that most customers use B2B digital payments such as ACH transfers when paying their invoices, and while this is a welcome improvement over older methods like paper checks, it is far from a cure-all. Manual steps in the invoicing process leave space for delays, errors and other issues that can disrupt cash flows and require human intervention.

"In general, the messaging is that [B2B digital payments] speeds up payment windows and reduces late and inaccurate payments," D'Angelo explained. "For the most part, it seems like this is half true, as it makes payments more timely once initiated. But [it] doesn't really do much to speed up internal approvals and cash flow management by the customer."

Five percent of Quora's invoice customers, meanwhile, still pay by paper check. The shift to working from home has made receiving and depositing physical checks a particularly inefficient process for many employees, however, and the company is trying to move these customers to digital payments.

BILLING AND COLLECTIONS PLATFORM HELPS STREAMLINE OPERATIONS

Quora leverages an ERP system to power its billing and collections platform, allowing the company to set up streamlined invoicing for clients worldwide. The system automates basic client-side processes such as collections emails and subsequent follow-ups for past-due accounts, and it also provides useful analytics for analyzing revenue.

Quora also automatically receives weekly reports that its sales team can review. Team members can then proactively follow up with customers that have overdue balances and avoid account suspensions — key to helping the company retain its business. Such processes still involve a significant amount of human labor, however, and many companies found that they were severely affected during the shift to remote work over the past year.

D'Angelo said that Quora managed to avoid many remote work-driven AR complications because it had already emphasized streamlining and automating its workflows prior to the global health crisis. This decision has allowed the company to continue its operations despite the numerous challenges arising from pandemic-related safety measures and requirements.

Enabling a smooth transition from in-office AR processes to procedures that allow employees to conduct their tasks from home has been a game-changer for B2B firms during the past 19

months. B2B operations are sure to confront their share of AR challenges in the future, but businesses that have weathered the pandemic have doubtlessly discovered the importance of having robust, flexible AR systems in place.



NEWS & TRENDS



AR CHALLENGES AND COMPLICATIONS

UK FIRMS OWED £23.4 BILLION IN LATE INVOICES DUE TO AR COMPLICATIONS, STUDY FINDS

One of the most consequential results of AR complications is late payments, which can lead to a host of other issues. A recent study of U.K. businesses found that firms were owed £23.4 billion (\$32.1 billion USD) in overdue invoices, with most U.K. businesses saying they expect an increase in late payments over the course of the next year. Approximately two-thirds said they were more worried now than ever before about their customers' ability to pay, and 46 percent said that delays or lack of payments could jeopardize the growth of their businesses.

Experts warned that late payments' impact on business owners is both a financial and an emotional one. Employees and owners whose companies receive late payments could potentially miss payroll, putting workers and their families' financial futures at risk. These experts called for humanization of the issue and for leadership in big businesses to speed up payments to their smaller suppliers.

50,000 BUSINESSES CLOSE EACH YEAR BECAUSE OF LATE PAYMENTS

The worst-case scenario for AR difficulties is nothing short of complete business closure, and this is an extremely common occurrence. A recent [study](#) found that as many as 50,000 small businesses in the U.K. close each year due to late payments. The total amount owed to SMBs in 2020 was \$30 billion, and the U.K. government has enacted several measures to close this payment gap. The Prompt Payment Code is one such initiative, consisting of a voluntary method for businesses to promise timely payments to their suppliers. This code may not always help, however, as many companies may be unaware that they owe money at all due to mistakes such as forgetting to enter payment card details.

STAFFING FIRMS CAN FACE TALENT SHORTAGES DUE TO AR COMPLICATIONS

One sector that could [face](#) major problems due to substandard AR practices is the staffing industry, which supplies employees to other companies. These employees require compensation every payday no matter what, but staffing companies' clients can take months to settle bills. Staff will likely quit jobs with payroll delays resulting from upstream impediments, making any AR errors particularly devastating to this industry.

