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Bank partnership key to building a robust e-payables program
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As corporate treasury managers continue to seek transactional efficiencies while they look to harness strategic information around cash flow, the next generation of receivables transaction processing will need to address many challenges.

To remain competitive and meet client preferences, companies need to accept a range of payment types. Offering that flexibility, however, can make accounts receivable (A/R) management more difficult. Bank data today is typically siloed by payment channel, which increases costs associated with exception management and cash application.

U.S. Bank Voice of the Customer research revealed that treasury managers are frustrated over their inability to centrally process exceptions and apply electronic payments without manual effort. They identified a number of roadblocks to automated cash application, including a lack of standards for formatting remittances. They also pointed to systems integration challenges.

Companies report they typically have scarce resources to automate the capture and management of payment data and resolve exceptions, and this can negatively impact their days sales outstanding (DSO), a critical measure of working capital management performance.

What’s more, because their bank data comes from different payment channels and arrives in different formats, it’s hard to mine the data for trends and forecasting, at a time when data analytics is a growing focus in treasury.

Enter Integrated Receivables

U.S. Bank is responding to these client challenges by introducing a new receivables management platform, Integrated Receivables. This service aims to standardize incoming payment processing, regardless of payment type; streamline exception management; accelerate cash application; and centralize strategic cash flow information.

The foundational function of the service is normalizing the client’s receivables data. “It takes payments received from a variety of different points and channels and provides a consistent receivables experience regardless of the payment type,” explains Sam Robb, senior vice president, collections and receivables group manager.

To offer payment flexibility, organizations accept multiple payment types (Automated Clearing House, wire, cash, credit card, debit card and check) through a variety of modes (e.g., mail, web, in person, mobile, direct transmission) and different channels (such as wholesale lockbox, electronic lockbox, desktop scanner and smartphone). “Integrated Receivables formats data from all of these transactions into a common structure to make it more easily accessible to the client and available for interaction,” Robb says.

Improved exception management, cash application

Exceptions occur for many reasons, such as missing remittance information, a bad payee, a short pay, a stop or an unbalanced transaction. Integrated Receivables allows clients to apply their own unique business rules to determine
which items will be deemed exceptions, as well as to establish an automated workflow for resolving exceptions. Furthermore, as organizations accept more electronic payments, they can experience problems with matching remittance information to the payments. With ACH transactions, for example, the remittance data often arrives separately in an email or fax. Integrated Receivables helps companies re-associate the data with the dollars. Emails and faxes with remittance data can be sent directly to the bank, which performs the necessary data entry to provide it to the client online and support automated payment posting.

“By establishing which pieces of information the client needs to automatically post a payment, providing that information in a standard format, and allowing the client to reach out to its trading partners for any missing data, Integrated Receivables helps expedite the cash application process,” says Laura Listwan, senior vice president, new product development in Global Treasury Management.

Better access to strategic information
Normalizing the data and housing it in a central repository will also better enable clients to identify trends and analyze A/R data for improved decision making.

“By consolidating, enhancing and delivering to clients rich data that has traditionally been in disparate systems, the service allows them to interact with the data, create trend and benchmarking information, and gain a strategic view of their receivables and working capital cycle,” Robb says.

Impact on receivables metrics
Companies that adopt Integrated Receivables will be able to evaluate performance in a number of ways, says Joe Schoder, senior vice president treasury management technical solutions team manager.

“These companies may want to track improvement in their DSO, reduced time to resolution for exceptions, and volume of writeoffs, for example, as a way to measure and validate the benefits of moving to such a solution,” Schoder advises.

“I would expect all of those performance metrics to improve over time, some quite significantly.”

A customer perspective
U.S. Bank will launch Integrated Receivables later this year and plans to continually invest in the service, deepening its capabilities and integrating new payment channels.

