The Amazon Effect: How A/R Can Help Deliver a World-Class B2B Customer Experience

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In many organizations, marketers are the ones charged with creating a world-class customer experience. Why? Because the perception is they are responsible for every externally facing touchpoint. Things like websites, social media posts, blogs, advertising and printed materials are all developed and controlled by the marketing function, and rightly so. And that goes for both the B2B and B2C worlds. But, the majority of B2B customers don’t think the companies with which they do business deliver the same experience they receive in the consumer world. In fact, according to McKinsey research, 65% of B2B customers don’t think their experiences with other businesses match their experience with consumer companies. Does this mean that B2B marketing efforts aren’t on par with those of consumer brands? Or is B2B simply viewed as a more utilitarian space, where function over form is the rule.

In this article, we’ll explore the reasons why B2B customers don’t feel like they’re getting a state-of-the-art experience, as well as how the order-to-cash experience can reverse this perception.

The Amazon Effect

Think about your own consumer world. You’re placing an order from a computerized kiosk at a restaurant, allowing you to confirm that your order is accurate. You do most of your personal banking online, complete with the ability to take a photo and deposit a check with your smartphone versus making a trip to a brick and mortar banking office. You use your smartphone and do holiday shopping instead of visiting a crowded mall and fighting for a parking space. It’s a climate where instant gratification is served up in an easy-to-understand package which encourages repeat purchasing, suggests alternatives based on past behavior and hooks you with “free,” one-day or even same-day delivery. This is the Amazon effect. And it’s changed everything about how we perceive a world-class customer experience.
The Amazon effect, according to one online definition, is the "ongoing evolution and disruption of the retail market, both online and in physical outlets, resulting from increased e-commerce. The name is an acknowledgement of Amazon's early and continuing domination in online sales, which has driven much of the disruption." Amazon’s convenient browsing, ordering and tracking interface continues to set the standard for what consumers expect.

How can B2B companies take a page out of Amazon’s book, differentiate and win with customer experience? After all, if your customers can enjoy Amazon-like ease-of-use, they’ll be more likely to report being satisfied with your company and perceive you as being easier with which to do business. From an A/R perspective, implementing the Amazon effect can be done, and a good place to start is when you onboard a new customer.

**Automated Onboarding**

What keeps customers happy? Getting them off to a great start. Applying the Amazon effect to your customer onboarding process means a smooth, seamless and hassle-free credit application process. Inflexible PDFs, unseen credit applications and slow validations aren’t world-class, don’t make new customers happy and delays the ultimate outcome -- placing orders. Unfortunately, a lot of B2B suppliers subject their customers to an experience that gets them started on the wrong foot. Automation can play a big role in successful onboarding. And today’s credit application tools give you that, as well as flexibility, helping you accelerate the entire application process.

Without an elegant, online solution, it’s common for credit applications to stall during the approval process or get lost in the shuffle of competing priorities. That's because analysts often lack the framework needed to review all pieces of a credit application in one place and make an informed decision. As you know, critical information such as when the application was initiated, which references have responded and the applicant’s score and profile are all considered when making a decision, and it often takes days or weeks to compile from multiple sources. This leads to a poor customer experience and ultimately lower customer satisfaction.

Look for ways to automate collecting an applicant’s third-party trade and bank references, tax documents and financial information, and for tools that approve or deny applications based on defined parameters. Automated credit applications which are designed to your company’s brand standards offer your customers a seamless, branded experience.

But enhancing the customer experience and fully implementing the Amazon effect goes beyond the initial credit application.

**Automating Order-to-Cash**

As consumers, we’re used to having easy access to our invoices and payment history, and it’s also simple to return a product or dispute a transaction. Unfortunately, it’s not always so smooth on the B2B side. This is why the order-to-cash cycle is front and center in driving customer satisfaction. It’s important that cash is applied properly, disputes are resolved quickly and professionally, and invoices are delivered the way a customer wants.
Presenting a smooth, seamless automated experience, all the way from invoicing and payments to cash application and collections solutions, not only makes you look great but also drives efficiencies, helping you grow revenue and increase profitability. Interestingly, a recent Hackett Group study found that companies leveraging technology and automation to optimize process management spend up to 85% less managing the order-to-cash process.

A best practice is to offer your customers a branded portal where they can self-serve and integrate with your company’s e-commerce site. Another important area, in light of growing forms of electronic payments, is the ability to automate payment acceptance from ACH to credit cards, especially one-time-use cards. Automated cash application platforms apply AI and machine learning to determine the customer's intent to apply payments efficiently without manual processing. And even though it’s not the most glamorous part of the process, automated collections can even impress with automatic reminders of payments coming due and proactive dispute resolution to properly log and escalate issues, so they are solved more quickly.

By automating, you optimize both the transactional and relationship management aspects of the order-to-cash processes and deliver experiences on par with what your customers have come to expect from consumer brands.

More Accounts Payable Providers Can Create Challenges

You’re probably well aware of the increasing number of accounts payable platforms your customers are using which impact how you send invoices and receive payments. According to a Gartner study, by 2025, over 50% of mid-market and large businesses will have deployed procure-to-pay suites, creating a new set of challenges for A/R. On one hand, you want to accept payments the way your buyers want to send them to you. On the other hand, with your customers using so many different A/P platforms, which ones will you embrace and at what cost?

