

TREASURY MANAGEMENT

ADVANCED A/R TECHNOLOGIES IMPROVE WORKING CAPITAL PERFORMANCE



With economic uncertainty becoming a way of life, most businesses struggle to find new sources of revenue growth. As a result, they are looking harder than ever for ways to increase the bottom line and improve profitability through more efficient use of working capital.

Accounts receivable remains the lifeblood of most companies, and therefore, it is one of the first places they should look to refine their processes. Here are some of the latest techniques and technologies for improving working capital performance.

EXAMINE HOW “CASH” COMES THROUGH THE DOOR

Companies should look first at the way that cash comes in the door. For most, that “cash” looks a lot different from what they saw a few years ago. Payers are looking at more ways to pay their invoices other than with the traditional check. Electronic payments are becoming the norm, including ACH credit cards, EDI and wire transfers.

New technologies allow companies to better integrate these payment streams. This allows the business to benefit from controls visibility and technology not only with traditional paper receipts through a traditional lockbox but also electronic payments through a virtual lockbox or an electronic bill presentment and payment system.

PAYMENTS THAT CIRCUMVENT THE LOCKBOX

A payer may want credit for a payment while delaying clearance. For this and other reasons, companies occasionally receive payments at a facility other than a lockbox. Using remote deposit technology, you can integrate these payments and the remittance detail into the lockbox process. The information is then incorporated into the overall consolidated stream of data coming back to your system.

Remote deposit services capture check images, convert them to an electronic file, and allow companies to deposit checks remotely without having to make a trip to the bank.

For lockbox clients, the related documentation is just as critical, enabling them to capture check stubs and full-page remittance documents as well as envelopes.

In addition, eliminating the physical transfer of payments can mean that you collect the money more quickly.

SPEEDING PROCESSING OF FOREIGN DENOMINATED PAYMENTS

Ask if your bank is capable of processing foreign denominated payments through its lockbox. Some banks can provide a spot rate foreign exchange for certain currencies, then seamlessly integrate the payment, saving up to two weeks of collection time.

66% of consumers say receiving electronic bills increases their satisfaction with billers. Another 36% say it makes them less likely to switch to a competitor.¹

¹ Source: Fiserv Eighth Annual Consumer Billing Household

MAKING SURE INFORMATION IS CURRENT AND CORRECT

Past due accounts and unauthorized deductions can significantly reduce cash flow, so up-to-the-minute receivables information is a critical element of the process. With current information at your fingertips, you can significantly improve daily sales outstanding, deduction management and collections.

Even if you are already using a lockbox solution to collect payments, there are more advanced features that can take receivables collection to the next level by improving the availability and timeliness of information.

ADVANCED TECHNOLOGIES CAN IMPROVE A/R PERFORMANCE

Intelligent character recognition software, virtual batching and accounts receivable matching are some of the most useful advanced tools for improving A/R performance.

- **Intelligent character recognition software** automates data that would otherwise be manually keyed. Information contained in columns and rows from statement and invoice documents is captured and uploaded immediately, reducing processing time and improving the quality of receivables information.
- **Virtual batching** is a way to customize data grouping so that you can access the information that's important to your business. Receivables can be grouped by department, transaction size or client — or even matched and unmatched payments. Exceptions, such as out-of-balance situations and incomplete checks, can be isolated and dealt with right away, allowing you to get through your exception processing more quickly. Virtual batching can be used to segregate different payment types, as well as different categories of customer. Pushing data to the right group of accounts receivable people improves workflow.
- **Accounts receivable matching** allows your bank to compare, validate and match payment data to an external source such as an open invoice file. If items don't match, additional data elements can be added. Say a client submits an invoice with a partial invoice number. Accounts receivable matching takes what was provided and attempts to match the information until a valid number is found. The result is that you're able to post information more quickly and reach customers faster when legitimate exceptions are found.
- **Online correction tools** can resolve the lack of any invoice or posting information that cannot be effectively resolved through accounts receivable matching. An online correction feature allows your bank to identify the exception item and post it in a website for your immediate review. You can then manually input the missing information so the item will post automatically in your receivables file.

An Easy-to-Use Online Solution

An Electronic Bill Presentment and Payment site is another way to accelerate your receivables. You can receive your money faster by allowing your customers to make a payment online via ACH, credit or debit cards. All funds can be deposited into your account next business day without any hassle of depositing checks. Reporting is available 24/7 and can be exported into your accounting system.



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