The pandemic has made the issue worse for staffing companies, as many clients delayed payments due to their own disruptions from shifting to a work-from-home setting. The reduced cash flow for many businesses during the ensuing economic downturn compounded this issue, as they now have less money to hire staffing companies in the first place.



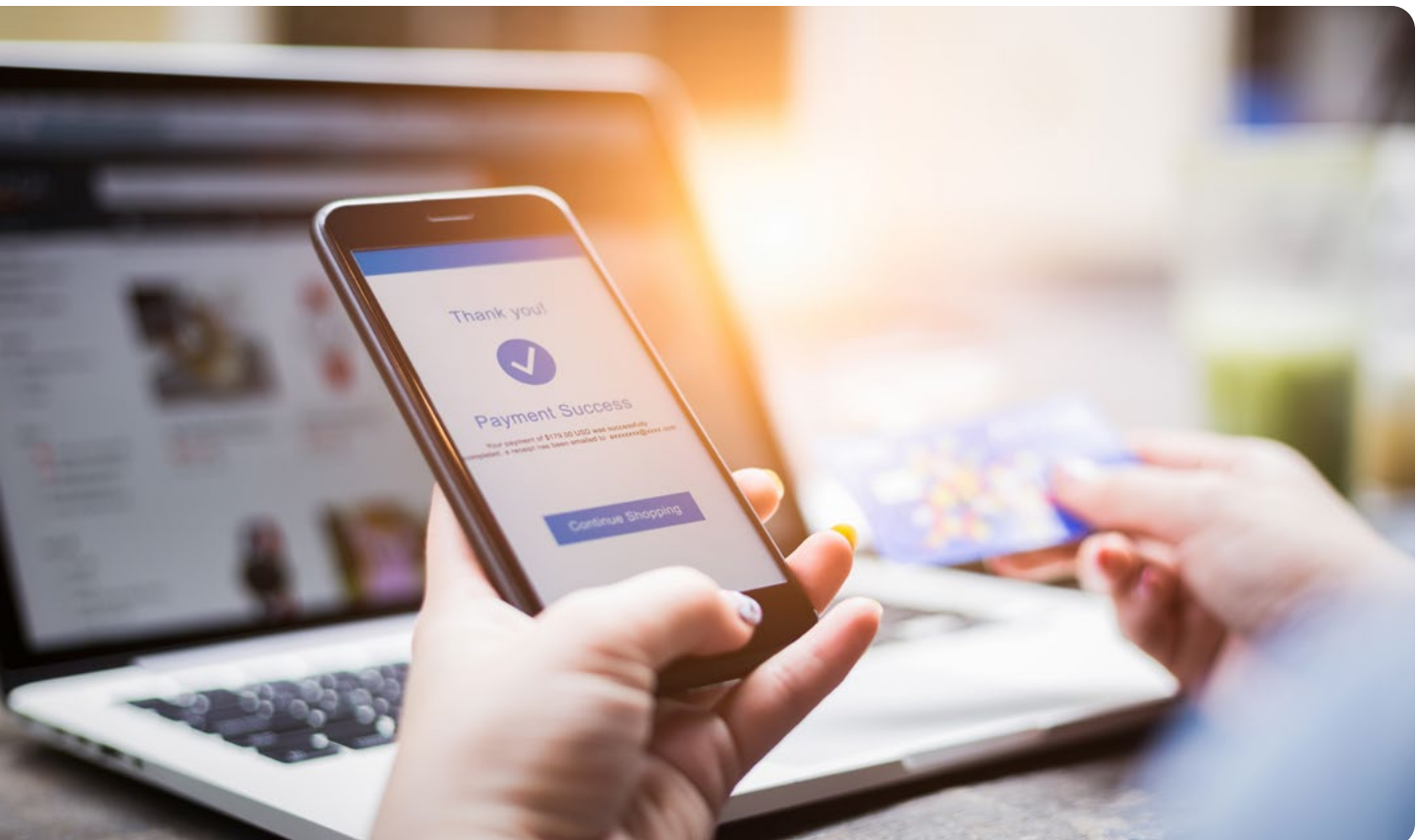
NEW AR PROCEDURES AND PROCESSES

THE PANDEMIC HAS SIGNIFICANTLY AFFECTED THE WORLD OF AR

The ongoing pandemic has been a game-changer for finance teams at companies of all types and sizes, with AR departments scrambling to adapt to the new normal. A recent report **found** that 83 percent of firms have changed their AR processes since the beginning of the pandemic, with 70 percent planning to deploy automation to aid their accounting teams. The

main impetus for automation is to improve processes' speed, as manual AR procedures could slow payments collection by up to 67 percent.

One company that sought to enhance its AR processes was security firm LogMeIn, which saw a 26 percent increase in electronic invoicing as its customers shifted to remote work to meet social distancing requirements. The company partnered with YayPay and reduced its DSO by half a day, leveraging automation to handle the increased number of electronic invoices.



80 PERCENT OF COMPANIES INVESTING IN AR AUTOMATION REPORT IMPROVED TEAM EFFICIENCY

Automation can have many tangible benefits, according to a recent PYMNTS [study](#). Four-fifths of companies surveyed said AR automation improved their accounting teams' efficiency, and three-quarters said their overall customer experience had improved. Seventy-two percent of respondents reported savings in operational costs, 60 percent said their DSO had improved and half reported improvements in their overall collections processes.

Results varied by industry, with the energy sector seeing the most improvement at 95 percent of respondents. Advertising firms also saw exceptional improvement in their DSO, with 87 percent reporting this benefit compared to 62 percent of businesses across all industries.

YAYPAY PARTNERS WITH GUNNERCOOKE TO AUTOMATE AR PROCESSES