The inefficiency in payments flowing between buyer and seller is ripe for disruption. We are starting to see payment networks that serve as a hub, capturing a payment and standardizing how it’s received by the supplier.

A payments network automatically connects you, the supplier, to many of the different third-party bank, ERPs and A/P platforms your buyers are using to pay you. When your invoice is approved to pay, the payment network captures that payment instruction and moves the money to you the way you already receive ACH or credit card deposits. It then obtains the remittance from those systems, posts it and presents it to you in a format compatible with your A/R process. To summarize, payments come in the same remittance file with the same funding mechanism you’ve already established.

The benefits to a supplier are many. Payments are received faster because they’re processed the same day they’re initiated by your buyer. Suppliers also have more control because they can broadcast their payment preferences to A/P platforms via the payments network. You’re also not asking your buyers to change their payment behavior, so you make them happy by being able to easily accept payments from their platform. And with consolidated remittance, fewer phone calls from payments providers and no IT support required or changes to your current system, a payments network sets the standard and makes your life easier, all while giving customers the best service of all -- allowing them to pay you however they want.

The Amazon effect is real. Its impact on how all of us perceive every online transaction can’t be understated. And it’s not going away -- especially as the workforce becomes more digitally savvy and adapts new technology. Doing your part to enable B2B buyers to have that same great experience, whether they’re at home holiday shopping online or at work engaging with your company’s A/R platform, creates nothing but positive feeling towards your brand.

About the Author:

Mitch Rose is Senior Vice President and General Manager for Midmarket where he heads up Billtrust's go-to-market strategy for the midmarket segment. Prior to this role, Mitch led Partner Solutions at Billtrust, where he was responsible for leveraging third parties to bring innovative solutions to the Billtrust customer base. Mitch also led Billtrust's marketing team, growing revenue ten-fold.

Mitch holds an MBA from Columbia University in Marketing and a BS in Applied Economics from Cornell University.
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Digital technology is vastly transforming and disrupting economies all around the globe, exposing organizations to both opportunities and threats. It comes as no surprise that, just like every other aspect of business, economic crime is going digital. Modern-day hyper-connectivity offers entry points for cybercriminals and fraudsters, enabling them to compromise an organization’s digital landscape in various ways. Possible breaches can appear anywhere in the digitally transforming economy. An example would be attacks on devices enabled by the Internet of Things (IoT), including cars and household devices. Breaches can also occur with mobile and eCommerce services, cloud computing or even with traditional on-premise ERP systems.

Fraud and Cybercrime on the Rise

This persistent and pervasive threat leads to what has been called the digital paradox. Organizations are in a position to benefit from new digital connections, tools, and platforms which can connect them in real time with customers, suppliers and partners. Yet, at the same time, cybercrime has become a powerful countervailing force that threatens this potential. Awareness of this paradox is growing: Six in ten chief executives rank both cyber threats and the speed of technological change as top threats and challenges to their growth, according to the 19th Annual CEO Survey by PricewaterhouseCoopers (PwC). Approximately one-third of organizations have been the victim of fraud in the past few years, illustrating that economic crime is changing significantly and that detection and control programs are not keeping up with the pace of change.

Additionally, the financial cost of each fraud case is on the rise. A major problem is that companies are not handling fraud and economic crime with the priority it deserves. In fact, 22% of companies surveyed have never carried out a fraud risk assessment and a further 31% of companies only carry out such an assessment annually, according to PwC. It appears, therefore, when it comes to fraud, too much is being left to chance. After all, the same report indicates that one in ten economic crimes are merely discovered by accident.

While asset misappropriation, cybercrime, bribery, and corruption make up most of the reported economic crime, procurement fraud and accounting fraud follows closely with 23% and 18% respectively. It is of paramount importance therefore to secure inbound payments to effectively protect the organization’s overall payments ecosystem from fraud and economic crime. As the legislative landscape continues to change, businesses will face additional regulatory challenges and must be prepared to protect themselves and their business relations from the dangers of economic crime.

Fraud in Accounts Receivables: What to Look Out For

Although fraud attempts are often directed at outbound payments by external actors, fraud in inbound payments, which is conducted by employees, should not be disregarded. According to the PwC Global Economic Survey 2016, fraud and theft are more likely to be committed by an internal actor than an external actor, with senior and middle management representing the largest source of internal fraud.

Consequently, every organization needs to ask itself to which degree its existing order-to-cash (O2C) processes are prone to fraud risk, because neglecting those risks can be detrimental. The constant influx of cash in accounts receivables (AR) makes this area very vulnerable to internal fraud risk. Without the right checks and balances in place, intentional theft or misappropriation of company revenues can become a serious threat. In fact, AR fraud schemes are among the most common forms of employee theft, yet most companies do not have standards in place to prevent them. Undetected AR fraud can result in a significant disruption of your cash flow and even threaten the very existence of the company. Typical AR fraud issues to look out for include:
• **Insufficient separation of duties:** Employees who are responsible for both collecting and posting payments can easily steal incoming cash and manipulate the bank reconciliation process to make up for the missing amounts.

• **Diversion of payments:** Redirecting incoming cash to old or slow paying accounts that companies typically do not keep track of can also be a lucrative fraud scheme.

• **Refund skimming:** A common scheme is to pocket refunds that are meant for companies that have accidentally overpaid.

