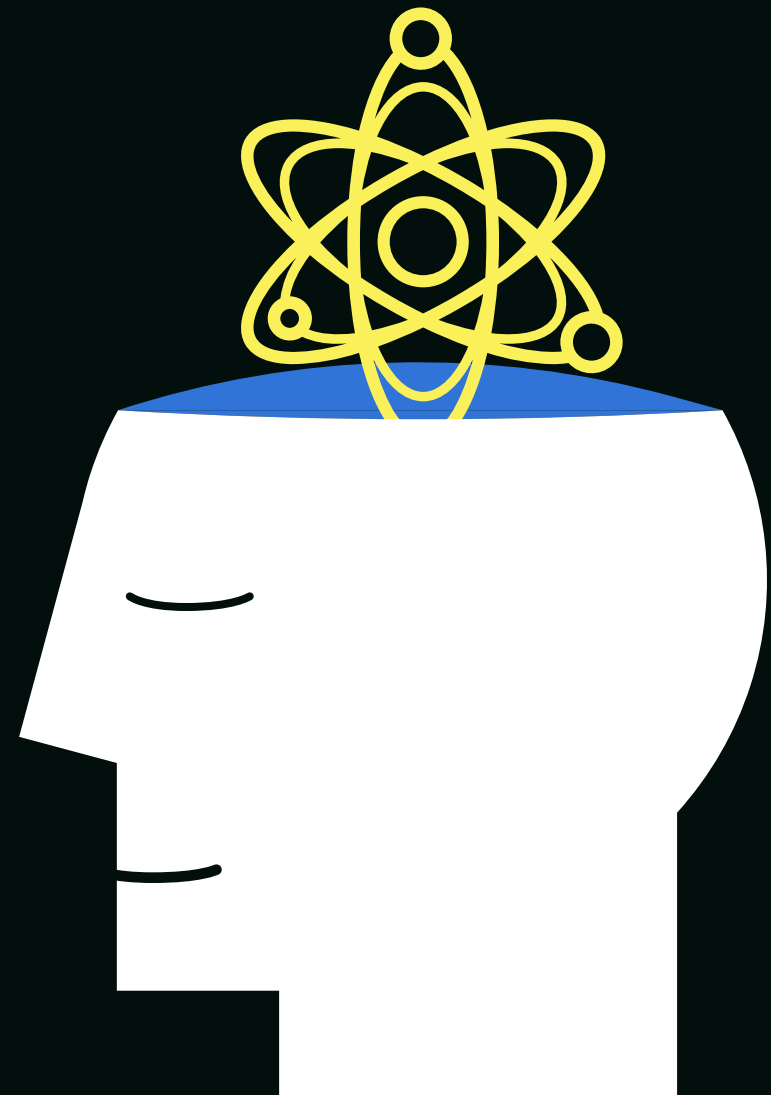


deluxe.

Accounts Receivable in the Age of Artificial Intelligence

How AI Protects Finance
from Future Disruption



Getting Paid Isn't Getting Any Easier

Disruption is the norm for corporate finance teams. Technologies intended to minimize the time-consuming, manual intervention associated with today's complex payment and remittance challenges have only acted as temporary, digital band-aids.

Today's Accounts Receivable (AR) professionals must manage faster, higher payment volumes and proliferating new payment channels. Rising electronic payment volumes, such as ACH,

often have remittance data delivered via a separate channel, such as email. AR teams spend hours searching through email systems to manually enter remittance information.

At the same time, cloud-based Enterprise Resource Planning (ERP) systems promised treasurers total automation of AR processes. But corporations quickly discovered that ERPs were only as good as their data inputs and business rules.

What's disrupting today's finance teams?

Accounts Receivable Professionals

- » Faster, higher payment volumes
- » New payment channel proliferation
- » Receiving payment files from various systems in different formats
- » The rise of ACH payments
- » Manually keeping remittance data

Treasurers

- » Multiple ERP systems
- » Fragmented, understaffed teams and functions
- » Difficulty forecasting and planning for working capital shortfalls and surpluses
- » Slow cash application

This White Paper explores why the unique pain points experienced by AR professionals and treasurers can be more easily resolved when re-framed as shared, enterprise challenges.

It also explains how Artificial Intelligence and other innovative, new technologies, like Integrated Receivables can help forward-thinking corporations regain control of their AR processes and protect their day-to-day operations from future disruption.



Getting Paid Isn't Getting Any Easier

Receiving accurate, timely payments isn't getting any easier for today's businesses. Higher, faster payment volumes and a growing list of emerging payment channels have disrupted Accounts Receivable processing. Studies show that 61% of ACH payments Accounts Receivable teams collect, arrive without remittance details.¹

Businesses find themselves wasting hours, even days, manually hunting for these details in separate systems, such as email, resulting in both errors and cash application delays (low Straight-through Processing). The ability to gain cash flow insights and accurate data treasurers need for forecasting is also negatively impacted.

Accounts Receivable Challenges ▶

The unique challenges to AR teams and treasurers create negative ripple effects across the enterprise. Cash application mistakes can create kinks in the order-to-cash (OTC) cycle, introducing risks further down the line. Operations, sales and customer care can all feel the negative impacts of slow payment application and an error-prone order-to-cash cycle.

