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EBOOK

Increase your collections success

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Introduction

> As soon as you start selling goods and services, you must carefully monitor the incoming payments to ensure that customers pay their invoices on time.

Certain actions must start after the invoice due date is exceeded. And that's where collections management comes in. Collections is a practice that has been around for a while—since 1620 in fact—so you might imagine that by now, all the pain points have been eliminated. But nothing could be further from the truth. There are still steps you can take to significantly improve and automate this process.

As a collections specialist, you do your utmost to follow up on outstanding invoices as best you can and not let too many debts accumulate.

Often the range of tasks is even more extensive than that: assessing credit risks, drawing up payment plans, and other credit decisions are also part of it.

The ultimate goal remains the same: to keep cash flowing and the cost

of collecting these outstanding amounts within limits.

Needless to say, this process is time-consuming, requires a lot of human interaction, is prone to errors and often proves expensive.

In this ebook we present five steps to increase your collections success. Implementing these five steps will take you a long way towards success. You can reach more customers with less effort, strengthen customer relationships and address the lack of visibility—all while getting paid faster.

With Billtrust Collections as your partner, you can simplify and automate collections management, centralize communications, create intelligent collection workflows and tailor activities to each customer.

STEP 1

Centralize your communications 📧

> Collections is all about communication with your customers and has a broader role within your company. You try to find out why certain customers have trouble paying, and try to find a way around this.

Today, communication that is tailored to the customer is just common sense. It looks more professional, radiates confidence and helps you to get paid faster.

Collections is no longer an island unto itself. It is part of customer relationships and has a major impact on customer satisfaction.

Collections is also about optimal communication between different departments within the company. It starts with the credit department, who must try to assess whether the potential customer is doing well as a company and whether they can pay. But it doesn't end there. Maybe some orders need to be blocked because a customer has exceeded their credit limit or because way too many invoices are due. Order management must be aware of this.

The sales team can help collections by finding alternate contacts and facilitate a resolution. They help to decide if you want to eventually disengage with a customer or come to some kind of resolution to keep the customer for future business.

A comprehensive collections solution should always organize all communication in one tool. That way you can enjoy benefits such as proactive management and shorter communication timeframes.

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Customer profiles with full histories and planned actions

It all starts with clear visibility into the status of customers, and by extension, all collections activity. If done right, complete customer profiles are a great driver for the effectiveness of collectors.

Through a single, centralized digital location you can see all past and present activity and notes on each customer. Any planned actions are immediately visible for each customer.

By logging each communication with customers, and internal communication, files are built up and can be consulted at any time. This means linking notes to a customer and not to an invoice. So even long after invoices have been moved to the archive, all the necessary information remains available.

Access to electronic copies of invoices

One of the most frequently asked questions from customers in collections (still) is: 'Can you resend the original invoice?'

When you have a copy of the invoice readily available, customers no longer have to search for an outstanding invoice. This means no more excuses requests from customers saying they can't find it and asking for it to be re-sent.

With a hyperlink to the invoice in the reminder itself, your customer is one simple click away from all the information they need. This also has other advantages. You can track the link, and you can see if, and when, the customer has clicked on the link.

As a collections team you don't need to waste any more time looking for the right invoice. You should have access to all invoices with the same single mouse-click as your customers.

Manage your invoices and documents

We just talked about accessing all your invoices. When both paid and pending invoices can be viewed instantly, and all activity is logged, you can get immediate details about disputed invoices, payment promises, and more.

Even better is when the invoices can be shared with customers and colleagues who can interact and make comments. When you make both contacts and a copy of the invoices available in one single, centralized digital location, sharing is just a button-press away.

Integrated inbox

In a work-from-anywhere world, technology and software afford us the ability to get our jobs done. The transition to managing a remote workforce might be daunting, but with the right tech it can be a seamless process.

In collections, an example of this is the shared and integrated inbox. This inbox bundles and streamlines all communication between the collections team and customers.

And that's beneficial for customer management. With an integrated

inbox, email recipients can take actions directly from emails, such as payment, payment plans, payment promises, raise a dispute, and so on. And it allows you, and other members of the team, to keep an overview on every customer when messages are assigned.

An integrated inbox facilitates collaborating with the rest of the team. In case there is a dropout of team members— sickness, out of office—or when new team members start, everyone stays on top of collections and can take action quickly without jeopardizing customer relations.

Get full transparency into every account ⌨️

A good collections solution significantly enhances transparency into where your receivables are, suggests the best actions to take to collect them and lets you stay ahead of potential cash flow issues.