• **Check skimming:** Intercepting an incoming check from an account holder and cashing it to a private bank account is classic fraud attempt.

• **Lapping:** Employees have been known to divert customer payments to cover up a theft or misuse of a previous customer payment.

• **Fraudulent write-offs:** Employees might conduct false write-offs to cover up a previous theft.

• **Fictitious sales:** This technique might be applied to receive commission-based compensations or to make a company appear to be in better financial shape for creditors and investors.

As shown, AR can provide several entry points for fraudsters to steal incoming money, endangering the company and distorting its overall liquidity. It is therefore important for companies to look at fraud and economic crime for both outbound and inbound payments.

**How to Stay Safe: Best Practices in Fraud Management**

Protecting your O2C processes from fraud cannot be managed by accounts receivable managers alone. Different stakeholders and responsibilities come into play, such as global finance process owners, compliance officers and, of course, IT. The following overview represents some best practices that will help your organization to protect their accounts receivables.

**Systematic Risk Detection**

Anomalous transactions keep changing patterns frequently. To prevent fraud, companies have to stay on top of such changes at all times so they can detect anomalies quickly and block them. Ideally, an automated detection process could be put in place to recognize suspicious behavior, for example, when money is moved to accounts that have been inactive for a long time. To enable automated detection, transaction data should be centralized and continuously analyzed to identify any unusual loss. Automated alerts also then can be set up to inform multiple account managers when potential fraud is detected, so that the findings cannot be hidden by the fraudster.

**Standardized Processes and Compliant Execution**

Processes also have to be monitored to make sure that standards and codes of conduct are not violated. Since the risk landscape is so multifaceted, it is not enough to ensure that the customer onboarding or collections processes are safe. To be truly on top of things, organizations have to eliminate weaknesses in the entire O2C cycle – without harmonized end-to-end processes, companies are at risk of losing money.

**Centralized Inbound Payments**

To keep incoming cash extra safe, companies are well advised to implement best practices for cash forecasting. These processes will ensure companies do not have excess cash in their global bank accounts. Damages resulting from fraud can be mitigated significantly by concentrating the majority of cash into centralized accounts and topping up operative accounts as needed.

**Definition of Responsibilities**

Best-in-class companies assign process owners who are responsible for both the performance and the integrity of the processes. Equipped with a strong mandate from the management and with clear responsibilities, these process owners should have the authority to not only enforce the business process but also the policies for governance, risk management, and compliance (GRC). In the case of data breaches, it will be easier to organize reactive measures with a single process owner. Organizations should also define and put in place strict approval processes, specific policies and the necessary user roles and access rights.

**Auditability and Process Documentation**

Documenting your current processes carefully is time well spent. It can reveal inefficiencies, security issues, and irrelevant steps but also non-compliant behavior and fraud attempts. Furthermore, it helps companies to standardize their processes and align them with industry best practices. Improving processes and making them auditable ensures any error can be traced back to the responsible party.

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Conclusion

Securing inbound payments requires a holistic view of the processes, technology, people, policies and corporate values involved. Risk in O2C processes cannot be mitigated if the processes remain siloed. Security must be a guiding principle across all O2C operations. While automated processes and end-to-end solutions play their part in securing inbound payments, centrally managed user rights and rules are just as important. Organizations must be aware of the potential risks and be prepared to invest both money and time into fraud prevention at each step of the process. Today more than ever it is the only way to ensure that accounts receivables are secure and effectively protected from fraud attempts and economic crime.

About the Author:
Garoid Pierse, Senior Solution Architect, Serrala has 21 years SAP Finance experience, specializing in Banking, Treasury and Tax. He has worked on global SAP projects with PwC, IBM and Tech Mahindra. In addition to numerous SEPA implementations in EMEA, Garoid has implemented Payments from SAP systems in 14 APAC countries. In September 2016, Garoid joined Serrala as a Senior Solution Architect, advising current & potential clients on how best to transform, automate and simplify their payments processes.
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New York State Enacts the SHIELD Act and Bolsters Consumer Credit Reporting Agency Requirements

By: Evan A. Pilchik, Esq and Erik Weinick, Esq
Otterbourg PC

Abstract: New York State law makers have enacted two expansive new statutes designed to protect New Yorkers and their private information. First, among other things, the Stop Hacks and Improve Electronic Data Security Act (“SHIELD Act”) expands the scope of data security incidents which require notification to consumers. The SHIELD Act is set to go into effect on March 21, 2020 although some of its enhanced notification requirements became effective on October 23, 2019. Second, the “Identity Theft Prevention and Mitigation Services Act,” targets consumer credit reporting agencies, requiring them to offer identity theft prevention and mitigation services to consumers affected by a security breach of their system. On a much quicker timeline, the Identity Theft Prevention and Mitigation Services Act became effective on September 23, 2019.

Which Businesses are Subject to the Notification Requirements of the SHIELD Act?

Prior to the enactment of the SHIELD Act, New York State’s data security breach notification requirements applied only to persons and businesses which (1) owned or licensed computerized data which included the private information of residents of New York State and (2) conducted business in New York State. Under the SHIELD Act’s extended reach, even persons and businesses that do not conduct business in New York State must disclose data security breaches to the residents of New York State whose private information was, or is reasonably believed to have been, accessed or acquired by an unauthorized person.

