



**Southern California
Association for Financial
Professionals**

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Receivables Management- Business as Usual, or Brave New World?

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Receivables Management

- Companies ask the following questions:
 - How can I improve my working capital cycle times?
 - How can I streamline my receivables processes to ensure the best efficiency and productivity?
 - How can I focus my available resources to identify and reduce deductions quickly
- Issues vary by business – mix of C2B, B2B, vertical, size.
- Acceptance of multiple payment types across multiple channels creates complex collections, customer service and trade credit processes for all companies.
- Regulatory changes, payment alternatives and advanced technology has created new opportunities for businesses
- Developing an optimal collection strategy is critical to an effective working capital program.

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Why Receivables Improvement – Value Proposition

- Improves cash flow by speeding up mail arrival and funds access
- Reduces costs associated with mailing, storage and handling of paper documents
- Reduces SG & A – Improves Productivity
- Enhances collaboration with internal service partners and customers
- Enhances customer service & faster research
- Supports quicker credit decisions
- Makes for more efficient dispute resolution processes- reduces DSO and DDO
- Reduces unauthorized deductions and can impact bad debt experience

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Tools to Optimize Receivables Collection

- National Network of Lockbox sites
- Consolidated view of all receivables activity. Fully integrated collection solutions – Check, ACH, Wire, EDI, Credit Card and Letters of Credit.
- Use of data capture and Remote Deposit with/without receivables information
- Image Exchange Clearing
- Multiple Delivery Output – Web, Image, PDF, Transmissions, CD Rom, Fax, Phone, Email and Paper.
- Comprehensive cash application tools – A/R Matching, Virtual Batching, Exception Download and Intelligent character Recognition (ICR)
- Virtual Batching (work flow basis of processing)
- Incorporation of your algorithms & look-ups
- Same day decisioning
- Deduction Management Automation


**Accuracy, Automation, Identification & Communication
Make the difference!**

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Lockbox 991979 - PNC Solutions - JPEG Web AM on 05/23/2006 - TID G-8930595 - Microsoft Internet Explorer provided by Desktop Te

File Edit View Favorites Tools Help

Prev Next



Lockbox 991979 - PNC Solutions - JPEG Web AM on 05/23/2006

Check for Check Transaction ID G-8930595

[PDF Printable Trans. PDF](#)

| | | | | | |
|---------|------------|-------------|------------|-----------|-------------|
| Lockbox | PGH-991979 | Ledger Date | 05/23/2006 | Amount | \$ 7,420.00 |
| ABA/RT | 112233338 | Account | 412768210 | Check Num | 2620 |
| Batch | 100 | Item | 8 | | |

Advanced Receivables 11-22/3333 2620

500 First Avenue

Pittsburgh PA 10000

PAY TO THE ORDER OF: PNC Solutions

DATE mm/dd/yy

\$ 7,420.00


EXACTLY: *****SEVEN THOUSAND FOUR HUNDRED TWENTY AND NO CENTS*****

Your Bank Denver CO


AR Accountant

⑈ 26 20 ⑈ ⑆ 112233338 ⑆ 412768210 ⑈


Envelope (B)




Check



Page 1



Page 2



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Advanced Receivables Services – Remote Deposit

Corporate Remote Deposit

- Convenience
- Reduces transportation expenses
- Extends deposit deadlines
- Eliminates geographic constraints
- Consolidates banking relationships
- Improved availability of funds

Remote Deposit with Receivables

- Leverages Check 21 legislation by extending lockbox services
- Scans all documents (invoice, envelope etc.) in addition to the check
- Consolidates payment and A/R information
- Accelerates cash application during critical end-of-period cycles
- Eliminates costly overnight package services
- Maintains A/R archive integrity

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"Hit Rate" Improvement

- Automated capture technology such as bar code, OCR (Optical Character Recognition) and ICR (Intelligent Character Recognition).
- Data Validation routines including check digits, on-line field validations, and batch edits.
- Hierarchical keying
 - "if-then-else" approach capturing critical data fields
 - Data capture starts with the minimum information required to post a payment
 - Determines and adds critical data elements when missing.
- Box Segmentation
 - Uses separate lockboxes – small, medium, and large payers.
 - Separate lockboxes allows variable transaction handling
- Remitter Look-Up
 - MICR information retrieves data to complete a posting record.
 - The MICR table creates payer profiles for keying instructions.
- Virtual Batching -Client defined batching rules designed to meet business objectives & workflow requirements

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A/R Matching

- Match payment information captured from remittances processed within lockbox against your accounts receivable system open invoice file.
- Greatly reduces the number of exceptions requiring research and accelerates the recognition of delinquencies.
- Virtually batches items based on various match (or non-match) criteria. Identification of exception items means that you can begin to work the items immediately upon receipt.
- Matching provides multiple areas of improvement
 - Adding missing data to cash application records
 - Improving the invoice-level hit rate
 - Eliminating keying errors within lockbox

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Enhanced Client Print Capabilities