A global collections solution

These days, doing business across countries and regions hasn't been as easy as you may have wanted it to be. Different languages and complex government and regulatory environments are real challenges. Collections is no different.

When you have real-time connections with credit, insurance, banking, and trade information partners across the US and EU, only then can you start to perform

efficient credit checks and automatically integrate approved customers in your CRM or ERP system.

Any collections solution should have support for different languages and currencies. Customers want to be addressed in their own language. But users of the software itself can also benefit from working in their own language.
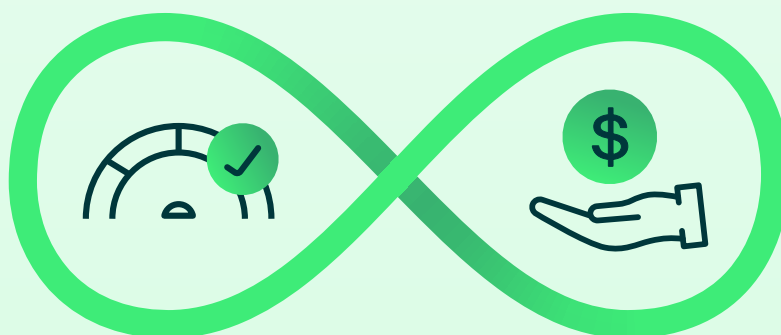
No two parts of the order-to-cash cycle are more closely aligned than credit and collections.

Manage customers and priority by risk profile

No two parts of the order-to-cash cycle are more closely aligned than credit and collections. Collections is the output of credit decision-making. If poor credit decisions are made, then your collections will suffer. This is why your credit process matters. Having a strong credit-granting process goes a long way toward being able to maintain a healthy DSO and low delinquency as a percentage of AR.

Estimating risks is a big part of collectors' range of tasks. The best way to estimate in advance whether or not your invoices will be paid is to calculate the credit risk— to analyze it. This credit risk analysis will give you an idea of your customer's ability to pay the due amount. In other words, it measures their creditworthiness.

The integration of collections management software with all kinds of financial software and online trade information enables you to identify risky behavior of your customers

in advance. There are many third parties and agencies enabling you to check creditworthiness and payment information.

But there is a catch in the standard way a credit score is calculated: a company with a low credit score is not necessarily a bad payer and vice versa. Real profound insights arrive when you combine external trade information and your own internal payment behavior data. This allows you to acquire a 360° view of each customer's risk profile and a true picture of your customer's potential credit risk.

Often, it is only the riskiest customers who are looked at, or are the first to be moved over. However, by including the creditworthiness of all customers, further results can be achieved. Smaller companies shouldn't be overlooked as lots of small companies usually make up a large percentage of the total number of customers.

Integrate real time credit and risk data to help manage customers

Let's talk a bit more about integrating credit and risk data. In collections, we incorporate all kinds of risks into the daily workflow, such as granting credits, checking customers via credit checks and setting credit limits. The challenge is to identify these risks in advance so that action can be taken in time. After all, a customer who doesn't pay has a big impact on time, money and resources.

Therefore, regularly check the creditworthiness of customers, limit credit terms if necessary and set credit limits. These simple steps can significantly reduce the risks to your cash flow.

But manually monitoring credit limits is a great deal of work. Ask yourself the following questions. Do you have

the time and knowledge needed to monitor your customers during the entire credit cycle? And can you properly assess your customers' financial standing and solvency?

You can avoid a never-ending stream of notifications of trade information about your customers. With the appropriate software that integrates information from third-party agencies and credit insurers, you can assess these risks very efficiently.

What's more, procedures can respond to the credit score. If a customer's risk level alters, you can automatically move these customers to different dunning procedures and dictate how closely you'll follow up with reminders.

Next-level reporting for various stakeholders

Having real-time insights and reports helps to make better and more consistent predictions and complete financial analyses.

Many companies and organizations still revert to the old, familiar spreadsheet, especially Excel, for customer follow-up. But spreadsheets are designed to store data. If you use them for a different purpose, the outcome will often be less than the ideal you hoped for, especially when using them for reports and statistics. It is perfectly possible to extract data from a spreadsheet and present it in reports and graphs, but it is not easy or intuitive—and certainly not when the amount of data is enormous.