Expanded Categories of Information Requiring Security Breach Notification

The SHIELD Act updates New York State’s prior data security breach notification statute by adding new categories of information that, if accessed or acquired by an unauthorized person, give rise to notification obligations. Under the existing law and the SHIELD Act, the notification requirements apply to events concerning “private information”. Previously, “private information” was defined as personal information (i.e., any information concerning a natural person which, because of name, number, personal mark or other identifier, can be used to identify such natural person) in combination with certain data elements when either the personal information or the data element was unencrypted or was encrypted with an encryption key that had also been acquired. Prior to the SHIELD Act, only three data elements were relevant: (1) social security number; (2) driver’s license number or non-driver identification card number; and (3) an account number, credit or debit card number, in combination with any required security code, access code or password that would permit access to an individual’s financial account. The SHIELD Act adds the following new data elements: (4) account number, credit or debit card number, if circumstances exist where such number could be used to access an individual’s financial account without additional identifying information; and (5) biometric information (such as a fingerprint, voice print, retina or iris image, or other unique physical representation or digital representation of biometric data, which are used to authenticate or ascertain the individual’s identity). Further, the definition of private information has been expanded by the SHIELD Act to include, without the requirement that the information must be personal information combined with another data element, (1) a user name or e-mail address, in combination with a password or security question and answer, that would permit access to an online account, and (2) any unsecured protected health information held by a “covered entity” as defined in the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”).

By adding additional data elements and categories to the definition of private information, the SHIELD Act casts a wide net to capture information that if accessed or acquired will give rise to the notification obligation.
Expanded Events Requiring Notification

The SHIELD Act aims to increase accountability for consumer privacy by expanding the types of security breaches covered to include not only cases where private information has been acquired by an unauthorized person, but also cases where private information simply has been "accessed" by an unauthorized person. In either case, the unauthorized acquisition or access must have compromised the security, confidentiality, or integrity of private information maintained by a business.

As under the existing law, a business may consider several factors in the determination as to whether private information has been acquired by an unauthorized person, including indications that the information (1) is in the physical possession and control of an unauthorized person, (2) has been downloaded or copied, or (3) was used by an unauthorized person (based, for example, on reports of identity theft). On the other hand, in determining whether information has been accessed by an unauthorized person, a business may consider, among other factors, indications that the information was viewed, communicated with, used, or altered by an unauthorized person. Thus, the once critical process of determining whether private information had been acquired or merely accessed becomes less important because the occurrence of either may require consumer notification. This broader reach will also result in more incidents and breaches being subject to notification requirements.

Exceptions to the Notification Requirements

Despite expanding the breach notification requirements under prior law, the SHIELD Act provides an important exception – notification is not required if (1) the exposure of private information was due to an inadvertent disclosure by an authorized person and (2) it is reasonably determined by the business that the exposure will not likely result in misuse of such information, or financial or emotional harm. To benefit from this exception, the business’s determination that the inadvertent disclosure will not likely result in misuse or harm must be documented and the documentation must be maintained for at least five years. Additionally, if the incident affects the private information of more than 500 residents of New York State, the business must provide the New York State Attorney General written notice of the determination within ten days after the determination has been made.

A second exception is made for organizations that are subject to the data breach notification requirements of HIPAA, the Gramm-Leach-Bliley Act, the New York Department of Financial Services Cybersecurity Rule and other data security regimes. So long as an organization has given notice of a security breach to affected persons pursuant to these laws, additional notification to affected persons under the SHIELD Act is not required. However, the Attorney General, the Department of State, the Division of the State Police, and consumer reporting agencies must still be notified.

Notification Methods & Content

The SHIELD Act maintains pre-existing notification methods while providing important updates. As before, notification may be provided through written notice, electronic notice, telephone notice, or through substitute notice – such as email notice, posting on the business’s web page, or by notifying major statewide media. The SHIELD Act revises the current law by disallowing email notice when the private information breached includes an email address and a password or security question answer permitting access to the online account.

Additionally, the SHIELD Act updates notification content requirements. Pursuant to the SHIELD Act, businesses must provide the telephone numbers and websites of relevant state and federal agencies that provide information regarding security breach response and identity theft prevention and protection information. This information is to be provided in conjunction with the pre-existing requirement that descriptions of the categories of information reasonably believed to be breached be included in all notifications.

Action for Failure to Comply with Notification Requirements

Under the SHIELD Act, the Attorney General may bring an action for failure to comply with notification requirements. Upon a finding of wrongdoing, the court may impose a civil penalty of the greater of $5,000 or up to twenty dollars per instance of failed notification, not to exceed $250,000. This provision of the SHIELD Act raises the previous maximums for civil penalties from ten dollars per instance and $150,000, respectively. It is important to note that the SHIELD Act vests exclusive performance in the attorney general and does not allow a private right of action.
Further indicating an intensified approach, the SHIELD Act lengthens the statute of limitations for an action to be brought by the attorney general, allowing actions to be commenced at any time within three years (two years in the prior statute) after either the date on which the attorney general became aware of the violation or the date on which the business notified the attorney general, whichever occurs first. Absent a finding that the business took steps to hide its breach, no actions may be brought after six years from the date the business discovers the breach.