Across many industries, the client experience has become a competitive deal breaker. Finance teams should think about how their current cash application process can impact customers.

How long are customers holding on the phone while representatives are hunting through multiple portals or bank sites for payment data? Is the payment data accurate? Repeated, negative experiences can diminish brand value – that's why it's critical for finance teams to come together and view their pain points through a shared-challenges framework.

Accounts Receivable Challenges

- » Faster, higher payment volumes
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- » The rise of ACH payments
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Enterprise Impact

- » High Days Sales Outstanding (DSO)
- » Low STP
- » Bad debt expense management
- » Difficulties with cash forecasting and cashflow analysis
- » Possible financial exploitation

Client Impact

- » Higher call volumes
- » False collections
- » Duplicate payments
- » Diminished brand value
- » Poor customer experience

Treasurer Challenges

- » Multiple ERP systems
- » Fragmented, understaffed teams and functions
- » Difficulty forecasting and planning for working capital shortfalls and surpluses
- » Slow cash application

¹Strategic Treasurer, "Becoming Undisruptable: Innovative Technologies to Regain Control of AR Processing," April 2020.

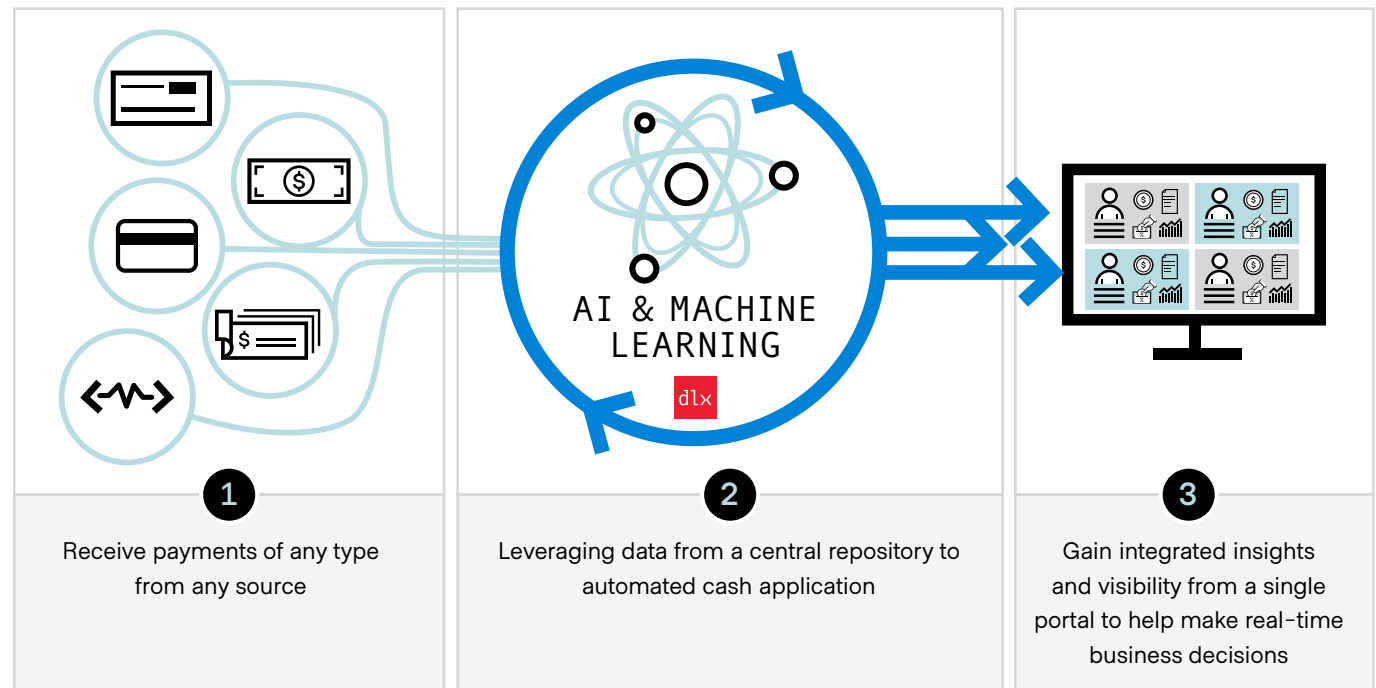
How AI Helps Finance Teams Work Smarter, Not Harder

It's clear that today's manual AR processes are not a sustainable or affordable long-term strategy for any corporation. Thankfully, Artificial Intelligence (AI) exists to ease the workload of humans. And, today, innovative breakthrough applications are helping insulate AR functions from disruption – now and in the future.

Today's sophisticated machine learning and algorithms can simultaneously search through payment details, bank statements, emails and attachments to locate and match separated remittance data to an ACH payment in milliseconds—with extraordinary accuracy.

Over time, this innovative technology learns to identify individual customers' payment-behavior patterns and alters its matching approach based on those expectations. It does this without any programming or technical intervention.

