WELLS FARGO

Global Treasury Management

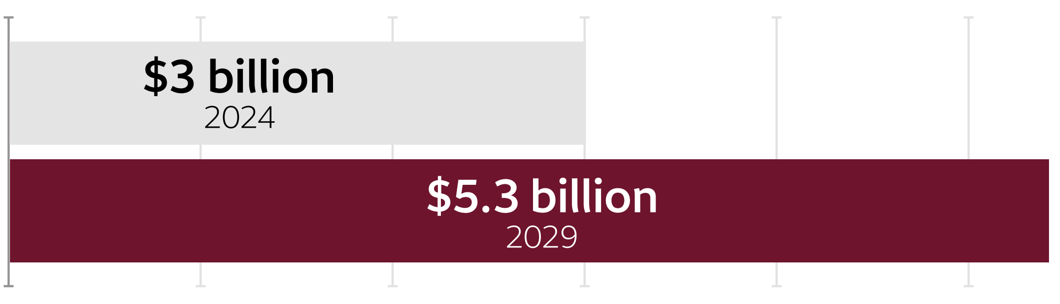
A four-part framework for successful AR automation

From presentment through posting, Accounts Receivable (AR) teams are constantly looking for ways to inject efficiency and automation into the cash conversion cycle.

It's a powerful corporate goal, and one reason why analysts expect the global market for AR automation — currently valued at $3 billion — to grow by double-digits, topping $5.3 billion by 2029.[1]

Double-digit growth in AR automation market

12% yearly growth

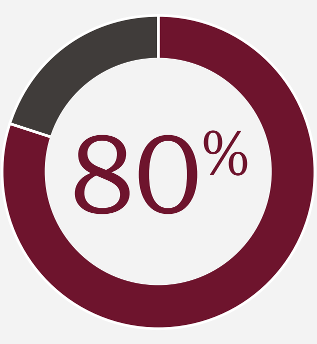


1. Mordor Intelligence, AR Automation Market Analysis, 2024.

Benefits of AR automation

Working with your internal stakeholders, your AR bank, and any fintech, ERP, or system vendors will help you understand your options, make smart decisions, and reduce implementation headaches.

- Greater productivity for AR teams
- Stronger customer service
- More current, accurate data for decision-making
- Reduced Days Sales Outstanding (DSO)



Almost **80 percent** of companies recover their investment in AR automation within 18 months.[1]

1. Mordor Intelligence, AR Automation Market Analysis, 2024.

Unlock efficiency in these four steps

1 Map your systems and the flow of AR data

To successfully automate your AR process, focus on three key data points:

- **Know when your customers are expected to make their payments**
- **Keep track of how much customers are paying each day**
- **Ensure you have the invoices ready to apply these payments to**

The main challenge lies in ensuring this information flows seamlessly and accurately among your ERP system, banks, any business units managing their own collections, and your AR vendors.

Action

Get started by mapping out your current flow of information, then look for ways to optimize the process. The ideal experience for AR staff will be the ability to complete as much of the cash application process as possible within a single interface — without toggling between paper, emails, portals, or other applications.

Consider

- What data can your bank provide, and in what formats and timeframes?
- What requirements exist for integrating with your ERP or system of record?
- How many vendors do you want to manage? Does your bank have solutions that can help you consolidate your technology footprint and work more efficiently?

2 Look for bottlenecks in your procure-to-pay processes

Another goal with AR automation should be to minimize — or eliminate — the number of times AR teams need to "touch" a bill or payment. The greater your straight-through processing rates, the stronger your cash flow and efficiency.

Action

Document your current processes and look for bottlenecks and problem areas. Often, conducting this exercise with the full AR team will reveal upstream issues that impact downstream productivity, accuracy, or efficiency.

Consider

- Where are manual processes slowing your cash conversion cycle?
- How comfortable will your customers be making digital payments, using portals, and communicating electronically?
- Where can you embed checkpoints, approvals, and controls in your electronic workflows?

3 Ask your team where workarounds and manual steps occur

A reality in almost all AR departments is that the workload exceeds the time and resources available. Nearly every day, exceptions, customer service, and critical payment issues take precedence. Digital transformation should alleviate burdens like manually retrieving information as much as possible, so staff can focus on the most high value activities.

Action

Tap the institutional knowledge within your AR team. Ask for input on which processes are most manual and time-consuming, where issues occur, and why workarounds are in place. These insights will help your bank, your vendors, and your internal IT team design the best possible solutions.

Consider

- Which transactions require the most manual work from AR staff?
- Where can you pivot internal resources to value-added activities?
- Are internal resources properly aligned with the most important activities for the organization?

4 Plan for future growth and scalability

Scale is a final factor to consider. Any solution you implement today should be able to support your company in the future — without requiring major overhauls or custom programming.

Action

Ask your bank and system providers how their solutions will respond to a few growth scenarios. Creating a solid and scalable foundation will help you maximize ROI and eliminate disruptions in your cash conversion cycle down the road.

Consider

- Will your systems and processes accommodate greater payment volumes?
- What's involved in adopting new payment methods in the future?
- How easily can you expand your receivables to new markets, including internationally?

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