Reasonable Security Requirements

The SHIELD Act requires that businesses develop, implement and maintain reasonable safeguards to protect the security, confidentiality, and integrity of the private information of New York State residents. The requirements of this standard vary depending on the size and nature of a business.

Except in the case of small businesses discussed below, the reasonable safeguards standard requires any applicable business to be in compliance with laws such as HIPAA or the Gramm-Leach-Bliley Act or to implement a data security program that includes the following:

(A) Reasonable administrative safeguards such as the following, in which the business: (1) designates one or more employees to coordinate the security program; (2) identifies reasonably foreseeable internal and external risks; (3) assesses the sufficiency of safeguards in place to control the identified risks; (4) trains and manages employees in the security program practices and procedures; (5) selects service providers capable of maintaining appropriate safeguards, and requires those safeguards by contract; and (6) adjusts the security program in light of business changes or new circumstances;

(B) Reasonable technical safeguards such as the following, in which the business: (1) assesses risks in network and software design; (2) assesses risks in information processing, transmission and storage; (3) detects, prevents and responds to attacks or system failures; and (4) regularly tests and monitors the effectiveness of key controls, systems and procedures; and

(C) Reasonable physical safeguards such as the following, in which the business: (1) assesses risks of information storage and disposal; (2) detects, prevents and responds to intrusions; (3) protects against unauthorized access to or use of private information during or after the collection, transportation and destruction or disposal of the information; and (4) disposes of private information within a reasonable amount of time after it is no longer needed for business purposes by erasing electronic media so that the information cannot be read or reconstructed.

The requirements for small businesses – those with fewer than fifty employees, less than $3 million in gross annual revenue in each of the last three fiscal years, or less than $5 million in year-end total assets – are less stringent. A small business will be compliant with the act if its security program contains reasonable administrative, technical and physical safeguards that are appropriate for the size and complexity of the small business, the nature and scope of the small business’s activities, and the sensitivity of the personal information the small business collects from or about consumers. By mandating a lower compliance threshold for small businesses that tend to hold less private information than larger companies, New York State allows small businesses the opportunity to continue being profitable while increasing the likelihood that compliance and data protection goals remain realistic.

Identity Theft Prevention and Mitigation Services Act

Without mentioning the company directly, the Identity Theft Prevention and Mitigation Services Act operates as a direct response to the Equifax data breach of 2017. That data breach, which affected over 140 million consumers, was one of the biggest breaches in United States history.

Though much shorter than the SHIELD Act, the Identity Theft Prevention and Mitigation Services Act is no less impactful. The act requires consumer credit reporting agencies to offer free identity theft prevention and mitigation services to consumers for a period of five years after suffering a security breach in which consumer social security numbers are accessed or acquired.
Conclusion

In passing the SHIELD Act and the Identity Theft Prevention and Mitigation Services Act, New York State has established a new commitment to curbing data breaches and identity theft. By expanding the scope of the prior data breach notification law and by broadening the definition of a security breach, New York State has increased the number of events that trigger notification requirements thus allowing consumers to have more insight into how their data is being handled and a better chance at preventing future harm. In addition, by requiring consumer credit reporting agencies to offer free identity theft prevention and mitigation services, New York State makes an effort to hold accountable the institutions controlling some of the most expansive consumer data files in the world.

About the authors:

Evan Pilchik and Erik Weinick are co-founders of the Privacy & Cybersecurity practice group at Otterbourg P.C., which counsels firm clients on privacy and cybersecurity matters.

Evan is also a member of the firm’s corporate restructuring and finance departments and represents banks and other financial institutions in structuring, negotiating and documenting a diverse array of financing transactions and workouts, including domestic and cross-border senior secured financings, revolving credit and term loan facilities, intercreditor arrangements, Chapter 11 exit financings and factoring arrangements.

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"At Least One" Membership Program

An output of the August EXPO and Forum was Vice Chairwoman Jackie Mulligan of P&G assuming responsibility for what she has termed the "At Least One" program. Stating her desire to stay strategically focused and anticipatory, underscored with the realization that the best sales force CRF has is its membership – she delivered an impassioned introduction to this initiative. Ms. Mulligan asked each member present at both the August and October Forums to think about who might best align with the vision and composition of CRF.

To date the program has yielded some definitive results and Ms. Mulligan is scheduled to continue to update the community on her progress at each of the CRF in-person forums. Materials were also provided to those in attendance for a simplified and streamlined referral process. The efforts of the Vice Chair (Jackie) will be assisted by a committee of volunteers (both practitioners and service providers) who have a similar passion for the organization – as Jackie said multiple times: “All are welcome to participate”!!!

Ms. Mulligan, her committee and the CRF Team are available should there be any questions about the program. If anyone wishes copies of the documents being used in support of this campaign, please email your request to Angela.
CST Co. would like to wish all members of the Credit Research Foundation the very best of the Holiday Season.

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Fiscal Responsibility of a Credit Leader:  
Role of O2C in Customer Profitability

By: Bill Weiss  
Vice President, Business Development – Credit & Collections  
HighRadius

Abstract: One of the most important factors that determine the success of an efficient accounts receivable process is understanding the customer profile. This helps in identifying profitable customers and understanding the impact of credit management on customer profitability. The cost to serve a customer at various stages of the order-to-cash cycle determines how much is spent on a customer compared to how much revenues are being generated. The Credit Leader needs to work in tandem with the CFO to make sure that the cost to serve a customer, right from onboarding to upselling/cross-selling, is optimized and data-driven, without compromising the customer experience.

