Shopping Around for a Better Way to Manage F&A Process?
AP And AR Automation Solutions Enable Retailers to Impart Best Practices and Optimize Cash Flow

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A lot of time is spent perfecting the store front, but does the back office get the same attention? In many cases, the answer is no. Enticing customers with beautiful window displays, fully stocked end caps and attentive sales staff are necessary investments for bringing in business, but the back office functions are equally critical to success.

Retail today is all about performance – keeping prices low, service high and efficiently managing cash flow to maintain business momentum and reach growth goals. To do that effectively, efficient store operations and streamlined finance and accounting processes are necessary. However, many companies remain with manual accounts payable and accounts receivable processes because "that's the way things have always been done." This comfort level with the status quo limits visibility and prohibits effective cash management as well as timely response to F&A customer needs and the ability to react to business trends.

Many retailers have multiple store locations, often across many states, regions or geographies, and inefficient manual or disparate processes prohibit them from managing funds in the most favorable manner possible. A lack of standardized processes contributes to increased costs and complexity. It also prohibits organizations from applying best-practices and increasing efficiency of AP and AR processes.

As greater back office efficiency comes to the forefront of operational improvement plans, there are integrated technology solutions and business processes services that enable retailers to increase productivity, optimize cash flow and gain better visibility and control into business processes. This paper will explore the challenges with a paper-based approach and how proactive process management and digitized documents increase visibility into critical business activities and deliver competitive advantage. Retailers that take a bestpractices approach to F&A management and work with the right business process services provider can address key challenges and leverage process excellence to drive down costs and impact the bottom line.

Getting Visibility
In addition to the costs associated with paper processes, including labor spent on repetitive, time-intensive tasks,

higher error rates, compliance issues and delays in payment, manual processes also limit visibility into the business. Effectively managing information from multiple sources, whether it is individual utility bills for a multistore chain or the total sum of supplier invoices at a corporate level, requires a streamlined, centralized process. Not having visibility into what is outstanding, what has been paid and where there are opportunities to leverage economies of scale or other efficiencies is a critical misstep.

Lack of visibility also inhibits strategic decision-making. For example, with paper processes, the treasurer is limited in deciding on early pay discounts, especially if they don't know where they are offered and when it makes sense to offer them. In some cases a retailer may want to encourage early payment simply to secure their funds faster or to reduce risk associated with increased days outstanding. However, there are times when offering a discount is not the right decision.

For one thing, discounts add up. And, if a retailer holds off on price increases to remain competitive, they may not be able to cover costs and generate enough profit with an additional discount. So, it is important to have oversight and ensure early pay discounts support the business strategy.

Also, when invoices are in paper format, there are month end challenges due to lack of visibility. It is difficult to accurately understand available working capital and proactively reduce days outstanding. Conversely, informational dashboards available via an electronic process provide a more complete view of available funds, outstanding invoices and other information to support more strategic decisions.

It's More than Automation
However, simply migrating from paper to digital will not deliver the full value of an automated solution. In many cases, technologies such as scanning and OCR data capture turn a paper problem into an electronic one. To get the full benefit, the process needs to be proactively managed. For example, utility bills might go to the store location, distribution center or headquarter office. Scanning and OCR alone will help reduce keying, but they don't tell you which ones you don't have – only proactive process management will provide that level of detail and insight for better planning.

Process management and the right technology solution will proactively monitor due dates, prior payments and usages to allow for automated payments based on allowable tolerances. This prevents delays and penalties for late payments and offers better budget control. For example, managers can approve repair bills under a certain dollar amount without escalating the request or ensure automatic payment for utility bills that do not exceed a certain threshold.

The right technology solution can also alleviate the time and cost associated with vendor support through selfservice functionality. Rather than being bogged down with answering daily inquiries, taking time to trade voice mails, and following up on credit memos, these and other business activities can be automated and provide greater satisfaction to customers.

A business process services (BPS) partner that offers a vendor portal enables vendors to self-service in much the same way consumers can monitor a package shipment or select an airplane seat assignment. The vendor can register and get invoice status as well as participate in the exception resolution process, at their convenience and without having to call the AP staff. A vendor portal should also enable electronic submission of invoices and supporting documents. For example, not all retailers can easily manage EDI (electronic data interchange) transactions because they require specific field layouts that differ between suppliers. Rather than force suppliers to go with EDI, a vendor portal can enable transactions in multiple electronic formats for increased efficiencies. It also puts the onus on the supplier to provide the invoice data, which eliminates data capture cost.

