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By: Andrew J. La Marca, Dun & Bradstreet

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Why B2B Fraud Keeps Winning and What We Can Do About It

By: Andrew J. La Marca, Senior Director of Risk and Fraud Operations, Dun & Bradstreet

Business-to-business fraud is a topic I've spent years immersed in, and I can tell you — it's not just persistent, it's evolving.

What makes it so compelling to bad actors is how easy it is to exploit. It's shockingly simple to compromise a business registration, impersonate an owner or officer, and fabricate documentation that looks legitimate. And once that façade is in place, fraudsters can operate with surprising freedom.

Unlike the consumer credit space, the B2B environment isn't universally regulated. Outside of financial institutions or highly regulated industries, businesses aren't required to perform Know Your Customer (KYC) or Know Your Business (KYB) checks. In fact, some organizations are willing to accept fraud losses if it means preserving a frictionless customer experience.

Add to that the challenge of law enforcement, and how difficult it can be to pursue perpetrators domestically and internationally. All of this creates a perfect storm: low barriers, high reward, and minimal risk for fraudsters.

B2B Fraud Deserves More Focus

One of the biggest pain points in B2B fraud is the inconsistency in how businesses treat it. Consumer fraud gets the headlines, the airtime, and the public awareness. Business fraud? Not so much. That lack of visibility translates into a lack of urgency — and a lack of investment in prevention.

Cross-border fraud introduces even more complexity. Language barriers, inconsistent data standards, and varying levels of fraud awareness across regions make it difficult to detect and respond effectively. Some firms lump all types of fraud into a single category, which obscures the nuances and makes it harder to build targeted defenses.

Artificial intelligence is transforming the fraud landscape on both sides of the fight. Fraudsters are using AI to scale their operations and create realistic documents, websites, and even synthetic identities with alarming ease. The ability to mimic legitimacy has never been more accessible.

But AI isn't just a threat; it's also a tool for defense. Predictive analytics, anomaly detection, and real-time monitoring powered by AI can help businesses stay one step ahead. The key is balance. Too much automation without human oversight can be dangerous.

While AI is powerful for helping to detect fraud, it's not a silver bullet. Automation can streamline processes, but it can also introduce blind spots. You need humans to monitor, interpret, and intervene when necessary. Fraud detection is not a "set it and forget it" operation.

Fraud detection still requires human judgment, especially when it comes to interpreting signals and making decisions. Humans are assets in this fight, and we need to keep them in the loop.

Why You Need to Be Cautious about Business Registration Data

One of the most overlooked vulnerabilities is at the point of business registration. In the U.S., forming a legal entity starts with a state registrar. But not all states verify the information they receive. Fraudsters exploit this by hijacking existing companies or creating new ones with false data. Once registered, that entity becomes a "proof of right" for credit applications, purchases, and more.

B2B companies need to be extremely vigilant about checking for signs of potential fraud. When you examine state registrar data, pay particularly close attention to:

- Entity verification: Is the business legally registered? Is it active or dissolved?
- Address validation: Is the business operating from a commercial location or a residential one?
- Ownership clarity: Are the listed officers or owners consistent with other records? And are they legitimate person(s)?
- Filings: Pay attention to the velocity or lack of velocity in annual filings if required.
- EIN confirmation: Does the business have a valid Employer Identification Number?

Entity type is also important. If you understand the legal structure of a business, you can better scrutinize the data and more accurately assess the potential for risk.

Remember that with sole proprietorships, the owner is personally liable, so verify their identity carefully. With LLCs and corporations, liability is limited, meaning collections may be restricted to corporate assets. In partnerships, because risk exposure varies by partner, you should be clear about who's on the hook for what.

To close this gap, we need universal alignment on key actions. Registrars should verify data before filings go public. That data should be updated regularly, standardized across states, and shared with the broader business ecosystem via real-time access. And every organization offering credit, goods, or services should adopt a consistent approach to fraud prevention — no shortcuts.

The Power of Networks

Data-sharing networks and consortiums are essential. At Dun & Bradstreet, our [D&B® Fraud Risk Network](#) enables businesses to share intelligence and receive insights in return from a team of Certified Fraud Examiners.

But it's not just about joining; it's about vetting. Look at the hosting organization, their data standards, and their privacy policies. Conduct a proof of concept to ensure the network delivers value to your organization and the ecosystem.

Even anonymized sharing can make a difference. You don't have to reveal proprietary data. Just signal that an entity exhibits risk characteristics. That alone can help others avoid falling victim.

Saying "fraud is a risk" isn't enough. You need to classify it. Is it business identity theft? Misrepresentation? Synthetic entities? First payment default? These distinctions matter. Once you've classified your risks, you can build frameworks to mitigate them.

Centralizing your data is crucial. Scattered data makes it almost impossible to model, govern, or audit effectively. Integration gives you transparency and the ability to act.

Training and Business Culture Matter

Fraud prevention isn't just a job for the risk team. It's everyone's responsibility. Just like cybersecurity, every employee needs to be trained to recognize and report suspicious activity. Awareness empowers people to act, and it protects them as consumers too.

Most B2B fraud comes from external actors. But internal threats exist too, through schemes such as vendor invoicing orchestrated by rogue employees. These schemes often involve creating fake businesses and rerouting funds. While less common, they're no less damaging.

Fraud looks different depending on the industry. In finance, scams like pig butchering are rampant. In auto and heavy equipment, we see identity theft and fictitious employers. In insurance, misrepresentation and third-party fraud are common. Each vertical faces unique challenges, and data management strategies must adapt accordingly.

Larger enterprises typically have more sophisticated fraud programs, as well as established audit, controls, training, and monitoring. SMBs, especially startups, often lack the resources. Their focus is on growth, not governance. But that makes them vulnerable. Over time, SMBs can adopt more robust practices, but the journey starts with awareness.