The Many Legs of Customer Profitability

Cost Reductions is one of the top priorities of CFOs, with almost 58% rating it as their top focus area. Organizations are constantly trying to measure that as per customer profitability index. This analysis has become a science in itself now. Customer Profitability Analysis is a management accounting tool that shifts focus from the profitability of the product line to profitability from individual customers. This is very different from calculating and examining the profitability of a product. While Activity Based Costing examines the different cost drivers to isolate expenses and determine the profitability of a product, Customer Profitability Analysis, on the contrary, is a way of looking at the different activities and expenses incurred in servicing a specific customer. In a way, the focus is on the measurement and analysis of income per consumer rather than profit per product.

It also allows companies to recognize the partnerships that are unprofitable and how to make them successful or leave them. It basically accounts an organization's profits to customer relationships and provides the company with valuable business insights to measure customer profitability. We get to know from this that a small percentage of the company's customers make up a big part of the income.

Leaving aside the sales part of it, in the order-to-cash world, it’s important to understand the impact of credit management on customer profitability. The cost to serve a customer as various stages of the order-to-cash cycle determines how much is spent on a customer compared to how much revenues are being generated.

The Hands that Rock the Customer Profitability Cradle: CFO and Credit Leader

The sales team is in charge of revenues and the CFO is in charge of everything else... right? Well, that’s the financial leadership’s most common misconception. While the finance leadership needs to focus and be involved in revenues (read: sales), cost-cutting doesn’t necessarily translate into success. It is a very short-term strategy to focus solely on reducing costs. A long-term strategy involved reducing the right costs as well as increasing revenue, improving margins and ultimately making a profit.

The credit leader is responsible for revenue growth, working capital optimization and increase of profitability. Even though A/R is the 1st of 2nd position when it comes to asset value in a balance sheet, it is certainly the most unpredictable if inappropriately managed.

It is therefore natural that it is a key concern of the CFO who is the sentinel of the economic performance of his company. If the credit leader has to protect the business from the commercial mediation phase and has to speed up invoice collection, then what is the CFO’s role in credit management?

No forward-looking CFO is now willing to pursue a sales-at-all-costs strategy. Then why are
organizations burdened with balance sheets that are crowded with predictably late-paying accounts? A record number of CFOs are now employing defensive strategies through cost reduction, cash flow optimization, and leverage reduction. This makes the relationship between CFOs and Credit Leaders all the more important. Customer profitability is not just tied to sales but also the cost of servicing customers.

Historically, the credit role has been seen as a risk mitigation engine with various checks and balances in place to counter the sales-driven objectives of the company. However, the narrative has changed. Today's credit leader focuses on making the A/R department transform from a cost center to a profit center. The credit leaders have a strong help in the advanced credit management focussed technologies like intelligent workflows and artificial intelligence.

The Technology Spice for the Perfect Credit Management

It is very important for organizations to not only focus on revenues but also to increase profitability. An important part of the solution rests with the credit management team.

The sales team may be the most important asset of a company, but to operate efficiently it requires the business insight generated by the credit team. Similarly, A/R in many businesses is the biggest asset on the balance sheet, but only the collections team can foresee the collectability of those accounts. Maximizing cash flow doesn’t always mean making more sales; it means making profitable sales. The ideal situation is when the credit leaders leverage their credit teams in 4 ways:

**Fast and Efficient Customer-Onboarding**

More customers mean more business. Fast customer onboarding translates to more sales. This is the first bottleneck in credit management. The customer onboarding process should have a streamlined credit application process that maximizes sales by accelerating credit approvals. This allows faster customer onboarding by capturing complete and valid credit information and enabling seamless sales and credit collaboration. One important step in the customer onboarding process is rarely utilized – bank references validation. Not because it’s not considered important, but it’s cumbersome. Bank references are a very important factor in considering the credit worthiness of an organization. But since not all banks respond to email requests, the right technology should be applied to automate the entire process. This technology layer should automate the entire process to transmit all necessary data (T&C, authorization, etc.) between an organization’s credit system and the bank.

*See Figure 1 below.*

**Real-Time Credit Checks for Faster Sales**

Opportunities for sales will crop up anywhere and anytime. Experienced sales professionals often develop intuition as to whether a customer will pay their invoices on time or not, but educated guesswork is not enough when profitability is on the line. Salespeople need direct access and visibility into the credit management system of the company to secure profitable sales in real-time. This process helps speed up the decision-making process for salespeople and definitely takes the guesswork...
out of the equation. As it is, the presence of an automated process to perform real-time credit checks takes care of almost 90% of the credit decisions. What remains is a small percentage of customers that require manual review and the credit team serves as an essential partner for the sales professionals.

See Figure 2 above

Pre-approved Credit Policy Strategy

Certain industry segments that are robust are more likely to make timely payments than others. Credit leaders should use this knowledge to speed up sales and transactions by setting pre-approved credit limits for previous customers and help sales meet their sales targets. This not only increases the sales but also lowers the risk of delayed or non-payments.

It’s important to enhance the buying experience of the customer as studies have shown that this has a direct impact on consumer productivity. A 5% improvement in customer retention can increase profits by more than 25%. The sales team can then concentrate solely on the highest value leads that would actually impact revenues.