It becomes even more difficult when, for example, managers and CFOs want their own reports and statistics. They don't want to sift through dozens of spreadsheets and worksheets to extract vital information and KPIs. They only want the information that is relevant to them. For the finance department, it is quite a job to make a summary for all these different stakeholders, in which case, it is better to use business intelligence software.

To extract trends from the data, you have to combine these data at different points in time. In practice, this quickly means even more worksheets, columns and rows. How, for example, do you mention the payment behavior of customers in a spreadsheet?

And if your company has many divisions and corporations in different countries, reporting isn't the easiest thing to do.

Thus, in an ideal case you should have total freedom over the data you want to include in reports and the order in which it's presented. You should be able to modify the report according to your own unique KPIs. It should be possible to visualize the reports on dashboards and manage who you send which report to and how often.

You should have the option to grant other people access to all, or more specific reports. This way, you can increase visibility to management, sales and other stakeholders inside the company. With reporting you can evaluate department performance and individual collectors' success. They work hand in hand in allowing you to evaluate performance and see where improvements can be made.

When collectors have visibility into every customer account, there is actionable intelligence to work with.

Visibility to collectors on tasks to complete

When working in collections, you should immediately know what has to be done today and what other tasks need to be completed. Repetitive tasks should be put on automatic pilot to free up time and focus on personal customer contact or more complex tasks that require extra attention.

Workflows optimize collections actions and communication with your customers, for customized service. When workflows are in place, common errors, like no follow-ups, are eliminated.

When collectors have visibility into every customer account, there is actionable intelligence to work with. You are able to visually see every customer's information and status as they go through your collections process, while easily tracking their collections through every stage. Automatic system alerts should notify you about pending issues.

Introduce the power of AI in your debt collections

> In collections you can gather a lot of data from your customers. What if you could use that data to predict their behavior—for example, predict when an invoice will be paid by the customer?

Artificial Intelligence (AI) can take your cash forecasting to the next level. Garnering data from a variety of parameters, you can gain a real-time overview of your cash flow.

AI can predict which approach is required and has the best chance of success. It can recognize whether that one late payment from customer X is an exception, so that the applicable procedure continues to be applied for that customer.

With these automated insights, outstanding debts can be paid off faster, as well as improve cash flow and make better cash flow forecasts.

AI-powered cash forecasting

Cash flow is the lifeblood of your business. For a cash flow forecast, it is important to track and monitor the payment behavior of customers. Payment behavior looks at the speed with which customers pay invoices, and this in relation to the agreed payment term. If a customer pays an invoice on average 7 days after the due date, we speak of a payment behavior of +7 days.

A lot of parameters influence and impact the payment behavior of a customer. Some examples: the amount of the invoice, the date of the invoice, the date of payment, the risk profile of the customer, the likelihood to dispute an invoice, and so on.

Payment behavior says a lot about a customer, but a change in payment behavior is also an important determinant. Recognizing all these payment patterns is no guarantee for the future, but you can derive a number of things from them.

One of the advantages of AI is that it's always learning and improving with time. An algorithm can predict that the payment will arrive tomorrow. But if the payment is not received tomorrow, the algorithm learns and will no longer take this feature into account.

Customize collections strategies

As a result of AI-powered cash forecasting, we can also figure out what has a big impact on convincing a customer to make a payment. Maybe not taking any action is the best solution to get paid. If a customer has a likelihood of 80% to pay, will an additional action have an impact on his payment behavior?

What if you could determine the optimal collection procedures and give collectors insights into the results of their actions? Maybe calling a customer will increase the likelihood of payment by 20%. Or calling the customer on a Tuesday will yield the best results.

One thing is for sure: the collections specialist's communication plays an important part. Some collectors are better in contacting customers in the first phase of the collections process, when other collectors excel in a later phase. The collector has a big impact on how successful a portfolio will be performing.

What if we could adapt the workload of the collector? Maybe skip a certain procedure step if this means too big a workload for the collector and when the impact of this step is negligible?

Taking all this into account with AI can further optimize the collections process. In the end, the algorithm will learn what the most efficient procedure is, depending on the match between the collector and the customer, and the workload of the collector.

Head off customer issues

With AI analysis, you can foresee payment problems, generate a plan, and get step-by-step advice to resolve it. You can also simulate collections scenarios and project likely success.

We predict that, in the coming years, AI will have a big impact on further optimizing collections and credit management.

Automate what you can ⚙

Day-to-day activities that take up a lot of time can be significantly reduced by choosing the right software set up. Without a robust software solution, 75% of your time will quickly be used up on prioritizing, analysis, preparation, and so on, while only 25% of your time is left for real customer contact.