As real-time payments and cryptocurrencies gain traction, governance becomes even more critical. Businesses must establish standards for quality, security, and monitoring. They need to collect the right data — like email addresses on digital applications — and track customer behavior over time. Understand what's normal, then act when things deviate.
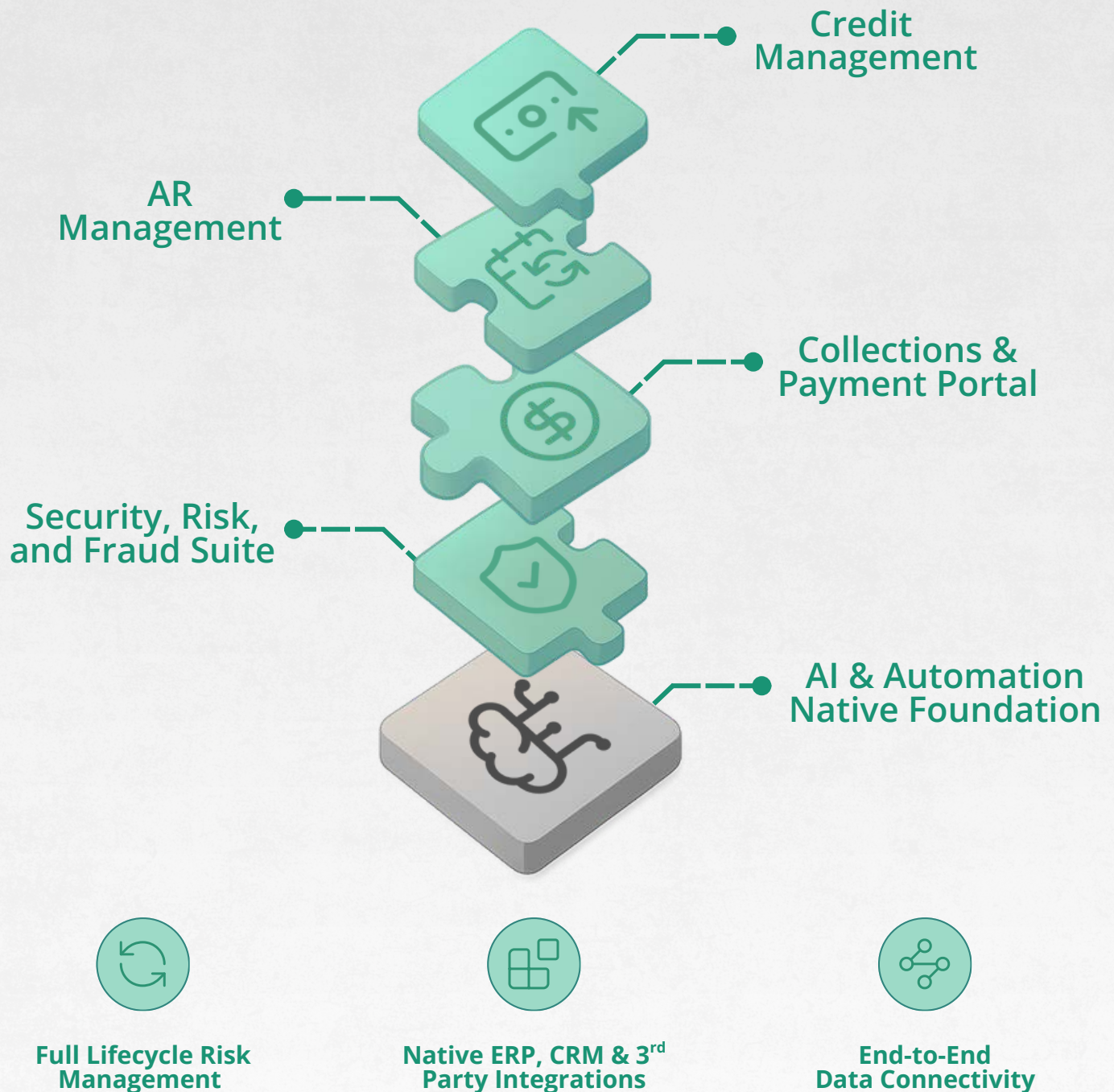
The bottom line is that fraud is evolving, and so must we. Avoiding and protecting your business from it won't happen just with technology. Companies need to strengthen and enhance their strategy, collaboration, and culture. Whether you're an enterprise or an SMB, in finance or retail, the principles remain the same: know your risks, manage your data, and never stop learning.

About the Author

Andrew J. La Marca, CFE, CAMS, is a seasoned leader in global fraud prevention and compliance, with more than 15 years of experience spanning Capital One, Ally Financial, and Dun & Bradstreet. He is recognized for driving pivotal initiatives that reduce fraud risk, ensure regulatory compliance, and enhance data integrity across complex, global operations.

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Failing to Transform Cash Application Means Leaving Money on the Table

By: Michael Koehler, Principal Solution Architect O2C, North America, Serrala

We all know how important cash application is – if it wasn't, optimizing the processes behind it wouldn't be such a major concern. Most organizations will admit their workflows could be smoother, their data could be better, and that reporting and insight aren't what they should be. But what many of us don't realize is that the processes we all think of as "industry standard" or "best practice" are the root cause of many of the problems attributed to "inefficient" or "sub optimal" cash application.

Breaking free of these limitations requires a new approach, and an acknowledgement that "smart" cash application is more than a buzzword or an optional extra. In this article, we'll look at how traditional approaches impede your access to working capital, what this can cost your business in the short and long term, and what you can do to leave old methods behind and create a system of seamless and error-free instant cash application.

Here's the harsh truth: the way your organization handles cash application is probably costing you money. The chances are, cash application processes within your AR team still involve manually chasing after large numbers of payments, remittance advice slips, and reconciling transactions on paper or digital bank statements. All of this means long periods of time in which cash on the company books can't be used, lengthy and opaque reporting cycles, and unnecessary stress brought about by reactive working patterns for everyone involved. In the US, 59% of businesses attribute poor cash flows directly to manual AR approaches, with the typical team losing 40% of their work week to rote tasks.

Because you're a proactive and observant leader, you've most likely already worked with your teams to try and make sense of all this and improve efficiency. So you may be surprised to find that the two major problems we've just highlighted are the cause of delays to the improvement of your cash application workflows, rather than symptoms.

Manual, non-standardized processes are highly error-prone. This is because mistakes at each stage can impact the smooth processing of a payment request at every other stage, and because most of the work involved is low-investment and rote labor of the kind that will see even the most conscientious person make mistakes eventually.

On top of this, manual processes create data silos. It's almost inevitable. Different teams working with different spreadsheets, different systems, and different banking formats become responsible for their own database management, leading to a proliferation of incompatible tech stacks and process conventions. This makes it much more difficult for you and your teams to find and evaluate data for specific invoices at specific stages of the payment process.

