

From Spreadsheets to AI-Driven Solutions: The Technology Journey of Accounts Receivable Management

By: John Metzger, Chairman, Smyyth & Carixa

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Introduction

In recent years, technological advancements have driven a dramatic transformation in the landscape of Accounts Receivable (AR) management, collections, and deduction resolution. This change has not only improved efficiency but also reshaped how businesses handle financial transactions and customer relationships.

The Evolution of AR Management and Collections

Traditionally, AR management and collections were labor-intensive, relying heavily on manual data entry, phone calls, and physical paperwork. Today, technology has revolutionized these areas:

1. Automated Invoicing Systems: Modern AR software generates and sends invoices automatically, reducing errors and accelerating the billing process.
2. Electronic Payment Processing: Digital payment systems have streamlined cash flow and significantly reduced processing times.
3. AI-Powered Collections: Machine learning algorithms now analyze payment histories and customer behaviors to predict late payments and optimize collection strategies.
4. AI-Enabled Cash Application: Machine reading of remittance and payment documents to AI-based matching has dramatically sped up cash application.
5. Cloud-Based AR Platforms: These solutions offer real-time visibility into AR transaction workflows, enabling better decision-making and cash flow management.

The Transformation of Deduction Management

Perhaps the most significant technological impact has been in deduction management. This process has evolved from a people-intensive, spreadsheet-based analysis to a highly automated, system-to-system resolution:

- **From Spreadsheets to Smart Systems:**
 - Past: Manual entry of deductions into spreadsheets, time-consuming analysis, and labor-intensive resolution processes.
 - Present: Smart AR deduction systems that automatically categorize, validate, and even resolve certain types of deductions.
- **RPA and BOTs in Deduction Resolution:**
 - Robotic Process Automation (RPA) now handles routine tasks such as data extraction from various documents and systems.
 - BOTs can automatically match deductions to corresponding invoices, promotional agreements, and other relevant documents.
- **System-to-System Communication:**
 - Smart AR deduction systems now communicate directly with customer AP portals.
 - This integration allows for automatic verification of claims, real-time updates, and faster resolution of disputes.
- **AI-Driven Analysis and Prediction:**
 - Machine learning models analyze historical data to predict potential deductions before they

occur.

- AI systems can suggest the most effective resolution strategies based on past outcomes.

The Automation of Deduction Origination by Retailers

The retailer side of deductions has also seen significant changes:

- **Rule-Based Deduction Generation:**
 - **Past:** Informal processes often subject to retail abuse, with arbitrary or unjustified deductions.
 - **Present:** Automated systems generate deductions based on established rules and formulas.
- **Increased Transparency and Accountability:**
 - Automated systems provide clear audit trails, reducing the potential for abuse.
 - Retailers can now offer vendors real-time access to deduction information through vendor portals.
- **Integration with Trade Promotion Management:**
 - Deduction systems are often integrated with trade promotion management software, ensuring that promotional deductions align with agreed-upon terms.

Impact on Efficiency and Relationships

This technological revolution has had far-reaching effects:

- Improved Efficiency: Automation has dramatically reduced the time and resources required for AR management and deduction resolution.
- Enhanced Accuracy: By reducing human error, these systems have improved the accuracy of financial transactions and reporting.
- Better Cash Flow Management: Real-time insights and predictive analytics enable more effective cash flow forecasting and management.
- Improved Vendor-Retailer Relationships: Increased transparency and faster resolution of disputes have led to better relationships between vendors and retailers.

Challenges for Suppliers

While technology has sped up the process and made it less people-intensive for larger companies, many smaller ones are left behind because they lack the technology staff and resources. This disparity makes it even more important for mid-sized and small companies to license easy-to-implement and smart SaaS systems. Without adopting these solutions, smaller companies risk falling further behind as their customers, particularly retailers, become increasingly sophisticated in managing their purchasing transactions using advanced rules and standards.

Emergence of Software-as-a-Service Systems:

1. Smart SaaS Systems: These systems are designed to be user-friendly and require minimal technical expertise to implement and manage.
2. Operational Support: Providers of these SaaS solutions often offer comprehensive support services, helping companies manage their AR processes effectively.
3. Scalable Solutions: SaaS platforms can scale with a business's growth, ensuring that emerging and growing companies can continue to compete as they expand.