See Figure 3 below

Artificial Intelligence-Powered Credit Risk Scoring

For proactive credit reviews, AI finds application as it can process large sets of structured as well as unstructured data. It takes into account both internal and external factors to provide a micro- and macro-economic view of a customer account and then set the credit review period automatically and cause
credit reviews for stressed accounts. This lets the credit team know about a high-risk account even before it happens.

AI goes a step further to automate the entire credit review process and predict with a certain level of confidence, the probability of an order getting blocked. This way the collections and cash application teams can proactively act to see that no orders that shouldn’t be blocked are taken care of. This enables sales teams to start selling faster to new customers and support in building customer relationships. AI under the hood recommends which customers to go after for more sales without increasing the risk and helps sales identify customers that improve the cash flow.

See Figure 4 below

The credit team singlehandedly cannot drive customer profitability, but neither can sales or any other function in order-to-cash. Optimized credit management policy and technology can lessen the risk of doing “business or sales at all costs”. This way, the credit and sales teams can work together to pursue a common goal: customer profitability and growth. Ultimately, it’s all about increasing the profit per customer without compromising the customer experience.

*About the author:*

Bill Weiss is Vice President of Business Development - Credit & Collections at HighRadius, specializing in strategic partnerships within the Credit & Collections industries.

Mr. Weiss has acquired experience in credit risk and accounts receivable management in several organizations, including co-founding The CreditExchange, one of the first B2B online trade credit bureaus and starting/heading his own consulting firm.
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Technology Impacts and Processes – a Look Into 2020

By: Matt Skudera
VP Research & Education
Credit Research Foundation

During the fourth quarter (2019) CRF conducted a very brief survey on impacts and interest in technology as it relates to discipline-related processes in 2020. The survey focused on two primary areas: first, Technology - and the future importance of it to the discipline and; second, Process - how will the technological changes impact the work that gets done. Additionally, the intent was to assess and gauge a forward-looking/strategic view of the use of technology as practitioners grapple with their current needs relative to order-to-cash responsibilities and the associated technological platforms that are available.

The most significant output/takeaway was the positive view on investments as participants are clearly planning for increased ‘spend’ on new technology/software.

The following bullet points highlight a selection of responses received for several of the survey questions:

- Less than 13% of respondents feel that their systems are highly integrated. The majority of respondents indicate there is room for improvement across an array of processes.
- The transactional side of collections (invoices/disputes) remains the largest challenge while credit activities create the least disruption.
- Compliance and background checks are not done by 50% of organizations.
- Automation remains critically important for the smooth operation of functional tasks. In excess of 50% of respondents are considering additional budget funding in 2020 to meet these requirements.
- Technology is viewed as a support mechanism in the resolution of deduction management issues, but it is not seen as an enhancement to overall customer satisfaction.

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<thead>
<tr>
<th>Question</th>
<th>Graphical Presentation</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>How integrated are your O2C processes?</td>
<td><img src="chart.png" alt="Bar Chart" /></td>
<td>A high percentage of respondents overwhelmingly indicate that their processes are not well synchronized.</td>
</tr>
<tr>
<td>Question</td>
<td>Graphical Presentation</td>
<td>Comments</td>
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<tr>
<td>Which is the biggest challenge you face in your daily operations with O2C?</td>
<td><img src="image1.png" alt="Graph" /></td>
<td>It appears that the largest challenge remains in the collection and dispute management processes.</td>
</tr>
<tr>
<td>Which of the following measures do you apply in your collection activity? (check all that apply)</td>
<td><img src="image2.png" alt="Graph" /></td>
<td>Traditional collection measures remain the most common practice.</td>
</tr>
<tr>
<td>How important is automation for a smooth operation in your O2C cycle? (select one answer)</td>
<td><img src="image3.png" alt="Graph" /></td>
<td>98% of respondents consider automation important or very important.</td>
</tr>
</tbody>
</table>
Final Thoughts

Although the survey was very brief, these results are pointed and direct. They represent not only current practitioner thinking but also anticipated reactions to process impacts and needs across their responsibilities. In short, it identifies their strategies and underscores technology as a critical enabler for 2020 and beyond.

What may be the most interesting point/takeaway in the study is that respondents overwhelmingly feel that their current processes are not highly synchronized and that there is room to improve this aspect of their operations. In fact, a significant number of practitioners are planning an increased spend in 2020 in support of this.

Given the clear importance and highlighted impacts to the risk management discipline, the Foundation will continue to monitor and communicate on this subject.

About the Author:
Matt Skudera is Vice President of Research/Education and an Officer of the Foundation. Prior to CRF, Matt spent the past 25 years in positions of increasing responsibility in Credit and Financial Shared Services.
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CRF Ends Its 2019 Forum Program on a High Note

CRF conducted its Fall Forum in Oxon Hill, MD (aka DC) at the Gaylord National and was supported by over 200 risk management professionals. The October Forum featured a keynote presentation from two former political figures, as well as an array of presentations and educational sessions. The meeting was supported by some spectacular fall weather, the beautiful environs of the property, and of course the contributions and content from our speakers. We especially thank our community for their active participation and support.

While feedback on the Forum and its content has been overwhelmingly positive, the CRF Team will attempt to raise the bar when we convene again in March of 2020 in lovely Charleston, SC. Hope to see you there – program details will be available shortly.
Thank You!