With automated collections management, and by extension order-to-cash software, this is reversed, and you can spend most of your time on personal contact. Repetitive tasks go on autopilot, and teams can focus on qualitative interactions, investigating irregularities or more complex tasks.

The shift from manual tasks to more strategic responsibilities can vastly improve workflows. With better workflows you optimize actions and communication with your customers, for customized services. It allows collectors to have complete control over their workday and accounts receivables managers can get back to doing what really matters: communicating with customers and collecting payments efficiently.

In the meantime, various people in your organization remain informed about the matters that are relevant to them – such as the credit manager who explicitly asked to be kept informed about the handling of a particular complaint.

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We can't emphasize it enough: communication with customers is key in the collections process. And automation is a big help.

Once customers are segmented and associated with a specific procedure, you can set up a very efficient communication process. For example, thoughtful templates allow you to address customers in their own language and vary the tone of communication based on numerous variables, such as company size, type, sector and corporate culture.

Automation also allows you to reach low-volume and low-dollar customers in your portfolio you normally wouldn't because of bandwidth. With automated contact management you can nurture your whole portfolio while giving you the time to focus on more strategic customer interactions.

But everything hinges on having a good plan. The design of the collections process is always very personal and varies depending on the company, the specific customer relationship and the customer profile.

Like we mentioned before, companies can no longer avoid AI and data – they have become crucial in business processes. With automation, a lot of data can be processed and presented to employees in clear language. Instead of collectors having to go through thousands of cells in a spreadsheet, they can now, with the right software, better identify trends in the abundance of data.

Automate the assignment of customers to procedures

Customers can automatically be assigned a specific procedure. You can do this based on information extrapolated from internal or external variables, or a combination of both.

By doing this, dunning procedures can be fully customized and dictate how closely you'll follow up with reminders. Reliable customers may only receive one reminder in the unlikely event they are late, whereas frequent late payers warrant stricter monitoring, and receive early reminders, followed by more once the deadline has passed.

If a customer's risk level alters, procedures can change and be tailored depending on customer profile and preference.

You can choose which customers you wish to follow up with automatically and which you'd rather do manually. This is what we like to call the power of management by exception.

Match your procedures with the correct corresponding workflow

Use automation to assign the correct workflow to customers using predefined criteria, and provide truly customer-centric service.

Workflows allow you to completely automate actions and communication with your customers and provide a bespoke service to each of them. Workflows take into account the wishes of your customers in all your collections communication, considering what is sent, when and through which channel.

Traditionally, payment reminders are sent at fixed times, often in batches, such as once a month. Many reminders being sent out at once usually means a heavy workload for the financial teams, before and after sending. Before sending, letters or emails in a certain dunning status must be checked so that, for example, no communication is sent out with

amounts that are disputed, or for which a commitment to pay was previously made by the customer.

But the heavy workload also extends over the following days and weeks, when the many reactions via emails and telephone put a heavy strain on employees. This process repeats itself the following month.

By working out and automating the collections process completely in workflows, by drawing up procedures and working with a daily to-do list, each controller can always see what tasks need to be done at any given time.

An added benefit is that well-designed procedures and workflows significantly reduce the margin of error. Duplicate reminders or pending invoices are excluded. By offering payment information and indicating the invoice it relates to, there is less risk of errors in payment.

Start each collector's day with a prioritized worklist

There's a lot to remember when one is a collections specialist. Dozens of contacts are made every day. There are promises to pay, partial payments, disputes that need to be escalated and prior behavior to take into consideration.

Collectors must keep copious notes and it is often difficult for one collector to pick up the accounts of another.

New software solutions promise a better way to go about the day-to-day work of collecting. Automated collections software serves as a repository for information about accounts and AI-driven processes generate daily task lists for collectors.

Task lists are created based on management-approved best practices and they guide collectors through their activities for the day, prompting them to record their progress and generating insights for management.

Actions on these lists could include account statements, reminder letters, reminder emails, warnings, internal actions and outsourcing actions.

To save time, you could choose to automatically schedule specific actions. Customers will then receive a reminder on the time and date predefined in the procedure settings.

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Automating reminders
to pay is the perfect
solution. And you can't
do that without building
and using templates.

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Build reusable templates

Many collectors know that a simple reminder that a payment is late or coming due is all many buyers need to send a payment. But sending an email or making a phone call to remind a buyer to pay takes up a collections specialist's time. Most collectors prioritize their biggest and most delinquent accounts.