But because many organizations believe that this kind of setup is either a necessary evil – or worse yet, that it constitutes "best practice" – they don't even think to fix them – and leave a great deal of money and time on the table as a result.

Let's say your collections teams are highly proactive and strategic in their approach to ensuring the bills get paid on time. Your average invoice gets paid in 10 days. But before you can make use of that cash to fuel the growth of the business, you first have to:

1. Establish a payment has hit your accounts – which requires knowing which account it's likely to have been paid into.
2. Cross reference it with all outstanding invoices.
3. Match it to the correct remittance note – which likely arrives via a completely different channel than

the payment itself.
4. Ensure that all these data points are correctly entered into your system of record.
5. Reconcile the payment against the invoice and remittance advice and make any appropriate adjustments.
6. Apply the payment to the customer's account.
7. Post the completed transaction in the system of record and ensure all details are up to date.

Depending on your invoice volume, banking complexity, and differing processes from office to office and region to region, any of these steps can take from a few hours to several days. The complete process might take more than two weeks.

This isn't just a significant drain on your resources – it represents an effective doubling of your DSO. That means severely reduced liquidity, operational flexibility, and potentially a weaker financial position in the long term when it comes to your own lines of credit, supplier relations, and growth trajectory. Unapplied cash isn't just a nuisance: you can think of it as having a similar effect on your business's financial health as a blood clot, creating dangerous impediments to the proper flow of liquidity through the organization.

This means that your cash application challenges aren't about "fixing" or "optimizing" your current processes. They're about throwing the current playbook in the trash and starting it again from scratch, and using technology as a key part of your new approach and architecture.

Thankfully, the repetitive nature of all parts of the cash application workflow makes it a perfect candidate for automation, which can help to create consistent processes and eliminate much of the additional work caused by process inconsistency and fragmented data management. Unapplied cash is a real risk for your organization – but with the right solutions you can make it a thing of the past. Let's explore how.

Firstly, automation is the only answer to the problem of excessive manual labor requirements. The status quo operating environment for many AR teams must change if you want to maintain reliable and transparent income streams for your business. That means unifying and automating your processes to create streamlined and standardized ways of working.

Doing this is more than achievable if you leverage the right automation solutions. At Serrala, we've seen some organizations achieve automation rates of up to 99% in their cash application processes, almost completely eliminating human touches on any incoming payments across their entire global enterprise.

Leveraging automation in cash application allows you to tap into three critical advantages:

- First, you'll help remove the burden of manual processing from your teams at every stage from invoice generation to cash application, letting them perform higher value work and handle exceptions.
- Second, you'll be able to quickly identify and utilize "hidden" working capital that's been languishing in the form of unapplied payments thanks to opaque processes and siloed systems.
- And third, you'll help to improve customer relations by ensuring clearer communications and reduced disputes over unapplied payments – because unapplied cash will suddenly become a thing of the past.

Fully integrated solutions also provide the bedrock for the elimination of non-standard processes across the whole AR lifecycle. They eliminate the problems most closely associated with data silos by providing the ability to quickly dashboard KPIs, helping everyone know the state of invoices and payments moving through the process, how the team is performing, what payments have and haven't been applied (and why), and where action can be taken to improve working capital availability.

They also help to radically improve visibility of payment status across all live invoices, ensuring no payments fall through the cracks, no customers who have paid are accidentally chased for "phantom" invoices, and all credit controllers have access to accurate data that makes for better informed credit decisions so you can support a wider variety of organizations to a high standard of customer experience.

Secondly, integrated automation solutions create the conditions for legible and easily-enforced policies worldwide.

It almost goes without saying, but establishing a company-wide set of clear and easily understood principles and steps for cash application goes a long way to addressing visibility and control challenges. But many organizations struggle to do this – whether that's due to differences in local regulations, differences in approach between different banking partners, a lack of clear communication, or the sheer volume of incoming payments.

This confusion can be further exacerbated if your teams are still generating invoices manually and excluding or insufficiently explaining crucial information on payment processes and requirements to your customers.

Integrated solutions and automation make the application of company-wide policies for payments much simpler. They also make it much easier to offer a consistent set of incentives and rewards for early payments to improve the collections workflow. They do this by creating an environment that makes following the rules a core part of your teams' workflows while also making them unobtrusive enough that they don't damage engagement or cause complications.

Automation can add further value here by providing an architecture into which the rules you want the process to follow are input and then handled without further human touches – consistently updating data and communicating changes and required actions while providing a digital paper trail in case you need to refer back to any individual payment later for reporting, audit, and compliance purposes.

As well as being a vital part of your organization's financial health, policies of this kind are also crucial to developing long-lasting and mutually respectful customer relationships. Their benefits extend beyond cash application itself to encompass all parts of the AR and O2C workflows.

Thirdly, an automated solution for cash application management will allow you to easily check your position against your tactical and strategic goals in real-time.

You likely already have a solid suite of KPIs that you use to track your cash application and wider receivables performance. Your chosen platform should be able to consolidate and dashboard all of these KPIs (whether it's DSO, working capital, collections effectiveness index, cash/asset ratio or the like) into a single place to allow you and your teams to monitor them effectively and take remediation action where needed.

A centralized platform for analytics will also help you to improve your reporting accuracy and timeliness, with many organizations finding that they can go from annual, semi-annual, or monthly reporting to the instant generation of reports on their cash position, liquidity, and likely position in the immediate future at an extremely detailed level at any time they require – all while eliminating the ambiguity that comes from hunting down data in various silos without clear ideas as to which figures are up to date.

By now, you're probably wondering where AI fits into this picture. The answer is that it fits in everywhere. AI-powered cash application automation can boost efficiency at every step of the process. Predictive AI analytics can allow your teams to know which payments need to be applied before they come in by accurately estimating clearing dates. Generative AI solutions can capture data from any document format with a high degree of accuracy, eliminating workloads for already stretched AR teams and ending the process

of chasing down remittance advice and pouring over bank statements.

And both bring a whole new level of capability and accuracy to forecasting and reporting processes. Your teams can use natural language queries to access key data and insight whenever they need it, and predictive forecasting to enhance cash flow planning and analysis.

But where does all this leave your teams?

The simple answer is that it leaves them in a much better place. For example, some of our customers have been able to use the principles we've discussed here to almost completely eliminate manual involvement in the cash application process.