To our presenters at the October Forum

Bankruptcy 101
Jeffrey Cohen, Esq., Partner
Eric Chafetz, Esq., Counsel
Lowenstein Sandler LLP

Automated Dashboards & Best Practices in Measurements and Performance Metrics
Keith Cowart, Product Manager
FIS

Contract Developments and Strategies on the Cross Border Front
David Conaway Esq., Partner
Shumaker, Loop & Kendrick, LLP/ICTF Member and Counsel

Trade Credit Fraud - Staying out of the Crosshairs
Chris Ryan, Fraud and ID
Experian

How the Digital Transformation Can Ensure Business Integrity in Your O2C Processes
Michael Koehler, Senior Solution Architect
Serrala

The State of Secured Transactions
Jerry Bailey, Executive Sales & Education Services
NCS

Keynote - Judges Session
Hon. Byron Dorgan, Senior Policy Advisor
Hon. Philip S. English, Senior Government Relations Advisor
Arent Fox

Economic Update
William Strauss, Sr. Economist and Economic Advisor
Federal Reserve Bank of Chicago

Current Expected Credit Losses - CECL: Its Origins, Intentions and Impact on Credit Risk Reporting
Steven C. Isberg, Ph.D., Sr. Research Fellow
Credit Research Foundation

Legalities of Secured Transactions
Alan S. Dubin, Esq., Partner
Arent Fox
2019 Callahan Award of Professional Excellence

Beginning in 2014, CRF has awarded a risk management practitioner the Callahan Award of Professional Excellence at its fall conference. Unique this year to previous years was the fact that the individual identified by the CRF Board of Trustees was not present to receive the award. While the recipient was announced to the community, the award itself will be presented at the March 2020 meeting.

Mr. Kurt Albright, Director of Credit and Collections for Uline was our 2019 “winner”. Specific comments about why his peers identified Kurt as being deserving of this award will be offered in March, but suffice to say, Kurt was significantly applauded for his participation, collaborative spirit and availability to the community. More to come…BUT CONGRATS TO KURT AND TO ULINE!!!!!

Thanks Frank – Hello Mike!!!

As many of you are aware, CRF has a Board of Trustees comprised of ten (10) risk management practitioners, one (1) representative from our service provider/Platinum Partner community and the CRF President/COO. One of the practitioner positions serves as Chairperson of the Board, holding that rotational position for a period of two years.

At the end of 2019, Mr. Frank Sebastian of adidas INDY LLC, will conclude his tenure as Board Chairman. Frank will remain on the Board of Trustees in the capacity of Past Chairman. Frank was congratulated by CRF President Bill Balduino for his dedicated service and passion for supporting the CRF community. While each Chairperson brings their own “uniqueness” to the position, what is common amongst all is the dedication, commitment and resolve they have for the discipline and the CRF Family. To that end, we thank you FRANK!!!!!

Beginning in January 2020, CRF’s Board will be spearheaded by Mike Bevilacqua, Senior Director of Credit and AR at PepsiCo. Mr. Bevilacqua recently supported the CRF team through his leadership on the Research Committee.

Please join me in wishing both gentlemen CONGRATULATIONS!!!!

Congratulations to CRF’s Tom Diana

After 12+ years of dedicated service to CRF and the community it serves, Tom Diana (Communications Manager) will be retiring from CRF and looking forward to pursuing new career opportunities.

Tom has maintained a vigilance and dedicated focus on what the community sees as the CRF NEWS and the Special Economic Edition of the same.

We at CRF wish Tom the very best of health and happiness in the future!
Billtrust announced that it has expanded its presence in Chicago, moving its office to the 28th floor of 125 South Wacker Drive to accommodate rapid growth and better leverage Chicago’s large talent pool. The new space will hold employees whose roles cut across several areas, including marketing, sales, and business development.

cforia CEO, Chris Caparon, has been elected to the ICTF Board of Directors.

Commercial Collection Agencies of America announced Altus Receivable management has recently earned the industry-respected Certificate of Accreditation and Compliance.

It has been recently announced that FIS will build a $145 million, 12-story, 300,000-square-foot world headquarters at 323 Riverside Ave. in Jacksonville Fl.

VersaPay Corporation announced the closing of a credit facility with National Bank of Canada’s Technology and Innovation Banking Group (“NBC”). The facility consists of a $4.0 million revolving credit facility which matures in April 2021, extendable thereafter.
This group of attorney firms, in addition to their intellectual contributions, has stepped forward to offer financial support to the Foundation, for which CRF and its members are very grateful.
The Credit Research Foundation is very fortunate to receive support from our Platinum Partners. Their contributions and collaborative efforts help the Foundation maintain activities at the level at which our members have become accustomed.

While these firms and the services they provide are very familiar to our members, you can learn more about them by clicking HERE.
Plan Ahead!
Future CRF Forum Dates/Locations

Charleston Marriott-Charleston
March 16-18, 2020

Marriott Waterfront–Portland
August 10-12, 2020

Marriott Harbor Beach – Ft. Laud.
October 26-28, 2020

JW Marriott – New Orleans
March 13-15, 2023

Sheraton – Kansas City
August 7-9, 2023

The Westin – Palm Springs
November 6-8, 2023