

Perspective by CRF

1st Quarter, 2024

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Is Your Process Working – or is it Outdated?

Written by: Keith Cowart, FIS

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Unsecured Creditors Beware: The Bona Fide Dispute Requirement of Bankruptcy Code Section 303(b)(1) is Still Evolving

Written by: Eric Chafetz and Lindsay Sklar, Lowenstein Sandler LLP

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Hopping on the Generative AI Train: A Strategic Blueprint for Finance

By: Chad Bruffey, Billtrust

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Expand Safely with International Credit Reports

By: Kyle Matthies, Experian Business Information Services

In our increasingly interconnected world, understanding the nuances of international risk is vital for businesses looking to expand their horizons. In this 15-minute Sip and Solve talk, Kyle Matthies, Director of Product Management, shares his take on effective risk mitigation when... [Read More...](#)



Is Your Process Working – or is it Outdated?

By: Keith Cowart, Global Market Owner for Receivables, FIS

One of the biggest struggles for busy professionals is checking their ego when it comes to redefining processes. Each person has put in the research and leveraged their experience to develop a process that improves on what “has always been done that way”. Once the new process is operationalized and becomes the standard, it provides a sense of accomplishment. It also provides a false sense of completion. Whatever changes were put in place may have been the best option at that time, but with the speed at which technology and the business world is changing, it also becomes obsolete just as quickly. In the world of credit and collections, this is a real challenge to overcome.

Collections in an ERP System

There is a constant power struggle between operations and IT departments in virtually every company. If IT has the ultimate decision-making authority over what technology will be used by credit and collections teams, the result is working with inferior ERP solution functionality. ERP systems are not designed to provide specialized functionality. They are generic by nature and focus on providing minimal capabilities across the full spectrum of business operations. The argument surrounding using an ERP system is based on sunk cost and IT resources that are in place to support the never-ending tickets and requests.

If you were to sit two collectors next to each other, one using the ERP system and one using a specialized collection solution, and ask them to perform a simple task of pulling up the customer with the most overdue invoices, which one would be faster? The collector using the ERP system will have to navigate multiple screens, wait for the data to be generated, and sort it to find the correct result. The collector with a specialized solution can simply look at their dashboard that is always available and up to date. Even if the collector using the ERP system has all the right transaction codes memorized, they still must navigate filters and screens to get to any data. The fact of the matter is that ERP systems have no intelligence built into them. Even if they were able to provide a quicker way to access data, they do not provide any analysis. Now, extrapolate the time spent on navigating the ERP system across all your customers and tell me if the investment in a better process/system is worth it. If you are working out of multiple ERP systems, trying to create a consolidated view of your entire portfolio becomes a painstaking task.

Contacting Customers

At what point do you begin contacting customers about their outstanding invoices? Some clients I have worked with are adamant they do not contact customers until their invoice is overdue. Their thought process stems from the belief that a customer will become upset if they are contacted before an invoice is due and customer relationships are the most important factor. A best practice is to establish contact early with customers. You can determine what “early” means for your business, but generally at least ten to fifteen days before an invoice is due is optimal. This allows you to find out if there is a problem with an invoice with enough time to correct the problem and still receive payment on time. It may not happen in all cases, but certainly is a better process than waiting until an invoice is overdue. The first contact with a customer can and should be automated with a very gentle tone. A simple courtesy email making sure they received the invoice, asking if there is any assistance needed to remit payment by the due date, and of course providing a summary of additional invoices coming due within X number of weeks (also known as collecting the whole account). If your process is to wait for invoices to be overdue and/or not collecting the whole account, perhaps your process needs a refresh.

Prioritizing Accounts

Prioritizing accounts is a necessary part of every collection process. Without it, your collectors are left to

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apply their own interpretation of who they should contact first. Not to say they are not good at it, but valuable time is wasted just preparing for the day. Printing aged trial balance reports, handwriting notes on them, searching for phone numbers and email addresses can take up an entire morning. Why not update your processes to take advantage of technology that does the prioritization for you and assigns the work automatically for each collector, which makes them more efficient and effective at changing customer behavior? Using a risk-based approach to collections that leverages your own internal data to predict future delinquency is a very powerful tool in improving cash flow.

There are three main components of how artificial intelligence works in the collections process:

1. **Identification.** AI can accurately identify trends in your data that indicate if a customer is heading towards delinquency.
2. **Prioritization.** To truly be AI, action must be taken by the system based on identifying the risk. AI can automatically prioritize the accounts based on risk and can apply/adjust the appropriate collection strategy to reduce the risk of an account going delinquent.
3. **Coverage.** Utilizing AI to assign risk categories allows you to leverage automated contacts across more of your portfolio, allowing your collectors to focus on higher risk accounts. With this automation, you can effectively contact all your customers within a given month. If you are still printing reports, using excel, or working out of your ERP system, it might be time to review your processes because they may be outdated.