In practice, this means that their unapplied cash is down well over 90% compared to before their automation journey, their liquidity is more robust and their forecasting more accurate, and their teams can focus their attention on better things. What could your AR team achieve if cash application was simply *no longer a problem?*

One of our customers in industrial manufacturing boasts they can now apply cash before breakfast. Another in healthcare was able to automate over 60% of their cash application workload within just three months of implementation of their new solution.

In all cases, their AR teams have revolutionized their function within the business, going from a functional unit within finance to drivers, defenders, and nurturers of strategic growth – providers of the life blood the organization needs to survive and thrive.

The question all CFOs and AR leaders should be asking themselves knowing this is whether or not the kind of advantage a modern, smarter approach to cash application is one that they can afford not to embrace. Your competitors are probably reading this piece too. Can you afford to let them have this edge while you don't?

About the Author

With over 15 years' experience working in the order-to-cash field, Michael's present and previous roles have given him unique insight into best practices in managing credit and compliance risks as well as collections operations for businesses of various sizes and industries. Michael has led and delivered a number of complex international solution implementation projects for global corporations around the world. In his current role with Serrala as a Solution Architect, Michael's main focus is on analyzing organizations' needs around credit risk, compliance, and collections management and translating them into software solutions that are both user-friendly and aligned with the trends in an ever-changing environment.

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The Advantages of ACH for Businesses

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Businesses face a variety of options for sending and receiving payments. Learn more about why ACH continues to be a leading choice for businesses.

Efficient and Reliable: ACH offers opportunities to improve AP reconciliation and data accuracy, schedule files, reduce manual handling, create predictability and streamline B2B processes. Banks typically have the capability to provide detailed remittance data that is contained within ACH files.

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Secure and Convenient: An ACH file can contain a nearly unlimited number of payments, allowing businesses to bundle vendor payments that could contain invoice information in their remittance data into a single file. Files are always securely transferred in the ACH Network, unlike paper checks that could be stolen from the mail or "washed" and tampered.

Fast and Predictable: Same Day ACH can be sent and received within the same business day and directly deposited – potentially lowering DSO, improving cash flow and forecasting, and gaining operational efficiency. Businesses can specify debit dates to better align with receivables and payables, enabling easier forecasting.

Revocable: To allow for the potential recovery of funds, erroneous or unauthorized payments can be reversed or returned under certain circumstances.

Safe and Strong: Businesses sending and/or receiving ACH payments can access a variety of tools to increase the safety of these payments. Examples include dual approval prior to sending payments, account blocks and filters to prevent undue received payments, reversal and return possibilities, anomaly detection, and account validation.

Want to learn more?
Contact your bank to learn more about optimizing your business with a switch from paper checks to ACH.

The Risk of AI Hallucinations

By: Melanie Albert, VP of Customer Success, Credit Pulse

Artificial intelligence is becoming embedded in daily workflows across industries. Credit teams, finance leaders, and risk managers are all experimenting with machine learning models and generative AI assistants. The promise is undeniable: faster analysis, improved customer experiences, and insights that once took days now delivered in seconds.

But alongside the excitement, one theme dominated recent discussions at the CRF Forum & Expo: **the risk of AI hallucinations**.

What Do We Mean by "AI Hallucination"?

An AI hallucination occurs when a system generates information that sounds plausible but is factually incorrect or unsupported by data. These aren't rare glitches. They're a byproduct of how large-language AI models are built, predicting the most likely next word or output based on patterns, not certainty.

When data is thin, biased, or missing altogether, the model often fills in the blanks. It has a bias toward delivering a confident answer, even when an "I don't know" might be most accurate. While fine for drafting marketing copy—or creating funny memes—the consequences can be severe in financial decision-making: false positives, missed risks, or misplaced trust.

Why Hallucinations Can't Be "Fixed" Away

It's tempting to believe that better models or more training data will solve the problem. But hallucinations are not a bug; they're a feature of how generative AI systems operate. Even the most advanced models can confidently invent sources, misinterpret financial figures, or apply logic that looks convincing on the surface but falls apart under scrutiny.

That means blind trust in the machine can be reckless. The right question isn't "how do we eliminate hallucinations?" but "how do we work with AI, knowing that hallucinations will occur?"

Applying AI Where it Belongs

Not all credit and risk workflows should rely on AI outputs. We've found that the most effective approach is to apply AI to the right problems and to pair it with safeguards to catch these hallucinations.

Here's how we think about it:

- **Deterministic tools where precision is non-negotiable.** For tasks like policy enforcement, compliance checks, or financial statement analysis, rule-based decision systems outperform AI. Decision models are explainable, consistent, and don't "make things up".
- **Explainable machine learning for complex predictions.** When identifying early signs of distress, analyzing payment trends, or predicting default risk, models should be explainable. Rules-based models work well here until data becomes too broad to create static rules. This is where machine learning can excel. The key to machine learning is explainability of a complex model where stakeholders must see why the system flagged an account, not just accept a black-box score.
- **AI for data gathering and context-building.** Generative AI is powerful for scanning vast amounts of data, surfacing patterns, and providing decision context. But the output should feed human review, not replace it.
- **Humans in the loop.** Bad decisions or missed signals carry consequences, and sometimes multimil-

lion-dollar losses. That's why humans must remain in control, using AI as a decision support system or co-pilot, but not as a fully autonomous decision maker.

The Human Factor: Confidence Through Oversight

The most advanced AI system is still fallible. Credit leaders know that one wrong decision can undermine months of good work, and therefore, human oversight is a necessity.

Leaders should ask:
- Does the model explain why it reached a conclusion?
- Are thresholds set to flag uncertain outputs for review?
- Is there clear accountability for final decisions?

These guardrails ensure that when hallucinations appear, they're caught before they become costly.

Balancing Excitement with Responsibility

The future of AI in credit and finance is bright. Tools are becoming faster, smarter, and more capable. But excitement isn't an excuse for recklessness.

We know hallucinations are a risk, which is why we design around them: applying AI only where it truly adds value, building explainability into predictions, and keeping humans in the loop. With that under-standing comes optimism.

The conversation is no longer *if* AI will transform our field, but *how* we adopt it responsibly. The companies that strike this balance will not only reduce risk, but they will also unlock opportunities their competitors never see.

