

8 Steps to a Customer-Centric Approach in Collections

An IOFM white paper

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About Esker and TermSync

Esker is a worldwide leader in document process automation solutions, helping organizations improve how their business information is processed, managed and exchanged within Order Processing, Accounts Receivable, Accounts Payable, Purchasing and more. With over 30 years of experience, Esker operates in North America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin. For more information, visit www.esker.com.

TermSync, an Esker company, currently connects over 350,000 businesses through an intuitive, cloud-based platform that operates in tandem with existing workflows and systems, and can be up and running in less than a week. Through TermSync, clients are able to improve customer relations, reduce administrative costs and get paid faster — it's our commitment to finally bringing AR into the 21st century! TermSync is located in Madison, Wisconsin. Learn more at www.termsync.com.

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The Institute of Finance & Management (IOFM) is the leading source of information, tools and resources for finance professionals across our focus areas. For more than a quarter of a century, our newsletters, reference publications, online information services and conferences and events have provided authoritative guidance to corporate managers across a wide range of disciplines. Visit www.iofm.com.

About The Accounts Receivable Network (TARN)

The AR Network is the community for accounts receivable, order-to-cash and financial shared services practitioners. The AR Network supports its members' success through the sharing of best practices, tools, expertise and peer-to-peer engagement. Members of The AR Network have access to critical information, technological solutions, and management strategies that helps them optimize receivables processes, maximize ROI and evaluate and implement the latest technologies. Learn more at www.theARNetwork.com.

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The world has changed since the days when late payments were a sure sign that a customer was struggling financially. Today, even the most financially healthy organizations are strategically managing their payments to keep their cash flow options open.

So when your customers are determining which invoices take top priority, how can you ensure your organization is among the first to receive payment every time? By making it easy for them to pay you. Building an accounts receivable (AR) operation that caters to your customers and their needs can take some careful planning and investment on your part, but the results are worth the effort.

According to research conducted by The Accounts Receivable Network and compiled in its 2014 report *Benchmarking: Collections Practices and Metrics*, collection activities cost between 4 cents and 25 cents for every dollar tracked down. With this in mind, can you really afford for your team to spend its time chasing money instead of letting the money come to you?

What Your Customers Need ... and Want

Let's examine what your customers need from you in order to conduct business transactions. Taking that a step further, let's also examine what your customers want and expect. What would make them actually look forward to paying you?

Making payments on time is consistently one of the top three priorities cited by accounts payable (AP) managers in studies by The Accounts Payable Network, a sister organization to The AR Network. Your customers really do want to pay you.

But several issues are slowing them down, and in most cases, these have little to do with a lack of ability to pay:

Overworked staff members — AP people at the kinds of growing companies that make the best customers for your organization are handling an increasing number of invoices per person,

with the median being 694 per month per employee, according to The AP Network's report, *Benchmarks: The State of Accounts Payable 2014*. These companies are not necessarily increasing their staffs to accommodate the influx. Even small companies are stretched thin as they try to push the limits before hiring anyone dedicated to AP. This practice of "doing more with less" can lead to missed deadlines, even when discounts are offered for early payment.

Disputes about pricing or items delivered — When customers have to stop and call you about a question on an invoice, it can add up to five days to the payment cycle. That's if you are lucky enough to have them call you. Many customers will sit back and wait for you to call them looking for payment rather than calling you. This can lead to even further delays. Conversations back and forth on both sides of the transaction aren't always cut-and-dried and can involve levels of approval from supervisors, research into sales terms, and verification of items received.

A lack of approval for capital improvements — Just over half of the respondents in the 2014 AP survey said it is difficult or impossible to get their organizations to designate funding for AP process improvement projects such as enhanced technology for payments.

A variety of formats for invoices received — Different suppliers are sending your customers invoices by mailing them paper documents, emailing them PDFs, or asking them to pay electronically through p-cards, supplier portals or business commerce networks. The lack of uniformity slows down your customers' processes and forces them to shift gears often to accommodate each of their vendors.

