Top 7 Features Every Automated AR Solution Should Have

Accounts receivables' professionals know that in order to have a healthy cash flow, they need an efficient solution to manage and power their workflow and business decisions. With the right AR solution, the company can reduce its days sales outstanding (DSO), render more accurate forecasts and realize improved data. How can you pick the best-fit solution to drive maximum impact for your business? Any AR automation solution worth its salt should have these 7 essential features.

1 Automated Collection Workflow

The #1 goal for most organizations is to reduce DSO – a manual and tedious process that is often put on the back burner because it takes too much staff time to properly manage and see measurable results. Instead, look for a system that is **100% automated** with unique features such as calling, note-taking or emailing directly from the program interface, email reminders with custom notifications based on behavior, and intelligent workflow to determine priorities and improve collections.

2 Cash Predictability

Cash inflow is the lifeblood of a business that comes from many sources, including payments from customers, receipt of a loan, monetary infusion from an investor, or interest on savings or investments. We've all heard that "cash is king" to describe the importance of cash flow in the overall fiscal health of a business. A company has to generate an adequate cash flow from its business in order to survive and grow. Having **predictability built into the cash inflow process** allows a business to make data-driven decisions by leveraging machine learning technology to predict future cash inflows based on customers' past payment trends and history.

3 Real-time Insights

Up-to-date data and key insights are critical to managing your business' cash flow, from DSO reporting and analysis to making repayment more likely by enabling you to pursue action the moment an invoice falls past due. For larger businesses, updated account information is crucial to managing the AR team's workflow. Having up-to-date details on the status of an invoice or the most recent action taken on an account will lead to efficient workflow and reduce awkward customer miscommunication.

4 Fast and Easy Integration

Any system is only as good as the data it connects to; the best AR solution must be capable of **integrating with all of your existing accounting and financial systems**, as well as offer options for pre-built integrations or open API for custom integrations. A stand-alone AR system cannot be easily updated in real-time and increases the likelihood of mistakes through manual data entry. In addition, the more integrations available, the richer your data. If your AR software is simply one more thing to update and manage, you won't be likely to incorporate it into your workflow and it will go unused.

5 Consolidated Communication History

The best solution offers a **single, consolidated communication history** for your accounts. Your AR team will be more successful in collecting owed payments if it has a full communication history detailing an account's previous late payments. This can help identify risk ahead of time and better understand which communication tactics have been successful. A consolidated history also enables a multi-person team to stay up to date, have clear communication with customers and increase efficiency by avoiding duplicated efforts.

6 Automated Reminders

Reduce your DSO by making **prompt payment reminders** with automated email capability. This will save your team hours of work and increase your operation's precision. Fewer details falling through the cracks and increased engagement mean a healthier cash flow and less outstanding payments.

7 Payment Processing

The best AR solution will make repayment more likely by offering **immediate payment processing**, especially when payment is just one click away from an email and made possible via credit card or ACH payment. In addition, look for a system that offers Level 3 credit card processing for faster account settlement; it will reduce your DSO and cost you less because the interchange fees will be lower.

Financial technology has greatly advanced over the last few years; don't select an inferior AR solution that fails to offer you the latest capabilities that can help you better predict cash flow. For finance organizations, the digital revolution of financial processes presents significant opportunities that help businesses be more efficient and grow faster.

Contact us to learn more!

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Rebates versus Discounting

Pat Falle, Chief Revenue Office, YayPay

Discounting. There is nothing worse for customer service in the world of SaaS than offering a discount, and yet every salesperson at every software and SaaS provider does it. Why?

We all want to get that last minute deal, to close the month, or quarter, or year strong. Negotiating with customers and offering incentives are part of doing business.

Negotiating with prospects, however, is a bad idea, and in the world of SaaS, prospect and customer are two totally different things.

Prospect and customer are two totally different things.

A prospect is looking at your service or may have signed an order.
A customer is someone that is live and has paid.

Prospects are everyone you talk to everyday. They are businesses that may even have agreed to move forward, and possibly even signed a contract and mailed a check. If you are a hardware company, or a traditional premise based software company, that means you now have a customer. The definition is different for a cloud computing customer. For them, going live, using the service, and paying make all of the difference in the world.

Most prospective customers make two poor assumptions when buying a SaaS product:

1. **They are not going to be billed until they go live.** After all, it's an annual contract and it's in the cloud, so if they aren't using it why should they pay?
2. **Any price increase on the SaaS service in subsequent years will be based on what they paid the prior year,** not based on list price.

When SaaS providers offer a discount, the cycle of poor customer success begins.

Prospective Customer ABC wants to buy your SaaS solution. They speak to a salesperson, they see a demo, they get buy-off from their manager, negotiate a 20% discount, and then place an order by sending in a signed contract.

From that point, customer service (or go live) begins the process of trying to contact the customer and get them live. The same customer that needed the service two hours ago is no longer returning phone calls because they have twelve other projects that are more important that need to get completed.

But no biggie, they aren't planning on paying you until they are live anyway. Raise your hand if you have been here.

Rebates versus Discounting

If they do go live, it leads to an entirely new set of issues upon renewal.

Customer ABC buys the service. The annual contract is $10,000. You offer a 20% discount to bring them in the door and close the month really strong. A $10,000 annual service has now been sold for $8,000. After a year, its time for the customer to renew. Prices have increased by 5% or CPI. So the new contract is now $10,500 instead of $10,000, correct?

That's the way the SaaS provider sees it, but it's not the way the customer does. The customer sees that the $8,000 contract they have paid for a year ago is now $10,500 -- in other words, a 25% price increase. Now you have a very upset customer, and time that should be spent on customer success is instead focused on just trying to keep the customer.

Discounts are given, rebates are earned.

If a customer wants or needs 20% off to make a decision you can still negotiate, but negotiate a rebate rather than a discount. Let's look at the scenario from before, using a rebate instead of a discount.

- Prospective customer ABC wants to buy your service and ask for a discount. You tell them that your company has a policy against discounting, but are happy to offer them a rebate if they go live within 60 days of placing an order. The customer still receives a discount, but has incentive to make the solution work and engage your team. If the definition of a customer is paid and live, rebating is the best way to achieve this.
- 12 months after going live, the prices increase 5% or CPI. Originally, the customer was billed $10,000. A 5% increase would make the renewal $10,500. In actuality, the customer paid $8,000 because they went live 20 days after they signed a contract, and earned a rebate. A price increase of 5% now feels like 5% instead of 25%.

Lets not forget partners...

Rebating works well for channel based sales organizations like YayPay, because partners that refer opportunities will always receive top line revenue instead of the discounted value of the deal. If you're a VAR, this could mean tens of thousands of dollars each year added to your bottom line. Faster go lives, fewer cancelations, and higher customer success can be the new normal with a little forward thinking. Happy Selling!

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With more than 20 years' experience in business application technology software and fintech, Pat is responsible for YayPay's monetization streams, including sales operations, marketing, and partnerships. He previously held leadership positions with Avalara, Imperva, and Check Point Software Technologies. Pat is an active investor and mentor of Techstars Mobility.