About the Author

As VP of Customer Success at Credit Pulse, Melanie leverages her background in scaling customer experience to help finance leaders modernize credit practices. As a founding leader at several hypergrowth startups, she has built strategies that unite technology, process, and people. Today, she partners with credit and finance teams to transform risk assessment with AI-driven insights, reducing bad debt and unlocking growth.

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Rescuing Collections Teams from the Email Abyss: A Human-Centered Approach to Automation

By: Amanda Wilson, SVP Sales, Billtrust

Collections professionals are facing a quiet crisis. Not one of capability, but of capacity. The daily grind of managing accounts receivable has become increasingly unsustainable, with inboxes overflowing and burnout rising. The problem isn't just operational, it's strategic. When collectors are buried in administrative tasks, the financial health of the organization is at risk.

At the heart of the issue is email. According to industry data, collectors spend an average of eight minutes per email. This time isn't spent on high-value activities like negotiating payments or resolving disputes. Instead, it's consumed by context-switching: locating account details, parsing long email threads, extracting relevant information, and manually updating systems. Multiply that by hundreds of emails per week, and the cost, in both human and financial terms, becomes staggering.

The Hidden Cost of Inefficiency

Busywork in collections is more than a morale killer – it's a direct threat to working capital. When collectors are overwhelmed, accounts go unaddressed, disputes linger, and follow-ups are missed. These delays often lead to increased write-offs and deteriorating customer relationships.

Recent trends show that bad debt is on the rise, with many organizations reporting a doubling of write-offs year-over-year. As macroeconomic pressures mount, finance leaders are seeking ways to shore up their positions. But without addressing the root inefficiencies in collections workflows, even the most robust financial strategies may fall short.

AI Isn't a Cure-All

Faced with mounting pressure, many organizations turn to automation, particularly artificial intelligence (AI), as a potential solution. The appeal is understandable: AI promises speed, scalability, and reduced manual effort. But the reality is more complex.

AI, when deployed without thoughtful oversight, can be a blunt instrument. Poorly implemented automation risks misclassifying communications, mishandling sensitive customer interactions, and eroding trust. In collections, where nuance and relationship-building are critical, this can be especially damaging.

The real challenge isn't access to AI; it's trust in it. Finance professionals need to be confident that automation will support, not supplant, their judgment. That means building systems that are not only intelligent but also transparent, adaptable, and accountable.

Human-Aided Automation: A Smarter Path Forward

One emerging best practice is the concept of "human-aided automation." Rather than replacing collectors, this approach positions AI as a collaborative partner that handles repetitive tasks while leaving room for human oversight and intervention.

Effective human-aided automation tools typically:
- Categorize inbound emails (e.g., disputes, payment confirmations) for easier triage
- Extract and summarize key data from email threads
- Recommend next steps and draft responses for collector review

- Create tasks based on email content and required actions
- Learn from collector edits to develop a personalized communication style

Crucially, these systems offer a verification step - a single click that allows collectors to approve, adjust, or override AI-generated actions. This feedback loop not only builds trust but also trains the AI to improve over time, aligning its outputs with the team's standards and tone.

From Bottleneck to Breakthrough

Organizations that have embraced this approach are seeing measurable results. By targeting the "eight-minute email" bottleneck, some have reduced handling time to just 2.5 minutes, a more than three-fold increase in capacity. This translates into faster dispute resolution, more proactive outreach, and a tangible impact on cash flow.

But the benefits go beyond efficiency. By automating the mundane, collectors are freed to focus on what they do best: building relationships, negotiating payments, and solving complex problems. The result is not job elimination, but job elevation.

Designing for Trust and Transparency

As finance departments look to the future, the goal should be more than just automation—it should be transformation. That means:

- Investing in tools that support human judgment: AI should enhance, not replace, the expertise of collections professionals.
- Prioritizing trust and transparency: Systems must be explainable, auditable, and adaptable to changing needs.
- Focusing on outcomes, not features: The true measure of success is improved cash flow, reduced bad debt, and higher team satisfaction.

Ultimately, the path forward lies in balancing innovation with empathy. By designing collections workflows that respect both the complexity of the work and the people who do it, organizations can turn burnout into breakthrough - and collections into a strategic advantage.

About the Author

Amanda Wilson, Senior Vice President, Sales at Billtrust, is a SaaS subject matter expert and sales executive with over 15 years of experience in building relationships and driving tangible results for her clients in the accounts receivable space.

Tariffs: Catalyst of Financial Distress or Driver of Value?

By: Andrew Behlmann, Esq., Partner and Colleen M. Restel, Esq., Partner,

Lowenstein Sandler LLP

As the cornerstone of the current administration's economic policy, tariffs and global trade issues more generally have been the subject of intense news coverage and public debate for the past eight months. The United States has seen a sharp increase in the imposition of tariffs, particularly targeting steel, aluminum, and a range of manufactured goods from key trading partners such as China, the European Union, Canada, and Mexico. The consequences of these tariffs, and threatened tariffs, have rippled through the economy, with pronounced effects on the manufacturing, automotive, and consumer goods sectors. As companies in these industries—many already carrying significant leverage and facing economic strain— face mounting financial pressures, the intersection of trade policy and bankruptcy law has become increasingly salient.

Trade policy and trade wars are complex and their interaction with bankruptcy can present both risks and opportunities, depending entirely on where an affected business sits in the value chain. Tariffs logically contribute to financial distress in key industries, such as automotive and home appliances, where raw materials, finished goods, or both are frequently sourced from abroad and end consumer demand is elastic. However, tariffs can also enhance the value of domestic assets and attract new investment in bankruptcy asset sales as companies seek access to turnkey onshore production capacity to avoid tariffs without the delay and cost of starting up new factories from scratch. The interplay between tariffs, credit markets, and bankruptcy outcomes requires careful analysis and a nuanced understanding of both economic and legal dynamics.

I.   Tariffs as a Catalyst for Financial Distress

At their most basic level, tariffs directly increase the cost of imported raw materials, components, and finished goods, leading directly to higher production costs. Increased costs cannot always be fully recovered through price increases, particularly in highly competitive markets where substitutes abound, end customers' switching costs are low, and price sensitivity is a delicate balance. As a result, profit margins may become compressed, leading to declining earnings and cash flows.