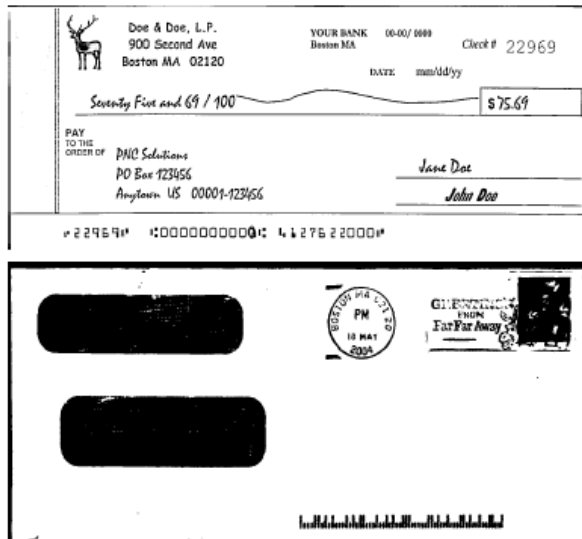
Page 1 Transactions for LB PGH-991979 DT 20040704 TID 0-3296521

Transaction Information G-3296521 PGH-991979 2004/07/06

Transaction Level Details

| | | | |
|-------------|------------|--------------|------------|
| Env Num | 1 | Envelope | G-3296521 |
| Transaction | G-3296521 | Lockbox | PGH-991979 |
| Date | 2004/07/06 | Time | 17:00 |
| Batch | 100 | Batch Item | 1 |
| Check | 1 | Check Amount | \$75.69 |
| ABA/RT | 000000000 | Account Num | 22969 |
| Check Num | 4127622000 | | |

Envelope and Check Image



Created by AJR Advantage using RIDS from www.floor.com

- Standard browser print functionality is limited
- Your AR staff can request a stacked Portable Document File (PDF), readable with Adobe Acrobat
- This information can be generated at the transaction, batch or output level
- Transactions will be assembled in check, envelope, other document order
- PDF's can be opened, viewed, shared and sent to print

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Remote Remittance Capture

A/R Advantage Remittance On-Site Batch Overview

Lockbox: DAL-991990/
Lockbox Date: 2006/07/06
Project Processing Period: 12:00

[Main](#) [Help](#) [Logout](#)

Pending Batches Waiting for Submission

| Batch # | Batch Date | View/Edit | Capture Time | Amount | Number of Checks | Number of Images |
|------------|------------|----------------------------|---------------------|--------|------------------|------------------|
| Open Batch | 2006/07/06 | Edit Batch | 2006/07/06 08:46:56 | \$0.00 | 0 | 0 |

Batches Submitted to A/R Advantage

| Status | Batch # | Time Processed | Capture Amount | Processed Amount | Number of Checks | Number of Images |
|----------|---------|---------------------|----------------|------------------|------------------|------------------|
| Rejected | 1 | 2006/06/27 09:12:06 | \$9000.00 | \$0.00 | 2 | 10 |
| Rejected | 1 | 2006/06/20 08:02:01 | \$150100.00 | \$0.00 | 2 | 12 |

- Extends remote capture into an established lockbox workflow
- Clients perform remote capture of all remittance documents for transmission directly into the lockbox
- Items are integrated into established data capture, transmission and archival processes for AR updating and posting

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Same Day Correction

- Exception items are presented through the Web for operator review and research
- The information is available prior to end of day data transmission and A/R update
- Operators can correct/enhance captured data – increasing auto application rates
- Workflow can extend to electronic payments

Transaction Exception Review for Transaction Y-3174199

Lockbox 648971 - Customer Correction Queue Test

Click 'Accept' or 'Reject' to accept/reject this transaction for processing. This must be done by the time the Done Deadline is reached or a default action will be taken by the bank.
If changes need to be made to keyed values, click the associated 'Edit' button, make the required changes and then click the 'Save' button at the bottom of the screen. Invoices may be deleted or added, if necessary. Click an invoice number to view the image of the associated document.

[View Check Image](#)

| | | | | | |
|--------|-------------|-------------|-----------|---------------|----------------|
| AR/R | 043000000 | Account Num | 283000000 | Check Num | 7334 |
| Amount | \$ 1,200.00 | Exception | Custom | Done Deadline | 10:30 tomorrow |

Transaction-level Keyed Fields

| | |
|----------------|------------|
| Check Date | 12/30/2008 |
| Post Mark Date | 12/28/2008 |

Invoice-level Keyed Fields

| Invoice | Edit | Delete | Amount Paid | Inv Status | Inv Reason | File Timestamp | Customer Number | Invoice Number | Account Number | Invoice Date | Discount Amount | Net Invoice Amount |
|---------|----------------------|------------------------|-------------|------------|------------|----------------|-----------------|----------------|----------------|--------------|-----------------|--------------------|
| 1 | Edit | Delete | \$ 1,500.00 | | | | 123456 | A54321 | ABCDEF | 12/15/2008 | \$ 200.00 | \$ 1,500.00 |
| 2 | Edit | Delete | (\$ 300.00) | | | | 987654 | A98765 | DDDDDD | 12/10/2008 | \$ 0.00 | (\$ 300.00) |