Key Support Options in a SaaS System

With all the buzz around new technologies and AI, support has become the one thing that too easily gets

overlooked. When selecting a SaaS system, especially for critical business functions like accounts receivable management, collections, and deduction resolution, robust support options are essential. These support options ensure that you can effectively implement, use, and troubleshoot the system, maximizing its value to your organization. Here are the key support options to look for:

1. Customer Support

- a. Round-the-Clock Availability: Ensure that customer support is available during business hours to address any issues that arise, regardless of time zones.
- b. Multiple Channels: Support should be accessible through various channels, including phone, email, and live chat.

2. Comprehensive Onboarding and Training

- a. Detailed Onboarding Process: A structured onboarding process to help new users get started quickly and efficiently.
- b. Training Resources: Access to a variety of training materials, such as video tutorials, webinars, and user manuals.

3. Dedicated Account Manager

- a. Personalized Assistance: A dedicated account manager who understands your business needs and can provide tailored support and advice.
- b. Regular Check-Ins: Scheduled check-ins to ensure that you are making the most of the system and to address any ongoing issues.

4. Knowledge Base and Self-Service Resources

- a. Extensive Knowledge Base: A comprehensive online repository of articles, FAQs, and troubleshooting guides.
- b. Community Forums: Access to community forums where users can share tips, ask questions, and learn from each other.

5. Implementation Support

- a. Setup Assistance: Help with the initial setup and configuration of the system to ensure it meets your specific requirements.
- b. Data Migration Services: Assistance with migrating data from legacy systems to the new SaaS platform.

6. Technical Support

- a. Expert Technicians: Access to technical experts who can resolve complex issues and provide advanced troubleshooting.
- b. Remote Support: The ability to receive remote support where technicians can access your system to diagnose and fix problems directly.

7. Service Level Agreements (SLAs)

- a. Guaranteed Uptime: SLAs that guarantee a certain level of system uptime and data delivery performance.
- b. Response Times: Clear response time commitments for different support requests.

8. Regular Updates and Maintenance

- a. Automatic Updates: Regular updates to the system to ensure it remains secure and up to date with the latest features.
- b. Maintenance Notifications: Advance notice of any scheduled maintenance or downtime.

9. Customization Support

- a. Tailored Solutions: Assistance with customizing the system to fit your business processes and

requirements.

- b. **Integration Support:** Help with integrating the SaaS system with other software and tools you use.

10. Feedback Mechanisms

- a. **User Feedback:** Channels for providing feedback on the system and suggesting improvements.
- b. **Feature Requests:** The ability to request new features or enhancements based on your business needs.

Selecting a SaaS system with robust support options is crucial for ensuring a smooth implementation and ongoing usage. The right support can help you maximize the benefits of the system, address any issues promptly, and continuously improve your business processes. When evaluating SaaS providers, make sure to consider these key support options to ensure you have the necessary assistance to achieve your business goals.

Looking Ahead: The Future of AR and Deduction Management

As technology continues to evolve, we can expect further advancements:

1. **Blockchain in AR:** Blockchain technology could provide an immutable record of transactions, further reducing disputes.
2. **Advanced AI Negotiation:** AI systems may soon be able to autonomously negotiate and resolve complex deduction disputes.
3. **Predictive Cash Flow Optimization:** AI models will likely offer increasingly sophisticated cash flow predictions and optimization strategies.

In conclusion, the technological revolution in AR management, collections, and deduction resolution has transformed these processes from labor-intensive, manual tasks to highly automated, intelligent systems. As technology continues to evolve, businesses that adapt and leverage these advancements will be better positioned to manage their finances efficiently and maintain strong customer relationships in an increasingly competitive marketplace. Especially for smaller companies, adopting smart SaaS solutions with robust support is essential to keep pace with larger competitors and sophisticated retailers.

About the Author



John Metzger is Chairman of Smyth & Carixa, which provides advanced Carixa™ accounts receivable automation and expert services for accounts receivable, including deduction management, to help clients achieve extraordinary productivity, cash flow, and profits. Previously John was CEO of Creditek, an AR and Deduction Management BPO industry leader, with a team of 1,000 specialists in consumer technology, pharma, and CPG. Earlier experience includes managing a turn-around consultancy, and prior positions including EVP of Global Operations, Director of Distribution, and Director of Credit.