Many prominent companies are investing in AR automation solutions to reduce late payments, human errors and other complications that plague accounting departments. One example is U.K.-based commercial law firm gunnercooke, which [partnered](#) with YayPay to implement the latter's automation solution. The YayPay system works by consolidating real-time data from ERP, CRM and other accounting sources and presenting this data on dashboards to AR staff. Customers also can

access account details and make payments, improving AR transparency and reducing the risk of late payments.

The YayPay partnership was part of gunnercooke's larger initiative to digitize many of its existing procedures, according to a press release. The firm recently expanded from the U.K. to Germany, increasing its customer base and requiring a more efficient AR solution to manage all accounts.



DEEP DIVE

HOW AUTOMATION CAN HELP AR TEAMS MEET REMOTE WORK CHALLENGES



The events of the past 18 months have been a complete game-changer for B2B transactions. The pandemic left countless firms with a partial or total remote workforce, accelerating the digital shift to B2B payments.

Accounting departments have had to pivot quickly to adapt to this new business landscape. The combination of the complications of remote work, the tumultuous economy and many businesses' unfamiliarity with digital payments have challenged AR teams. The late payments and errors that stem from these difficulties could be devastating for cash flows.

The following Deep Dive explores the future of AR in the rapidly changing business environment and how new technologies could help accounting departments keep up with the evolving ecosystem.

CHALLENGES ACCOUNTING DEPARTMENTS FACE

Recent [research](#) indicated that most employers have switched to some form of remote work since the pandemic began. Thirty percent are allowing their staff to work from home full-time, 18 percent have instituted a hybrid in-office and at-home model and another 18 percent have sent some employees home while others remain at the office. Employees largely support this change, with 83 percent [favoring](#) a hybrid work model, and 63 percent of high-growth organizations have already opted for a productivity-anywhere approach. Researchers concluded that people are better

off when they can work regardless of physical location, meaning that if employers were to select a work model that fits most employees, working from home at least part-time appears to be the winner.