“In the past, banks have forced treasury managers to become payment experts by providing clients with different information and different experiences based on payment type,” Listwan says. “With the introduction of Integrated Receivables, U.S. Bank is looking at receivables from a new perspective — the client’s. So they can simply focus on being experts in their own business.”

For more information on Integrated Receivables, please contact Joe Schoder, senior vice president, treasury management technical solutions team manager, at 612.303.7356 or joe.schoder@usbank.com.

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Bank partnership key to building a robust e-payables program

Corporations spend millions of dollars on enterprise resource planning (ERP) systems, but despite that investment many fail to make significant progress toward an ideal electronic payables environment. Why? A major factor is their failure to involve their bank when they implement their systems.

Few corporations have even come close to achieving a totally electronic payables environment. Yet such an “e-payables nirvana,” including a complete automation of back office processes, is a goal worth pursuing, says Ed Regina, senior vice president and payables head in Global Treasury Management at U.S. Bank.

The ideal scenario for most companies would include end-to-end electronic vendor selection, invoicing and payment. Vendors would be dealt with in an entirely automated environment. Rules would be in place to ensure invoices are paid in a way that actually generates revenue. Resources would be allocated to the most business-critical operations. “There would be automated onboarding of vendors, collection of invoices and payment processing,” Regina says.

It may seem pie in the sky, but companies can move in that direction, one step at a time, if they have a plan and involve U.S. Bank experts, he says.

P2E migration: one step at a time

The transition from a paper-intensive environment to a completely automated environment can begin with an hour of your company’s time, a whiteboard and a marker. It requires zero expense — just consultants from U.S. Bank taking the time to learn about your operations, scope of needs and system requirements, says Mike McKean, senior vice president, Payables and Receivables Solutions Consulting in Global Treasury Management at U.S. Bank. “We listen first and then develop recommendations unique to the organization’s particular situation and return to present it to the client,” he says. “We’re different from an outside consultant because, for one, we don’t charge anything to develop a solution; and, two, we’re your business partners. We succeed when you succeed.”

U.S. Bank views card, check-based and electronic payment spend holistically and recommends solutions to optimize the customer’s payables process and working capital.

During the initial exploration, U.S. Bank consultants will consider whether a centralized or decentralized procurement practice is best; focus on purchase order creation and supplier notification; and look at your payment disbursement methods and usage. We will also determine your check, Automated Clearing House (ACH), wire and card payment ratios, plus identify any cultural influences on the way procurement and payments are handled.

“Instead of making a quantum leap, you move along a continuum and become increasingly more automated,” Regina says. “And, as you do that, you take advantage of some of the processing efficiencies that are available, some of the advantages that you might get from better vendor interactions, and opportunities to redeploy human resources that are very heavily invested in paper processing.”

Changing old habits

Pursuing e-payables nirvana requires changing old habits. For example, one of the simple reasons businesses still pay by check is that they don’t know the account number of the
seller. “We have a solution that solves that specific need, that one step in the process — a Supplier Enablement portal,” McKean says. “It captures account details, authenticates and then facilitates an electronic payment. It’s one step that begins to remove the paper.”

Developing a complete suite of electronic solutions can begin with a visit from U.S. Bank. The model works because it’s focused on making practical, incremental changes.

“Many of the companies that work with U.S. Bank on an e-payables program come to us having already invested in an ERP tool, but they aren’t realizing the best possible return on their investment because they’re not getting everything out of their system,” Regina says.

U.S. Bank can help you do that. For example, by integrating your SAP ERP system with U.S. Bank, you can leverage your SAP investments to streamline and automate your payables processes quickly and affordably. Through SAP Consolidated Payables Link for U.S. Bank, you can eliminate the need to develop separate file formats and custom interfaces between your ERP and the bank. The application allows you to transmit pre-formatted ISO 20022 files with all of your payment information for ACH, wire, check and virtual card payments to U.S. Bank for processing by our Consolidated Payables Service.

“When you meet with us, we can start a process that begins to reposition you to significantly optimize your capital investments,” Regina says.

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