Once you understand what your customers are up against, you can take steps toward becoming first in line for payment. Here are some examples of your customers' basic needs and a comparison of how you can upgrade your services to accommodate them.

Your customers need:

Access to information — Your customers need to be able to contact you with questions about their orders, the payment terms and delivery date.

Your customers want:

Self-service access to information — Supplying your customers with the most up-to-date information, and in a way they can easily access 24/7, will go a long way toward serving their interests — and saving your staff time and money.

Your customers need:

Easy dispute resolution — When something goes wrong with an order or an invoice, your customers should be able to let you know quickly, preferably with a self-service option rather than having to call in, so it can be resolved before frustration has the time to build on either side of the transaction.

Your customers want:

Faster dispute resolution — If you speed up the resolution process, you can improve your organization's cash flow by avoiding drawn-out communications that add days to the payment cycle.

Your customers need:

A solution that works with their ERP system — If they have to stop and enter data into their system, that costs them time and money, but at least it works. This is especially true for the large customers.

Your customers want:

Full integration with their ERP system — Cutting out the process of fixing your documents to make them compatible with your customer's system will go a long way toward speeding up payments.

The Customer Experience, Your Style

Each organization has its own brand of customer experience. However, there is a disconnect between what sellers think they're providing and what their customers are actually experiencing, according to a 2013 survey by TermSync, which provides cloud-based solutions for business-to-business post-sale interactions.

About 82 percent of those surveyed said they believe their quality of customer experience differentiates them from the competition — and they are absolutely right — no matter whether the experience they provide their customers is good or ... not-so-good.

What elements should you consider when you're building or strengthening your customer experience strategy in collections? How will your success affect the rest of your organization? Here are eight starting points:

- 1. Build a cohesive team.** This should consist of your collections employees, but also people in the other parts of your AR operation, as well as Sales and other departments that touch the customer experience. Your team should also include any of your service providers and the solutions they supply that allow your organization to be more customer-centric.
- 2. Set up your team for success.** Employees who are overburdened and operating in an atmosphere of disorganization and clutter will not be in the best possible frame of mind to offer top-notch customer experiences. Help them help you. Give them the tools they need to succeed, including procedures, training and technology that allow them to spend more time helping customers and less time on manual, outdated tasks.
- 3. Work with a shared set of goals and expectations.** Different AR teams have different policies that work best for their organizations. What works best for yours? Ensure your team members buy into the policies by including them in establishing the way your customer experience

procedures function. That way everyone shares the same expectations.

4. Hold individuals accountable. Your team is only as great as your weakest link when it comes to the customer experience. You and members of your team have to hold each other accountable for upholding your shared goals and expectations. Make sure your message is not just rhetoric but very real.

5. Measure your performance. Use reporting tools to determine how your team is doing in serving customers, and discuss these to correct course when necessary. For example, rather than just telling team members to respond to customers in a timely manner, actually measure response time. This way you can continue enhancing the overall customer experience.

6. Don't treat all customers the same. Exceptional customer service is not "one size fits all." Once your team understands this concept, you can begin to enhance the customer experience in ways that are tailored to meet each customer's needs and wants. For instance, in AR, many customers prefer a self-service option such as a supplier portal where they can check on the status of their invoices at their convenience and fill out a form to make an inquiry. Others prefer the personal contact of a live voice on the other end of the phone when they're asking a question outside the scope of a receivables solution.

7. Don't treat all issues the same. Anyone who has ever handled the customer experience knows there are two types of people who call: those with questions that could have been answered with some quick online research (or through a self-service portal if you had one), and those who have issues that require more work to resolve. Everyone should be treated with the same courtesy, but your team should accept that not all issues will fit into a neat box. Give your team members the latitude to become problem-solvers and troubleshooters, and you'll see them enjoy serving customers even more.