Beyond Accounts Payable

Paper challenges exist in the AR processes as well. One point of contention for retailers that distribute and deliver products is managing proof of delivery (POD) documentation. For example, if an auto part supplier delivers an assortment of goods to a car dealership, they not only need to capture proof of delivery, but present supporting documentation at time of invoice and statement presentment.

Organizations that integrate proof of delivery and electronic bill presentment can provide increased visibility, self-service functionality and other efficiencies to improve processes. A simple user portal that ties in proof of delivery documents

can have a huge impact on day sales outstanding (DSO). Customers that approve payment often don't have visibility to all of the locations that received goods, so having an integrated electronic bill presentment and proof of delivery site is a key to faster approval of payments.

For retailers that provide credit, an automated solution can also streamline credit activities and create a more effective and efficient process. Managing the credit portfolio can be labor intensive, especially for cash application. It requires retailers to send out statements, follow up with customers, and manage payments and collection activities. Retailers can greatly reduce the time for cash application by having the customer return the entire statement and have them indicate which balances are being paid through the use of check boxes and a note field.

The right partner will also offer advanced solutions such as dynamic messaging on statements that can be tailored to specific customer targets. For example, a text book publisher can deliver seasonal back to school messages on invoices to educators. Another option is the inclusion of PLANET Code® barcode tracking on return envelopes, which allows retailers to prioritize collection resources. This ensures an efficient use of resources by making sure calls are not place to customers who have already mailed a payment.

Imparting Best-Practices

The right BPS partner enables retailers to take advantage of state-of-the-art technology and best practices to improve F&A operations, increase productivity and efficiencies and better manage cash flow. Retailer growth, whether organic or through acquisition, often results in multiple systems and processes. An electronic workflow and data categorization process that is layered over the existing systems extends technology investments and provides the benefits of standardization. It also improves payment monitoring, reconciliation and customer support across locations without having to create solutions within each financial platform.

Other benefits include increased visibility, even for goods purchased outside a purchase order process. Many service orders are made without detailed information about the contents. For example, an automotive dealership chain may contract independent businesses to perform car

washes, leather repair, or exterior paint chip repair. Paper processes prohibit organizations from having visibility into this specific type of spend. However, an electronic invoice line item capture and categorization solution offers more robust spend analytics and depth of detail into spend, so that decisions can be made to reduce the number of vendors, negotiate better pricing and assure consistency across orders.

Many organizations have implemented ERP solutions to address this issue, but the key to getting this information is the use of purchase orders with line items. When the purchases are non-PO based, they most commonly fall outside of these systems.

The right business process service provider or solution should include the availability of all information electronically 24x7, contributing to increased efficiencies, higher levels of accuracy and greater visibility. When selecting a solution, make sure that the full documentation accompanies every transaction and that transaction pages are electronically tied together for easy reference.

An electronic archive also has added benefits at the time of an audit. It eases the audit process and enables auditors to self-service their requests for invoices and supporting documents, rather than tying up internal resources to participate in discovery process.

The right BPS partner also provides access to advanced technology without requiring significant upfront investment. Retailers often operate on low margins, making capital investment a challenge. A software-as-aservice solution provides access to automation without requiring heavy capital investment. This enables retailers to take advantage of technology without additional hardware costs and expensive software licenses.

Taking advantage of automation solutions to streamline processes, mitigate risk and increase efficiencies helps retailers improve F&A processes and gain competitive advantage. Organizations that partner with the right BPS provider can optimize productivity, leverage efficiencies and impart best practices to their F&A operation. Just as in the store, the lowest price isn't always the best solution. Rather, shopping for value can help retailers achieve greater functionality and offer a better experience for customers, which is essential, because understanding your customers and providing outstanding service is a key factor to retail success.

About the Author - Marc Baines is Senior Vice President of Finance & Accounting Solutions for SourceHOV. In this capacity, he is responsible for customer requirements, solution design and product specification of integrated accounts payable and accounts receivable solutions. Baines has spent 22 years researching and implementing best practices in the document management and finance & accounting fields. His expertise includes large scale process improvements for organizations in the healthcare, financial services, energy, and government sectors. He has presented case studies of several of these at industry trade conferences. Baines is a professional engineer, with an Honors Degree in Engineering from the University of Toronto. For more information, email marc.baines@sourcehov.com or visit www.sourcehov.com.

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