New or heightened tariffs also have the potential to disrupt supply chains, creating challenges in securing timely access to materials and products. The search for alternative suppliers or changes to processes and logistics can result in production delays, on top of increased costs, further disrupting financial stability. Impacted companies consistently identify tariffs as a material risk to profitability in their public filings.

Tariffs can also exacerbate—and provide distressed businesses a convenient scapegoat for—existing vulnerabilities. If a company is already grappling with increased competition, declining demand, operational missteps, excessive leverage, or pending litigation (among myriad other potential factors), the imposition of tariffs may be the proverbial last straw that precipitates a liquidity crisis, insolvency, or both. Although frequently cited as *the* cause of financial distress, it is important to remember that tariffs are nearly always *just one of several* contributing factors. Just as every distressed or insolvent retailer blames online competition for its plight, it has become exceedingly common for companies in 2025 to blame their financial woes on tariffs, which are external and uncontrollable, rather than anything within management's control. A closer look typically reveals deeper issues spanning a longer period, with tariffs merely the catalyst.

Tariffs unquestionably lead to strained relationships between trade creditors and their customers, increasing uncertainty as to payment both in and outside of bankruptcy. Trade creditors should stay vigilant and proceed with caution when working within industries impacted by tariffs, but the outlook is not all doom and gloom.

II. Tariffs as a Driver of Value in Bankruptcy

While the negative effects of tariffs are well documented and widely publicized, tariffs may actually *enhance* the value of a debtor's assets in bankruptcy in certain circumstances. Where a chapter 11 debtor owns onshore manufacturing assets or raw materials, the overlay of heightened tariffs can enhance the value of those assets or even attract new buyers, potentially increasing the pool of funds available for distribution to creditors (or at least reduce a secured lender's deficiency claim, in the modern chapter 11 paradigm).

Tariffs increase the relative value of domestic manufacturing assets, intellectual property, and established distribution networks by making offshore sourcing more costly. Distressed businesses that own these types of assets often attract higher bids from strategic purchasers seeking to obtain or expand U.S.-based production. This economic reaction furthers the intended purpose of imposing tariffs in the first place.

The buyers acquiring distressed domestic manufacturing assets and other resources fall into two camps: foreign producers that historically exported materials and goods into the United States from nations that are now subject to heavy tariffs, and domestic businesses that historically imported goods from those countries. Many times, those two camps are even bidding against one another for the same onshore assets. The net result is more money in the seller's bankruptcy estate, heightened prospects of recovery for creditors, and the preservation of jobs and operations (and a customer) that might otherwise have simply been lost to liquidation.

Conclusion

U.S. domestic trade policy has been a bit of a roller coaster for the past eight months but has begun to stabilize in the third quarter of 2025. While the trajectory of tariff policies remains uncertain, companies and their advisors must remain vigilant in monitoring developments and assessing their implications for the financial health and bankruptcy risk of their customers, their vendors, and even themselves. Businesses must carefully assess the specific circumstances of each case, including the debtor's industry and asset base and the prevailing tariff environment. Whether tariffs ultimately serve as a catalyst for distress or a driver of value will depend on a host of factors, including industry structure, company-specific circumstances, and the broader policy landscape. Paying close attention to policy shifts and market responses in real time is crucial to mitigating risk and achieving optimal outcomes.

About the Authors

Andrew Behlmann is a Partner in the Bankruptcy & Restructuring Department at Lowenstein Sandler LLP. Andrew leverages his background in corporate finance and management to approach restructuring problems, both in and out of court, from a practical, results-oriented perspective. With a focus on building consensus among multiple parties that have competing priorities, Andrew is equally at home both in and out of the courtroom, and he has a track record of turning financial distress into positive business outcomes. Clients value his counsel in complex Chapter 11 cases, where he represents debtors, creditors' committees, purchasers, and investors.

Colleen M. Restel is a Partner in the Bankruptcy & Restructuring Department at Lowenstein Sandler LLP. Colleen advises clients on all aspects of complex financial restructuring matters. She represents creditors' committees, tort claimant committees, individual creditors, post-confirmation fiduciaries, securities plaintiffs, debtors, and other interested parties, whom she guides through the development and implementation of innovative solutions and strategies aimed at maximizing recoveries and achieving results.

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AI in the Credit Decision Room: When Automation Meets Judgment

By: Chris Woodard, CMO and Co-Founder, Handle.com

Credit decisions are rarely straightforward. Each discussion reflects competing priorities: protecting working capital, enabling sales growth, and managing financial risk. The pace and complexity of today's markets have made those decisions harder, not easier. Artificial intelligence is beginning to influence the room where these choices are made. Rather than replacing expertise, it provides new inputs that can change how discussions start and how evidence is weighed. This article explores how the presence of AI is reshaping the environment for credit professionals, while reaffirming that the responsibility for outcomes remains firmly in human hands.

Every credit decision balances risk and opportunity. Around the table sit finance, credit, sales, and risk leaders—each bringing a different perspective. Finance seeks predictable cash flow, sales targets revenue growth, and credit protects working capital. The outcome: deciding whether to extend terms, adjust exposure, or decline credit.

A growing share of teams are already enhancing this process with AI. According to Gartner, 58% of finance teams were using AI in 2024—up 21 percentage points from the previous year—and adoption is expected to reach 90% by 2026. Meanwhile, on a global scale, nearly 80% of organizations are either using or piloting AI in at least one business function.

This shift isn't about replacing judgment. Instead of relying solely on spreadsheets and gut feel, credit teams can now begin discussions with structured insights, shortening prep time and centering decision-making on shared evidence rather than lengthy manual review.

The Pressure on Credit Decisions

Credit environments are increasingly complex. Supply chain disruptions, uneven demand, inflation, and interest rate shifts mean a customer's financial position can change quickly. Extending too much credit risks losses, yet being overly cautious may suppress sales, particularly in competitive markets.

The challenge is not a lack of data but an overwhelming volume of it. Credit leaders need signals that are timely and accurate, not just static ratios or aged reports. AI does not change the stakes, but it helps surface clarity by providing condensed insights that can be acted on immediately.

What AI Brings to the Table

AI's value lies in organizing information so that it supports judgment rather than overwhelming it.

Several applications stand out.

Condensed Analysis

Credit info packages and aging reports are often dozens of pages long. AI can summarize the key trends such as margin shifts, leverage, or days sales outstanding, allowing teams to focus on implications rather than preparation.

