



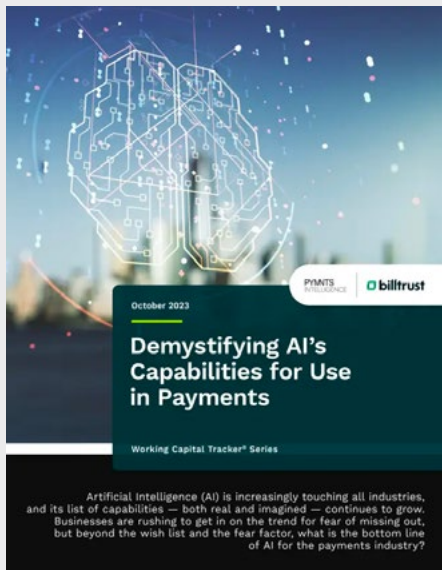
November 2023

Tapping AI's Potential for AR Optimization

Working Capital Tracker® Series

In our last edition, we enumerated the potential benefits — as well as misconceptions — surrounding AI's use in the payments industry. Here, we take a deeper dive into AI's capacity to improve the most important aspects of AR — operations that have long been plagued by problems associated with manual processing.

■ Read the previous edition



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Introduction

The [payments industry](#) has been a latecomer to the financial technology revolution, with many companies still using legacy accounts receivable (AR) processes marked by an overwhelming reliance on manual procedures. Now the industry is at a crossroads as it faces a technological advancement that promises to leave no sector untouched: artificial intelligence (AI). The technology's potential benefits read like an AR team's wish list — and the reality is not far off.

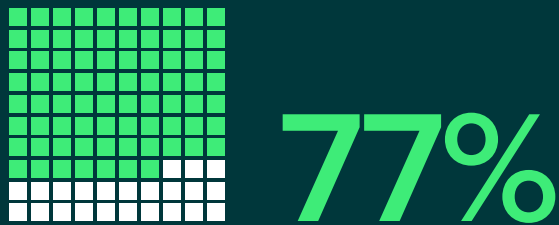
AR is the lifeblood of any company, but for too many, economic pressures are threatening its flow, elevating the role of AR teams to the top of organizations' priority lists across industries. While AI is not without risk and must be understood and implemented with care, the upside of AI adoption for AR is increasingly difficult to deny. In this edition, we zoom in on how AI can assist AR teams ease their specific pain points so that companies can thrive amid economic uncertainty.



Solving Manual AR Pain Points With AI

AI Can Improve Cash Flow

AI automation has the power to boost cash flow by speeding historically delayed manual processes, thus improving businesses' financial health.



of CFOs report that their AR teams are behind schedule in collecting payments on invoices, including many that are weeks or months behind and say they will never catch up.

AI can speed payment processing to boost cash flow.

Manual processing of AR tasks continues to create payment bottlenecks, with 40% of finance professionals pointing to manual processes as the biggest challenge inhibiting collection.

By automating tasks in the order-to-cash process, AI can increase their speed and efficiency, taking the first step in helping organizations achieve a healthy bottom line.

AI can supercharge AR teams' efficiency.

Companies also can increase AR teams' productivity by off-loading routine and labor-intensive tasks to AI, such as data entry, compliance checks, invoice processing and collections. Automating tedious workflows with AI frees human workers to turn their talents and attention to higher-value endeavors, leading to a happier and more productive AR team.

Solving Manual AR Pain Points With AI

AI can ease the grueling cash application process.

According to a recent survey, AR teams spend 22% of their time on [manual cash application](#) alone, making it the single most time-consuming process in the order-to-cash cycle. Machine learning (ML), a type of AI that learns over time, can tap wide-ranging sources of data to accelerate the process of matching invoices with remittances at speeds beyond human capabilities. This removes an especially laborious task from human workers' to-do lists, increasing employee satisfaction.

AI's accuracy can overcome the problem of human error in AR processing.

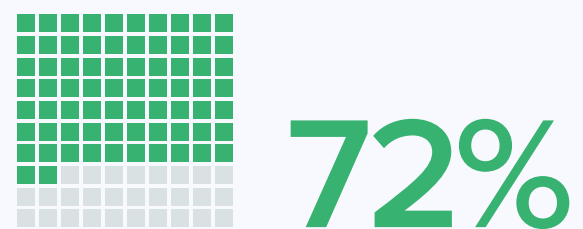
[Human error](#) is another inherent pain point of manual processing, with 45% of CFOs citing it as a problem and 17% naming it the most significant source of payment friction. Automation with AI can eliminate this friction source, ensuring that AR tasks are [error-free](#) and further increasing team efficiency and productivity.



Improving AR Communication With AI

AI Can Enhance the Customer Experience

AI can provide a customizable communication interface to enhance the customer experience while facilitating dispute resolution to reduce payment delays.



of CFOs say [automating customer service in AR](#) had a direct impact on cash conversion cycles by reducing payment disruptions.

AI can ease the payment process for customers.