This shift to remote work brings with it a set of AR challenges, however. Accounting practices that rely on in-person collaboration, communication and manual processes cannot occur when employees are potentially thousands of miles apart, and phone calls or teleconferencing may be inadequate. Nearly half of firms **rely** on manual AR processes, forcing them to make a difficult decision. One choice would be to invest in potentially expensive digital solutions that work better with an at-home work model, which would allow employees to work from home. The other choice would be to keep these manual processes, requiring employees to report to the office for work, but this decision could drive many productive workers to quit their jobs in favor of remote-friendly firms.

Businesses feel the squeeze from this new working environment, and the costs of not digitizing AR are very real. A recent PYMNTS **study** found that nearly three-quarters of both small companies with annual revenues from \$25 million to \$100 million and large firms making more than \$1 billion per year reported an increase in payment delays since the pandemic began. Other payments challenges affecting most small and large businesses nearly equally were the inability to optimize costs and an increase in DSO.

New solutions are needed to adjust to the dual challenges of remote work models and economic uncertainty. AR processes that rely on automation could be a lifesaver for accounting teams struggling to adapt to the altered status quo.

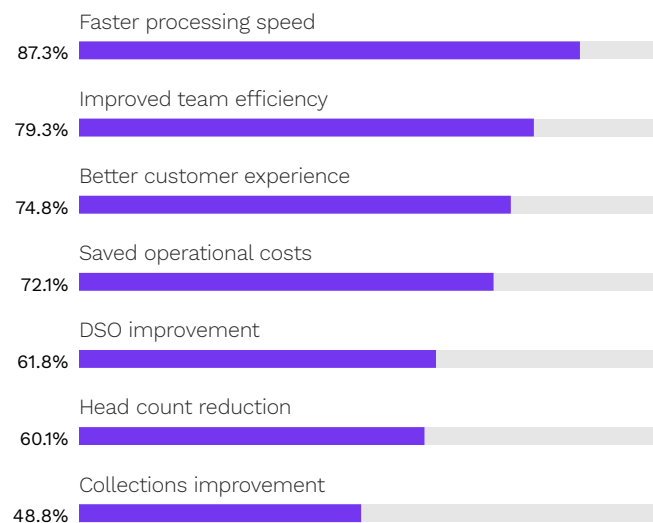
LEVERAGING AUTOMATION TO MEET THE DEMANDS OF THE REMOTE ECONOMY

Automating routine AR processes can be a critical step in addressing remote accounting hurdles. More than 87 percent of firms that deployed AR automation **reported** faster processing speeds, 79 percent said it improved AR teams' efficiency and 75 percent said it resulted in better customer experiences. Most firms also discovered that AR automation saved on operational costs and reduced their DSO.

FIGURE 1:

REALIZED AR BENEFITS FROM TECHNOLOGY

Share of firms' realized benefits from technology, by AR category



Source: PYMNTS.com



Digitization must precede automation, and many companies see digitizing their accounting processes as a worthy investment and a steppingstone to automation. A recent PYMNTS [study](#) found that 43 percent of chief financial officers were digitizing AR processes as a precursor to automation, and 70 percent said that digitizing AR functions is vital to building lifetime customer value. Forty percent said that digitization of accounting operations has resulted in fewer paper checks, and 61 percent reported digitizing customer or vendor invoices.

Remote work has become a clear favorite among employees, and their job loyalty could take a nosedive if employers do not share this inclination due to daunting AR processes. Digitization and automation could be essential to getting companies and AR teams on the same page and providing more satisfying work experiences for both.

ABOUT

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PYMNTS.com is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



Quadient is the driving force behind the world’s most meaningful customer experiences. Among Quadient’s Intelligent Communication Automation solutions, **YayPay** by Quadient’s core purpose is to revolutionize the future of work for finance teams. Our smart and modern Accounts Receivable solution changes the game by vastly improving the order-to-cash experience for finance teams and their customers. YayPay is at the forefront of back office automation and machine learning.

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe, please email us at feedback@pymnts.com.

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