Behavioral and Contextual Signals

AI can identify changes in payment behavior, dispute frequency, or seasonal slowdowns. When combined with external signals such as litigation, layoffs, or sector-wide downturns, these insights present a more complete view of customer health.

Operational Insight Beyond Finance

AI can connect financial data with operational information. For example, a rise in disputes tied to delayed shipments may reveal risks that are not visible in AR reports alone. This allows credit teams to place financial risk in a broader business context.

Portfolio-Level Perspective

Credit decision rooms often focus on one account at a time. AI can broaden the lens, showing where exposure is concentrated, which sectors are weakening, or where dispute rates are climbing. This supports conversations about portfolio-level risk appetite, not just single customers.

Decision Support Drafting

AI can prepare drafts of recommendations and standard documents such as conditional approvals or stipulation letters. Human review is still required, but the administrative burden is reduced.

Scenario Modeling

AI can quickly model the effect of changing terms or credit limits. Questions such as what happens to exposure if terms are extended by 15 days, or what sales might be at risk if limits are tightened, can be answered in real time.

Meeting Efficiency

AI can prepare briefing packets before meetings and draft notes afterward. This reduces time spent on logistics and ensures decisions are documented consistently.

These capabilities shift the credit decision process. Instead of beginning with scattered data, teams start with structured insights that frame the discussion.

When Automation Meets Judgment

Even with stronger insights, final decisions remain in the hands of professionals. An AI model may show that a customer is higher risk, but sales may highlight the account's strategic importance while finance may push for reduced exposure to manage liquidity.

AI brings consistency and clarity to these conversations. The insight becomes a starting point, not a conclusion. Credit professionals then apply context: is the flagged risk a temporary seasonal cycle, an industry-wide adjustment, or a sign of deeper instability?

Balancing Risk and Relationship

Consider a distributor flagged for deteriorating financials. AI shows declining margins and longer payment cycles, but sales notes their importance as a channel partner. The final decision may involve reduced exposure paired with structured terms. AI sharpened the visibility of risk, but judgment decided the path forward.

Improving Cross-Functional Dialogue

AI also supports communication across departments. Instead of credit raising "gut feel" concerns, teams can point to documented patterns or scenario outcomes. This makes discussions with sales or executive leadership more constructive, aligning decisions with both financial discipline and growth objectives.

AI in Credit Functions: Limits and Pitfalls

AI strengthens but does not replace sound credit practices. Be aware of limits that deserve attention:

- **Data quality:** Reliable insights require accurate and timely data. Teams must validate inputs and check outputs before relying on them.
- **Explainability:** Scores or alerts without clear reasoning undermine confidence. Transparency about why a customer is flagged is essential.
- **Over-reliance:** Models cannot capture the value of long-term relationships, strategic positioning, or customer goodwill. Judgment must remain central.

AI adds capacity and consistency but only within a framework managed by experienced credit professionals.

Building Practical AI Adoption

AI adoption is most effective when deliberate and phased.

Check What You Already Have

Before investing, review whether existing systems already include functions such as summaries or anomaly detection. Activating these features can deliver immediate benefits without requiring procurement.

Streamline Meeting Support

Start by using AI to assemble pre-meeting briefs and draft follow-up notes. Even small pilots that reduce preparation time can demonstrate tangible value.

Advance to Ongoing Monitoring

As teams build confidence, explore whether AI can support continuous monitoring of payment behavior, disputes, or exposure levels. Early alerts allow risks to be managed before they reach the decision room.

Move Toward Scenario and External Data Integration

Longer-term, connect AI to both internal and external data sources to support real-time scenario modeling. This requires governance to ensure compliance, data security, and transparency.

Phased Adoption in Practice Imagined

- **Early phase:** AI condenses monthly reports and highlights anomalies. Analysts spend more time on analysis instead of data prep.
- **Intermediate phase:** AI connects to dispute logs and flags accounts with rising complaint levels. Issues are escalated earlier, reducing write-offs.
- **Advanced phase:** AI simulates macroeconomic scenarios such as interest rate increases and estimates their impact on outstanding exposure. These insights inform both credit strategy and executive forecasting.

Governance and Control

Boundaries must be clear. For example, AI-generated drafts of conditional approvals may proceed automatically, but denials should still require senior review. This ensures that automation supports rather than replaces accountability.

Developing Skills Alongside Tools

Adoption requires training. Credit professionals must learn to interpret AI outputs, ask the right questions, and identify when the data diverges from reality. These interpretive skills are what turn AI from a technical feature into a decision support partner.

Advice for Leaders

- Pilot focused use cases that relieve clear pain points.
- Train teams to probe the reasoning behind results.
- Engage IT and legal early to address governance and security.
- Measure and report results in terms of efficiency gains, faster decision cycles, or reduced disputes.

The Human Advantage

AI can structure data, identify patterns, and test scenarios at scale. These capabilities improve efficiency and consistency. Yet the responsibility for interpretation, nuance, and final judgment remains with experienced professionals.

AI also leaves a clearer record of decisions. Drafted rationales, flagged risks, and modeled scenarios provide an audit trail that strengthens governance and shows executives that credit policies are being applied consistently.

The credit decision room will continue to rely on people. What changes is the quality and timeliness of information available to them. AI supports faster and more confident outcomes by equipping professionals with clearer inputs while leaving judgment where it belongs.

Ultimately, the credit function is built on human expertise. Credit pros rely on their experience and skillful familiarity when balancing numbers with relationships, data with context, and rules with flexibility. AI enhances visibility and reduces effort, but it is the people in the room who weigh trade-offs, align decisions with strategy, and take responsibility for outcomes. The strength of credit management will always come from human judgment, supported but never replaced by technology.

About the Author

Chris Woodard is the CMO and Co-Founder of Handle.com. Handle's software powers the largest credit and finance teams in construction. Fortune 500 material suppliers and contractors trust Handle on a daily basis to provide their credit and collections departments with an end-to-end solution that saves their staff 10-12 hours per week.

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Requester Name: Emily Smith
Requester Email: emily@lovelandinc.com
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Job: SCW-240
Customer: 123456 - Concrete Surface Creations -
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Beyond the Call: Elevating Collections Through Omnichannel Communication

By: Rudy Schatzmann, Altus Commercial Receivables

In today's commercial collections environment, resolving past-due invoices isn't as simple as making a phone call and waiting for payment. The communication landscape has fractured—email inboxes overflow, phone calls go unanswered, and attention spans are shorter than ever. For AR and collections professionals, the challenge isn't just persistence—it's precision.