But, what if some of the data from this typical pattern is missing, or a customer changes their bank or remittance process? The technology will include any new elements in its search and match them accordingly – without involvement from the AR staff.



Integrated Receivables Deliver a Single, Consolidated View

While AI can fix this top pain point for most AR teams, corporations still cannot make informed financial decisions without timely, accurate cash application data. Integrated Receivables delivers more complete business insights via customizable dashboards. These insights help treasurers and other finance leaders:

- » Create informed financial forecasts
- » Manage A&L and other key metrics
- » Put capital to work to fund growth
- » Reduce debt and lower borrowing costs

Reversing Negative Ripple Effects

AI and Integrated Receivables can reverse many negative ripple effects that impact the enterprise.

Straight-through Processing

“A straight-through payment means human intervention is not involved,” said Beth Bourgoin, AR Automation Expert & Product Manager, Deluxe Corporation. When these tasks are involved, by definition, it cannot be considered a straight-through payment.

These insights help treasurers and other finance leaders:

- » Opening mail
- » Printing and scanning
- » Normalizing data
- » Manual keying
- » Searching for remittance data

The more manual processes can be eliminated, the easier it is to increase STP rates.

Customer Experience

Customers aren't just comparing a company to its direct competitors; they are comparing the company to the best experiences they've ever had from any company anywhere. To keep customers happy, businesses must do everything they can to avoid unnecessary friction. AR teams unwittingly create customer friction by:

- » Limiting accepted payment types
- » Not having immediate access to customer data
- » Issuing inaccurate statements
- » Mistakenly initiating collections

» **75% of businesses**

either have an integrated receivables solution, are planning to implement a solution, or are considering the market options.²

» **29% of companies**

plan to spend more or significantly more on accounts receivable function and solutions over the next two years.³



At the same time ACH are growing in popularity, some corporations are refusing to accept them because of all the pain points.”

—Beth Bourgoin, AR Automation Expert & Product Manager, Deluxe Corporation

²Aite-Novarica Group, “Reconciling Receivables: The Biggest Pain Point for Businesses,” January 2022

³Strategic Treasurer, “2022 Modernizing AP/AR Processing Survey,” 2022

By bringing all receivables, from any payments system, together in one central information repository, Integrated Receivables and AI eliminate the need to force buyers to send payments and/or remittance data in a particular format to ensure efficient and cost-effective handling. Furthermore, Integrated Receivables put corporations in place to accommodate new and changing payment methods, serving to future-proof the AR teams from future disruption.

Order-to-Cash Cycle

Maintaining a streamlined Order-to-Cash (OTC) cycle is critical to a company's ability to preserve and enhance profitability and grow the business. Manual processes slow the cycle, putting the company at risk.

The AR organization can negatively affect the OTC cycle by:

- » Creating labor-intensive workaround processes
- » Manually searching databases for remittance detail
- » Creating too many exceptions
- » Delaying cash application

Integrated Receivables and AI allow companies to take full advantage of the automated systems (e.g., ERPs and AR software) already in place. By improving the quality of the input data, manual tasks can be eliminated.

» **47% of treasurers**
say management initiatives or priorities prevent their AR processes from being highly automated, up 18% from 2021.³

Staffing

Many corporations set staffing levels based on the typical number of payments they receive each month. What can be overlooked is an assessment of the excess time spent on manual workaround processes, handling certain payment types, and managing exceptions and disputes.

Leveraging AI to automate manual processes can stabilize workflows and relieve over-burdened AR teams. Corporations can achieve more accurate staffing projections to support peak processing times and redeploy existing staff to higher-value projects and tasks. Plus, eliminating human error factors involved with rekeying remittance information helps the enterprise finance team achieve consistent, predictable results – creating a positive ripple effect across the enterprise:

- » Increase access to capital and decrease debt
- » Reduce DSP and increase STP
- » Improve the client experience

³Strategic Treasurer, "2022 Modernizing AP/AR Processing Survey," 2022

Clear the Chaos

Disruption is the new norm. Growing adoption of electronic payment volumes are driving immediate need for technology to match payments with remittance information that is being received separately, and the addition of new payment types are creating new challenges for everyone. When treasurers and AR teams come together and adopt new problem-solving approaches, like investing in AI and Integrated Receivables, corporations can achieve significant financial health gains in today's hyper-competitive market. Leveraging AI and Integrated Receivables together can reduce costs, save time, eliminate human error, recover revenue and position organizations to easily accommodate the changing payment vehicles of the future.



60% of treasurers

say efficiency, cycle time and cost concerns are the main factors driving them to AR automation in 2022.³

About Deluxe

Deluxe, a Trusted Payments and Business Technology™ company, champions business so communities thrive. Our solutions help businesses pay and get paid and grow. For more than 100 years, Deluxe customers have relied on our solutions and platforms at all stages of their lifecycle, from start-up to maturity. Our powerful scale supports millions of small businesses, thousands of vital financial institutions and hundreds of the world's largest consumer brands, while processing more than \$2.8 trillion in annual payment volume. Our reach, scale and distribution channels position Deluxe to be our customers' most trusted business partner.

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