Automating reminders to pay is the perfect solution. And you can't do that without building and using templates.

So, use templates to process all default communication actions. Once templates for different communication channels have been built and designed, you can add them to relevant workflows.

Seamless connections with APIs

Application programming interfaces, or APIs, allow collections software, ERP packages and accounting software to communicate with each other and exchange data. APIs essentially bind different parts of data value chain together, even though the underlying components may be based on different systems, technology, or supplied by different vendors.

If a customer doesn't pay and you need to temporarily stop supplying goods

or services, you can simply update this in your collections software, which will automatically communicate with your source package like ERP, CRM or accounting software. With APIs, all these systems talk with each other and update information accordingly. Manual input and monitoring is no longer required.

The same goes for payments and payment plans. If a customer makes a payment, this is recorded in the accounting software and exchanged to your collections solution.

A collections process your customers will love 👍

An important step in an effective collection process is communication with your customers.

If you can approach the customer directly and communicate in a consistent and personalized way, this can greatly simplify the entire collection process and increase your collections success.

A customized communication process helps you to optimize customer relationships. Within collections, the right actions can be taken based on predefined procedures—whether it's an automatic email, correspondence by letter, a text message or a phone call.

Personalize your customer communications

Every customer has unique demands, expectations, and payment patterns. But without data, you can't do your job properly as collector. Customer profiles need to be built up, and customer histories need to be preserved as well. This includes, for example, historical payment behavior and ever-evolving credit scores from external parties.

A lot of ERP packages and accounting software often provide rather rudimentary communication with customers. Reminder or dunning letters should always be at the level of the customer or a customer profile. In this way you communicate with customers in a pleasant and appropriate way.

So it is best to make any reminders that go out the door personal. Try to personalize the format, language and ideal time to communicate with your customer. For example, the content and tone of a first reminder email should be different to that of the final reminder. A message sent via text is different to one sent via a registered email. A letter to a multinational corporation is not the same as a letter you would send to a consumer who purchases your services. To help you on your way, good collections software should already have a few templates that you can start with.

Don't forget to take the customer's history into account, so that an action that proved effective in the past can be repeated. Ultimately, it will help ensure you are paid faster.

Without data, you
can't do your job
properly as collector.

Courtesy notifications before payments are due

The success of collections also lies in being proactive. Traditionally, reminders have only been sent after the payment is due. Sending a reminder a couple of days before the payments are due can decrease delinquency.

Your customers will appreciate the transparency of receiving courtesy notifications before payments are due, so they can get in front of issues such as missing invoices or potential disputes sooner.

Empower the customer

Permit your customers to take action themselves on outstanding invoices. Offer your customers not only the option to pay immediately, but also the possibility to register a complaint, make a payment promise or request a payment plan.

Essentially, you are making the payment process as quick, easy and simple as possible for your customers, which is convenient for them and beneficial for you.

Complaints about deliveries or invoices are at the root of many late or non-payments. That is why it is best to find a solution to a dispute as quickly as possible. Following up on and organizing complaints is a challenge. It is frustrating for customers if

complaints are not dealt with, and payment reminders still follow after repeated contact, for example.

The same goes for payment agreements or promises with your customer. If a particular arrangement or payment plan needs to be drawn up, you need to record this and try to automate it.

This makes it crystal clear exactly what needs to happen at what time. For example, if a customer promises to pay within five days, software will follow up on this and notify you if the payment has still not been made.

Empowering your customers strengthens your relationship with them.

Conclusion

> At the end of the day, remember that collections is just one part of running a business.

So while it's essential to keep on top of your receivables, don't let them stress you out. With a little bit of organization and effort, you can get your accounts receivable under control.

Need a little extra help keeping your accounts receivable in order? It can't get simpler than automated AR software, particularly with a dedicated team behind you.

Contact us to learn more about how you can leverage Billtrust, in conjunction with our Collections solution, to help you get back to the most important thing: running your business.

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Learn more

Visit billtrust.com or contact our sales team.

ABOUT BILLTRUST

Billtrust is a leading provider of cloud-based software and integrated payment processing solutions that simplify and automate B2B commerce. Accounts receivable is broken and relies on conventional processes that are outdated, inefficient, manual and largely paper based. Billtrust is at the forefront of the digital transformation of AR, providing mission-critical solutions that span credit decisioning and monitoring, online ordering, invoice delivery, payments and remittance capture, invoicing, cash application and collections.

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