An **omnichannel communication strategy** has emerged as a critical solution. This approach integrates multiple outreach methods—phone, email, text messaging, digital portals, and even social media—into a cohesive plan designed to meet customers where they are, not where we hope they'll be.

Omnichannel Methods Matter in Collections

Omnichannel outreach isn't about increasing the number of messages—it's about increasing their effectiveness. In collections, timing, tone, and delivery method are just as critical as the content itself. A well-executed strategy ensures that outreach is relevant, respectful, and aligned with how each customer prefers to engage.

- **Customers are busy:** Inboxes are crowded, voicemails go unheard, and attention is fragmented. A concise email sent at the right time may succeed where a phone call fails. A secure text message might reach someone who rarely checks email but always has their mobile device nearby. The goal is not to interrupt, but to integrate communication into the customer's workflow.
- **Preferences vary widely:** Some customers appreciate detailed documentation and formal correspondence—especially in regulated industries or high-value transactions. Others prefer quick, actionable updates that allow them to respond without delay. Understanding these preferences—whether through prior interactions or behavioral data—enables more targeted outreach and reduces friction.
- **Responsiveness increases with alignment:** When communication matches the customer's expectations in format, tone, and timing, engagement improves. A message that feels intrusive or irrelevant is easily ignored. But one that feels timely and appropriate is far more likely to prompt a response. This alignment is the cornerstone of successful collections in a modern, multi-channel environment.

Omnichannel outreach also allows for strategic escalation. If a customer doesn't respond to email, a follow-up via text or a message through a secure portal may be more effective. Each channel serves a purpose, and when used in concert, they create a communication ecosystem that is both persistent and respectful. Omnichannel communication is about meeting customers where they are—not where they used to be. It reflects a shift from one-size-fits-all outreach to a dynamic, customer-centric approach that drives resolution and preserves relationships.

Executing Omnichannel Outreach Effectively in AR

Successful implementation requires more than access to multiple channels—it demands strategic coordination. Here's how commercial collections teams are making it work:

- **Phone Calls:** Still essential for high-value accounts and complex payment negotiations. Direct conversations allow for real-time clarification, relationship-building, and resolution of sensitive issues.
- **Email:** Ideal for documentation, follow-ups, and professional correspondence. It provides a written record, supports attachments such as invoices or payment plans, and allows recipients to respond on their own schedule.

- **Text Messaging:** A powerful tool for reminders, confirmations, and quick updates—especially for time-sensitive matters. Texts can reach contacts who may not regularly check email but are consistently active on mobile devices.
- **Digital Portals:** Secure platforms that allow customers to view balances, make payments, upload documents, and communicate with AR teams at their convenience. Portals also support self-service, reducing friction and accelerating resolution.

In addition to traditional channels, commercial collections teams are increasingly leveraging modern tools to enhance engagement and resolution. Social media platforms and LinkedIn offer alternative avenues for reaching decision-makers who may be more active online than in conventional inboxes. Call scheduling tools allow customers to select convenient times for discussions, improving responsiveness and reducing missed connections. AI-powered chatbots, deployed on websites or portals, offer 24/7 support for routine inquiries and payment guidance, while escalating complex issues to human agents when needed. Together, these methods expand the reach and precision of omnichannel outreach strategies in a fragmented communication landscape.

Don't Forget the Human Element in a Digital Framework

Technology enables outreach, but human insight drives success. While automated systems can deliver messages across multiple channels, it's the people behind those systems who interpret context, adjust tone, and make strategic decisions that lead to resolution.

Effective collections require more than just sending reminders—they require understanding the customer's behavior, business pressures, and communication style. Teams that take time to analyze communication history, response patterns, and organizational dynamics can tailor their outreach with precision. For example:
- A customer who consistently responds after hours may benefit from messages timed to their schedule.
- A contact who engages only after receiving documentation may need upfront clarity before any negotiation.
- A company undergoing restructuring may require a more empathetic, flexible approach to payment discussions.

Personalization isn't just about using a first name—it's about aligning outreach with the customer's reality. Whether it's a brief message during peak hours, a scheduled call with supporting documentation, or a follow-up via a secure portal, the goal is to make communication feel relevant and respectful.

This human layer also helps navigate sensitive situations. When a customer is unresponsive, it's not always due to avoidance—it could be confusion, internal delays, or competing priorities. Skilled teams know when to escalate, when to pause, and when to shift tone from assertive to collaborative.

In a digital-first world, the most effective outreach blends automation with emotional intelligence. Technology delivers the message, but people deliver the impact.

Navigating Receivables in a Modern Communication Landscape

Managing receivables today requires more than persistence—it demands adaptability. Organizations that consistently achieve resolution tend to operate with a few key principles in mind.

They maintain visibility across multiple communication channels, ensuring that outreach isn't confined to a single format. They recognize that responsiveness often hinges on timing, tone, and delivery method—not

just message content.

Customer engagement improves when outreach reflects an understanding of operational context. Some teams prioritize segmentation, tailoring communication strategies based on industry, company size, and internal roles. Others leverage technology to streamline follow-ups, enable secure messaging, and offer digital self-service options that reduce friction.

Internally, success often correlates with how well teams interpret behavioral signals. A delayed response, a shift in tone, or a change in contact frequency can indicate more than just disinterest—it may reflect competing priorities, internal bottlenecks, or confusion. Organizations that respond with agility—adjusting their approach rather than repeating it—tend to preserve relationships while accelerating resolution.

In a fragmented communication landscape, persistence alone isn't enough. **Precision, flexibility, and strategy** are the new currency of connection. Omnichannel outreach isn't just a trend—it's a necessity for commercial collections teams that want to improve resolution rates, strengthen customer relationships, and stay ahead in a rapidly evolving business world.

About the Author

Rudy Schatzmann has spent nearly 20 years in AR Credit Collections, all with Altus Commercial Receivables, where he's widely regarded as an expert in Commercial Collections, Risk Management and Loss Mitigation. His deep industry knowledge is bolstered by a diverse career in sales, sales management, training, and business ownership across multiple industries. Rudy attributes his success to the broad range of experiences he's gained over the years, which provide valuable insights into his current role.

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