Making it easier for customers to pay is the first step in ensuring swift payment. AI-enabled [virtual assistants and chatbots](#) offer a 24/7 self-service tool, allowing customers to access their transaction histories and make requests or file disputes.

Improving AR Communication With AI

AI can help resolve invoicing disputes.

Poor communication with customers is a critical logjam contributing to payment delays due to invoicing disputes. An average of 27% of invoices are delayed as a result of communication lapses, with direct consequences for AR staff, who are now spending about half their time on dispute resolution.

These disputes frequently end up requiring businesses' legal offices to get involved, incurring further costs and delays. In a recent survey, 64% of C-level executives said their companies' legal offices had to resolve invoice disputes. AI can accelerate resolution cycle time for AR disputes by identifying and assigning reason codes to each dispute and approving reductions automatically based on predefined criteria.

AI can personalize the customer experience.

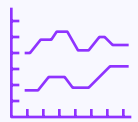
AI's ability to collect and draw upon vast reserves of customer data makes it a superior tool for creating tailored experiences for each customer. AI can identify purchasing behaviors and preferences that can be used to optimize buying experiences.

With generative AI, companies can customize communication plans for their customers, building better relationships to facilitate swifter payments. Sending personalized payment reminders, for example, including language translations for international customers and other personal touches, can improve collection efforts. AI also can help companies increase customer retention by allowing AR teams to focus their efforts on providing the best quality of service to each customer.

Driving AR Decisions With AI

Harnessing AI for a Better AR Strategy

AI technology is capable of processing large quantities of data to provide unmatched cash flow forecasting and unique insights that can guide better AR decision-making and collections.



81%

of the companies that best thrived following the pandemic were those that increased their investment in [data and analytics initiatives](#) overall.



58%

of these top-ranked companies increased their [investment in AI initiatives](#).



Driving AR Decisions With AI

AI provides analytics and forecasting to aid in cash flow management.

One of the hallmarks of AI systems is their unique ability to draw information from a wide variety of sources and process [large quantities of data](#), on which companies increasingly depend to formulate winning business strategies. By mining this data trove, AI can assist businesses in unearthing trends, patterns and relationships that can inform better decision-making, optimally in real time.

What this means for AR is that AI can help companies better understand their current cash flow situations and forecast future [payment patterns](#) based on in-house historical data. [Real-time payments](#) enabled by AI and ML can grant companies instant access to financial information, allowing them to track their financial positions more accurately. Given the volatility of current macroeconomic market conditions, cash forecasting is a top priority for AR teams and finance executives.

AI can help predict outcomes for better collection strategies.

In the past, the [collections](#) function of AR has been overlooked from a technology perspective, with credit managers and collectors still largely relying on legacy manual and time-consuming tasks to carry out this responsibility. Economic uncertainty, however, makes collections a crucial priority in cash flow management for AR teams — and for companies in general.

Here is another area of AR where AI-powered automation can [optimize strategy](#). By analyzing customer transactions, credit history and other financial data, AI can identify customers who may be at [risk of defaulting](#) and help create payment plans for them proactively. By predicting invoice payment dates, it can aid in forecasting cash flow and can also model how changes in procedure will affect the probability of getting paid.

The importance of driving decisions with data analytics in AR cannot be overstated. According to a recent study by the Harvard Business Review, organizations that took a [data- and AI-driven approach](#) to decision-making during the pandemic have emerged as the leaders in navigating the ensuing economic upheaval. As the upheaval continues, AI can offer AR teams the information they need to succeed — even against all odds.

Decision Guide

How Companies Can Leverage AI to Help AR Teams

The following steps should serve as a [guide for businesses](#) in deciding whether, how and to what extent to incorporate AI into their AR processes:



Identify your organization's most important AR pain points. Companies can identify objectives such as streamlining processes, improving customer experience, reducing costs or increasing efficiency. Clearly identifying objectives allows AI development to be targeted and effective.



Learn how AI can solve them. Having an understanding of what AI is and what it can do for your organization is essential to gaining organization-wide buy-in and to maximizing the technology's positive potential. Company-wide training should be comprehensive.



Consult with AI experts. Selecting the right tools for AI deployment is critical. Experts on everything from the necessary technology infrastructure to software and costs can help you assess the feasibility of AI implementation within your AR operations.

Decision Guide



Formulate a pilot or stepwise plan. Starting small ensures that you can discover and eliminate any challenges or infrastructure roadblocks before making a deeper investment.



Monitor results. Pre- and post-AI deployment analysis is also a must to determine the technology's financial impact through clearly defined metrics.

AHSAN SHAH
Senior vice president,
Data Intelligence



“ Things really get interesting when data, analytics and AI can be used to compound value across products and the entire AR process. All the data you have already collected about customers and their payments can be used to assist you with your workflow, make recommendations and suggestions, and even help you compile personalized payment reminders to these customers. That's exactly what we are doing right now. We offer an AI-powered, complete view of customers' activity across your entire AR process, enabling you to make intelligent AR decisions. ”

About

PYMNTS INTELLIGENCE

[PYMNTS Intelligence](#) is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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