Embrace Change

If we can take a step back from our day-to-day work, which admittedly can be overwhelming and a complete time drain, we just might find a lot of wasted time and effort. Just because it was the best option available when we defined the process, it doesn't mean it continues to be the best option. As the world evolves around us, we too must champion change. If we can check our ego and let go of what "has been done", even if it was an accomplishment to be proud of, we can take advantage of some incredible capabilities and opportunities. Your team will thank you. Your boss will thank you. And your cash will thank you.

About the Author



Keith Cowart is the Global Market Owner for Receivables within FIS' B2B Division which features the award-winning Credit-to-Cash products, GETPAID and Integrated Receivables. He has over 22 years of professional experience in various accounting and finance leadership roles including Accounts Payable, G/L Accounting, as well as Credit and Collections in large global companies with shared service centers. Keith's focus has always been in continuous improvement and leveraging technology to automate processes which drive results.

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Unsecured Creditors Beware: The Bona Fide Dispute Requirement of Bankruptcy Code Section 303(b)(1) is Still Evolving

By: Eric Chafetz and Lindsay Sklar, Lowenstein Sandler LLP

Introduction

When traditional out-of-court debt-collection efforts fail, the Bankruptcy Code provides unsecured creditors with a potentially powerful, albeit infrequently used, tool to try to obtain payment from a financially distressed counterparty: commencing an involuntary bankruptcy proceeding. At least in theory, by forcing a putative debtor into an involuntary bankruptcy proceeding, creditors are able to apply additional pressure in an effort to secure more immediate payment of an outstanding debt.

The Bankruptcy Code's requirements for commencing an involuntary proceeding are included in Section 303(b)(1). This section provides that an involuntary petition may be filed if a debtor has...

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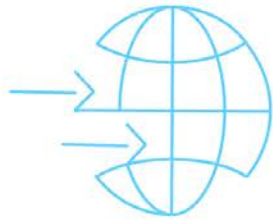
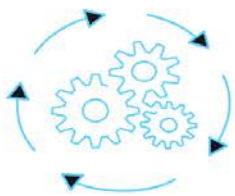
Eric Chafetz is a Partner, Bankruptcy & Restructuring Department at Lowenstein Sandler. He is a trusted advisor to creditors' committees and individual trade creditors, debtors, and plan/liquidating trustees involved in complex Chapter 11 bankruptcies throughout the United States.

He advises clients across a wide range of industries on all aspects of the Chapter 11 process, from pre-filing negotiation and preparation of first day pleadings, including financing and sale documents; through the drafting and negotiation of plans of reorganization and all related ancillary documentation.



Lindsay Sklar, Counsel, Bankruptcy & Restructuring Department at Lowenstein Sandler, helps clients navigate financial restructurings with creative strategies designed for maximal recovery. She represents creditors' committees, individual creditors, debtors, liquidating trustees, and other interested parties in complex Chapter 11 cases and related adversarial proceedings.

Lindsay's Chapter 11 representations have included creditors' committees for Proterra Inc, Vital Pharmaceuticals, Inc. (dba Bang Energy), Century 21, GNC, Maines Paper & Food Service, the Northwest Company, Fred's Inc., and Murray Metallurgical Coal Holdings. She has also represented securities class action plaintiffs' interests in several complex Chapter 11 cases such as Tricida, Inc., Athenex, Inc., Lannett Co., Inc., and Genesis Global Holdco, LLC.



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Hopping on the Generative AI Train: A Strategic Blueprint for Finance

By: Chad Bruffey, Senior Director, Enterprise Sales, Billtrust

The finance sector is on the brink of a major change, driven by the rise of Generative AI. In fact, according to a recent Billtrust report, 65% of CFOs are already integrating the technology into various aspects of their financial processes. As adoption accelerates and AI continues to advance, it becomes crucial for financial teams to not only embrace this technology, but to do so with a clear understanding of its potential impact and strategic value.

This involves a deep dive into its applications, recognizing the benefits it offers, and navigating the complexities it presents. By addressing these aspects, finance teams can harness Generative AI's power effectively, ensuring it serves as a catalyst for enhanced efficiency, innovation, and competitive advantage in the dynamic landscape of financial management.

The Current Landscape: Adoption vs. Understanding

The rapid adoption of Generative AI is part of a larger shift towards digitization in finance. And while the adoption of this technology is promising, it appears there's...

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About the Author



Chad Bruffey is Senior Director, Enterprise Sales at Billtrust. His focus is helping organizations drive value through automation, optimization and standardization. Before Billtrust, he had senior-level positions with C2FO, Tungsten Network (formerly OB10), Verian and Kofax.

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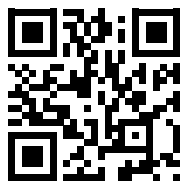
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Expand Safely with International Credit Reports

By: Kyle Matthies, Director of Product Management, Experian Business Information Services

Enjoy this “Digital Article” powered by Experian!