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Other Collection Solution Components

- **Foreign Item Processing**
 - Items converted to the US dollar equivalent based on client specific rates
 - Processed as normal lockbox item and included in all outputs (data and image)
- **Keyed Correspondence**
 - Data entry of non-financial transactions
 - Applications include: indexing/batching of correspondence types, credit card processing, data entry only function
- **Long-Term Archive**
 - Multiple year storage options
 - Integrated with web delivery
 - Annotation/notes capability
 - Immediate availability/access

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Managing Deductions is Crucial to Profitability

- **Collecting Unauthorized Deductions such as Pricing Changes & Returns Requires Immediate Attention**
- **Vendor Compliance Issues Are Communicated Through Payment Process; Without Active Tracking, Companies Repeat the Same Supply Chain Issues (e.g. Late Delivery) & Put their Business At Risk**
- **50% of Companies Use Nothing More than Spreadsheets to Manage Deductions**
- **Most Companies are Recovering Less than 25% of Deductions, Most of Which are Preventable or Unauthorized**
- **High Deductions Means High Dilution. This Can Cost Companies 5% or More on A/R Collateral**

Source: Credit Research Foundation

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Most Significant Customer Deductions

| | Intentional | Preventable | Unauthorized |
|-------------------------------|---|--|--|
| Reason for Occurrence | <ul style="list-style-type: none"> Typically Budgeted & Preauthorized | <ul style="list-style-type: none"> Contract issues | <ul style="list-style-type: none"> Result from vendor disagreements |
| Examples | <ul style="list-style-type: none"> Advertising Markdowns Price Concessions | <ul style="list-style-type: none"> Late Delivery EDI Errors Freight / Handling Lost or Damaged Goods Ticketing / Labeling | <ul style="list-style-type: none"> Concealed Shortages Pricing Errors Returned or Refused Merchandise |
| Improvement Objectives | <ul style="list-style-type: none"> Verification & Quick Resolution | <ul style="list-style-type: none"> Improving Internal Performance & Business Relationships | <ul style="list-style-type: none"> Collecting Cash & Improving Business Relationships |
| Scope of Issue | <ul style="list-style-type: none"> 25-30% | <ul style="list-style-type: none"> 30-40% | <ul style="list-style-type: none"> 30-40% |

Source: Credit Research Foundation

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US Postal Service Update – 5-Day Delivery

- The USPS now intends to continue delivery operations Saturday and Sunday as incoming mail warrants.
- Staffing will be adjusted to fulfill delivery operations only, specifically remittance mail.
 - Coverage will include Saturday Tour 3 (3 PM – 11 PM) and Sunday Tour 1 (11 PM Sat – 7 AM Sunday)
 - Tour 2 Ops (7 AM – 3 PM) has already been significantly curtailed 7 days per week.
- The 5-day delivery plan will create wider disparity between large providers who perform weekend lockbox processing and smaller operations who do not.
- Companies that continue to perform internal processing will have new challenges. They will realize a greater float benefit through the use of lockbox services.
- The predictions of significant float increases may no longer be applicable.

Courtesy of Phoenix-Hecht

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Network Distribution Center Implementation

- Utilize what used to be Bulk Mail Center entry points
- Consolidate all Classes of Mail onto Transportation
- Extend “Critical Entry Times” so more can be trucked
- Standard Mail Being Done This Year; First Class Next Year

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Considerations

- In How many locations do you accept receivable payments?
- Where are your customers paying from?
- How often do you receive payments?
- How many payments are you receiving daily?
- How many ways are you receiving payments?
- Do you have the staff to handle your receivable load?
- What is the value to your company if you can reduce borrowings associated with receivables? Reduce unauthorized deductions? Favorably impact bad debts? Introduce new ways for AR staff to be productive and efficient?

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Receivables: Solutions, what to use?

| Solutions | Purpose | Benefit |
|--|---|---|
| Branch Deposits/ Armored Car | Make cash deposits; Deposit limited paper based items | Convenient for cash deposits Local Staff required for this purpose. |
| Remote Deposit (Deposit On-Site) | Remotely deposit paper items to without physical delivery | Avoid trips to the branch Expedite item processing Reduce risk to employees |
| Lockbox Collections | Processing of paper based items, and Wires and ACH | Centralized processing for remittance items Expedited AR associated information to your company Reduced risk–Bank Staff handles all receipt and processing. |
| Remotely depositing into your lockbox (Remittance On-Site) | Handle onsite payments received, Integrate payment info thru your lockbox | Integrating one-off items received into your office or other remote locations Single AR posting source |
| Payments via the Internet | Accept payments via the web... both checking/savings account payments or via credit card. | Convenient payment Heightened availability Automated payment integration. |

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Questions?



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