8. Listen to your customers. They'll tell you how they want to be served. Remember, people who approach your organization with a complaint and feel you've actually listened to them and helped them resolve the issue will become your biggest cheerleaders. Provide ways for them to give you the feedback you need.

How Technology Can Help

Decades ago, creating an exceptional customer experience was all about being available not just in person or by mail, but also by phone. Today, however, research shows that placing a phone call to make an inquiry or handle an issue is considered a hassle instead of a convenience. Technology has driven customers to demand new solutions that allow them access to self-service options on the Internet.

The same TermSync study shows that only 30 percent of distributors are offering a self-service portal, even though research by analyst firm Forrester found more than 70 percent of customers would prefer to use this type of option.

Some tasks in your collections process can be streamlined via automation to make your customer's life easier. Today's solutions give customers the power to get their questions answered and issues handled at any time, whenever it's convenient for them. And once you've knocked down the barriers your customers are facing, your payments come in faster.

Here are some examples of customer-centric features you can expect in a receivables system:

Reminder messages — Instead of your staff reaching out to individuals to ask about payment, your customers instead receive automated reminders. The messages can include a reminder of an upcoming payment and should also allow customers to perform multiple tasks from the same email, such as pay the invoice, file a dispute or ask a question.

Branding and messaging — When you have a special message you'd like to convey to your customers — whether it's a seasonal promotion or your longstanding corporate value statement — you can include that in your automated communications with your customers.

Faster answers to questions — When customers can get online and look up the status of their payments or any other information about their accounts, they don't have to pull your staff away from other issues.

Accountability and goals tracking — Your team can measure how it's doing in areas that affect the customer experience by tracking the metrics that tell the story. For instance, an automated solution can measure response time, dispute resolution and overall customer satisfaction.

Staff optimization — An automated prioritization based on your workflow rules allows your team to be more efficient, which means your staff can spend more time talking to customers and resolve priority issues first.

Visibility into customer activity — All communications with customers are automatically logged. Your team can even identify whether customers received invoices or opened payment reminder notices.

Better reports and planning tools — Once your team has tracked its performance, your organization can better adapt to what's happening today and plan for the future.

Happy Customers = Faster Payments

Implementing a self-service option is only one part of making your organization customer-centric. A portal provides the tool, but your organization and your people provide the exceptional customer experience.

The most effective organizations find ways to make customers feel special even when they're dealing with technology instead of interacting with a human. For instance, the language on your portal can guarantee

that someone will respond to a customer's online request within 24 hours. If you incorporate that promise, it's important that you follow through and keep track of whether it's consistently being met. Additionally, your portal can also ask customers for feedback immediately after an interaction, showing that you want to hear how your organization is doing and that you care about what the customer thinks.

The collections process doesn't have to be awkward, embarrassing or adversarial. By incorporating a receivables solution into some parts of the process, you give your team the ability to spend time offering a better, more personalized customer experience where it's needed. If your customers love you, they're more likely to move you to the top of the list when it comes to making payments.

Sponsor Perspective

Esker and **TermSync** are pleased to have sponsored the IOFM white paper *8 Steps to a Customer-Centric Approach in Collections*. As industry leaders in AR automation solutions and technology, we're pleased that this white paper highlights many of the pertinent issues we regularly discuss with businesses that are seeking modern, realistic ways to improve their AR process for both themselves and their customers.

Taking a customer-centric approach to collections is proven to be an effective, yet often overlooked, strategy. The difference between what customers want and need in order to pay invoices and what most companies are actually offering them can have a huge impact on achieving the ultimate goal of every AR department — turning money owed into money in the bank as quickly and efficiently as possible.

Exceptional customer service undoubtedly begins and ends with the strength of your business model and the dedication of your employees. However, in today's high-tech world, technology is the catalyst that can propel your AR department and collections process to greater levels of efficiency and visibility. Not only do tools like a self-service portal and reporting and tracking features give your customers the control and convenience they desire, they ultimately make the job more productive and enjoyable for your employees.