In our increasingly interconnected world, understanding the nuances of international risk is vital for businesses looking to expand their horizons. In this 15-minute Sip and Solve talk, Kyle Matthies, Director of Product Management, shares his take on effective risk mitigation when expanding into foreign markets.

We talk about:

- **Defining International Data:** Unraveling what international data entails and its significance in global business.
- **Components of Business Credit Reports:** Understanding the elements that make up comprehensive business credit reports in an international context.
- **International Data Challenges:** Exploring the hurdles and complexities in gathering and interpreting global credit data.
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Balancing the Impacts of Insolvencies: Why Visibility Over Payment Behaviours and Trends is Critical

By: Danny Wheeler, AR Solutions Marketing, BlackLine

US bankruptcy filings surged by 18% last year, according to [data from bankruptcy data provider Epiq AAC-ER](#). Higher interest rates, rising material costs and historically high levels of household debt contributed to a challenging year for many businesses. While some types of companies have fared better than others, the reality is that insolvencies can have a domino effect, impacting the flow of cash across sectors.

For instance, in the UK, recent statistics from the Insolvency Service paint a concerning picture for the [construction industry](#): in November of last year alone, construction firms accounted for 17% of all insolvencies in England and Wales. With 4,370 construction firms becoming insolvent, the field is facing significant challenges. Bad news for construction, but what does this mean for companies in interconnecting industries, or other parts of the sector?

Take [manufacturing](#) as an example. Manufacturers are integral parts of supply chains that span various industries, including construction. When an industry like construction experiences financial turmoil, the effects reverberate throughout the entire chain – from manufacturers to transport and logistics companies, all the way to retailers. Similarly, if a retailer fails, the logistics company may incur...

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About the Author



Danny Wheeler is an accomplished technology professional with over 15 years of experience in product management, business analysis, and project management within the financial automation space. With a background in Accounts Receivable, he is currently the Solutions Strategy and Marketing Manager for Accounts Receivable Automation at BlackLine, a leading financial automation software company.

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Is Trade Credit Reporting Ready for a Fintech Revolution?

By: Rich Ferrera, CCE

I believe that Trade credit reporting is ready for a Fintech Revolution using new modern technology and new alternative data developed in the Fintech space. I also think this will be accelerated by AI/ML. In this article, I will explain why I think this is so and ask for your thoughts and reactions.

To explain my thinking, let us start with what Fintech means and then elaborate on some of the issues faced by the existing credit reporting data model. Although there is not a universal definition for the term "Fintech," I like how Forbes Advisor (<https://www.forbes.com/advisor/banking/what-is-fintech/>) describes it:

"Fintech is ... a catch-all term for technology used to augment, streamline, digitize or disrupt traditional financial services."

As we all know from our experiences as consumers, Fintech is revolutionizing the banking and financial services industries. After 45 years in the commercial trade credit reporting industry, I have been observing this Fintech revolution and evaluating the technology and data sources in terms of how they can be used to revolutionize commercial credit evaluation and management and disrupt the...

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About the Author



Rich Ferrera is CRF contributor and a lifetime NACM Certified Credit Executive and had a 40 plus year career with Dun & Bradstreet with leadership positions in data and product implementation. Rich is currently consulting with commercial credit information providers and helping investors, lenders and consultants better understand the commercial data management space. Rich can be reached at Ferreraconsultingllc@gmail.com or 610.417.4129.

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Establishing a Corporate Accounts Receivable Deduction Policy and Securing Management Buy-In

Kristen Metzger, CEO Smyyth, co-founder Carixa

Introduction

Accounts receivable (AR) deductions can pose significant business challenges, impacting cash flow, profitability, and customer relationships. Establishing a robust corporate accounts receivable deduction policy is crucial to effectively managing and mitigating these challenges. However, implementing such a policy requires the buy-in and support of management across various departments. This article outlines the steps to create a comprehensive AR deduction policy and strategies to obtain management support.

A written corporate Accounts Receivable Deduction Policy is needed to avoid problems with customers who take deductions without providing proof of their validity and sinking your profits as a result. The policy must be clear, and consistent policy enforcement is important.

Depending on the type of deduction, customer error rates can exceed 10%. Consequently, they must be properly researched, charged back to the customer if invalid, and followed through to successfully recover the monies rightfully owed to you. Managing high volumes of deductions also requires...

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About the Author



As CEO of Smyyth and co-founder of Carixa, Kristen has a deep understanding of enterprise accounts receivable and revenue cycle optimization through automation and is a Certified Six Sigma Black Belt. Before Smyyth, Kristen served as Sr. Vice President Operations for Creditek, the leading BPO firm in order-to-cash, where she managed operations for numerous Fortune 1000 companies, including CPG and Pharmaceutical, and earlier with Accenture Strategy and Business Architecture.

Kristen received a BA in Economics from The University of Vermont and has an MBA in Strategy and Finance from the University of Chicago Graduate School of Business.



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