

With increasing global market uncertainty, financial decision makers must become more strategic. They must be able to look at accounts receivable data and find strategic trends and glean insights that will impact key performance indicators. This capability requires the right software.

The Business Imperative for More Effective Accounts Receivable Software

June 2022

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Introduction

The uncertainty in the business world over the past 24 months has multiple layers that go beyond the pandemic. The regulatory landscape continues to shift and become more complex with new financial reporting, e-invoicing, and payment mandates being issued throughout various global markets. The geopolitical landscape is also disrupted by war and supply chain breaks. There have been extreme swings in the global capital markets unseen in more than a decade. All this uncertainty has created a financial minefield that businesses of all sizes must negotiate.

While organizations seek real-time cash flow information, many realize they don't have the visibility, flexibility, and agility to adjust to the new normal. Unfortunately, a multitude of organizations are yet to fully embrace digital transformation (DX) within accounts receivable (AR) departments. Consequently, midmarket organizations, especially, find themselves struggling with legacy tools and antiquated processes. And because of the situation where demand meets reality, there has been an unprecedented urgency for immediate modernization of AR management tools.

Finance decision makers must be more strategic because of the global market uncertainty. They must look at AR data and find strategic trends and glean insights that will impact key performance indicators like days sales outstanding (DSO), average days delinquent (ADD), and accounts receivable turnover (ART) ratio. For fast-growing and evolving midmarket companies, functional and complex requirements could increase manifold for managing a larger group of customer accounts. So it's essential to adopt solutions that scale with your company's evolving financial roles and requirements.

Benefits

As uncertainty reigns, many businesses are turning their transformation efforts and resources toward accounts receivable. In this paper, we will outline the potential impact of accounts receivable transformation by exploring the reasons that drive businesses to modernize their accounts receivable processes:

- » **Improve cash flow and the optimization of working capital.** Working capital is the lifeblood of every business. Businesses must keep enough cash on hand for payroll, rent, and other operating expenses. This is especially critical for fast-growing businesses. A modern digital AR automation solution is essential to streamline cash inflows.

AT A GLANCE

KEY STATS

- » 25% or more of current assets are trapped as accounts receivable, even among some of the largest companies in the world.
- » 77% of companies surveyed say they're willing to pay a premium for artificial intelligence in their accounts receivable applications.

- » **Increase intelligence.** Intelligent AR management helps forecast cash position and automate manual, time-consuming processes like cash management, invoice management, and collections. This gives finance teams the necessary time to focus on the strategic and high-value tasks at hand.
- » **Enhance business insight.** Many organizations have millions of dollars trapped in accounts receivables. In fact, it is not unusual to see 25% or more of current assets trapped as accounts receivable, even among some of the largest companies in the world. Still, many businesses have trouble with a lack of visibility into the performance of receivables. Receivables insights provide a bird's eye view into the overall health and financial stability of the business.
- » **Improve payment capabilities.** Many AR departments are looking for third-party help to provide multiple, convenient payment options to their customers. This is especially important as many AR professionals are forced to work remotely. For remote workforces, the convenience of digital operations means that the payment gets reflected immediately in the AR books and there is a reduced need for manual intervention. Digitization provides finance teams with real-time insights and clear visibility to improve cash management and make timely decisions on critical accounts.
- » **Deliver a better customer experience.** Not only must businesses effectively collect from their customers, but they must also be strategic about how they collect from their customers. Collection methods can heavily impact business relationships. Smart AR automation tools offer self-service customer portals for easy and convenient access to track invoices, make payments, and raise disputes. With digital payments picking up speed, businesses aim to deliver a friction-free payments experience to customers and ensure timely collections.

Key Technology Trends

Technologies Reshaping Accounts Receivable

AR workflows are changing quickly as DX initiatives continue to reshape the business landscape. This shift also brings forth a new chapter in the evolving story of receivables software applications. This chapter will be characterized by automation technologies such as robotic process automation (RPA) and artificial intelligence (AI). These new technologies will revamp rule-based and data-centric AR functions such as credit management, collections management, and deduction management using the following tools:

- » **Robotic process automation.** Accounts receivables is a good example of a business function where the application of RPA can deliver time savings and cost savings, resulting in improved business resiliency. RPA technology works by automating repetitive tasks to reduce manual intervention. The advent of RPA helps finance teams focus on other critical functions such as decision making and improving customer relations.
- » **Artificial intelligence.** Recently, companies have turned to structured AI and machine learning (ML) to streamline key reconciliation, collections, cash management, and deductions processes. This technology utilizes ML and complex algorithms to analyze unstructured data. Regarded as the decision engine of intelligent automation, AI provides actionable data-driven insights for improved decision making. With this cognitive technology, businesses can scale better with improved operational agility.
- » **Automated workflows.** AR vendors are embedding intelligence within the order-to-cash workflows to unleash the full power of AI and RPA. The integration of these technologies helps finance teams easily access and retrieve

essential information from unstructured data sources and facilitates easy collaboration between teams. Ultimately, these tools help automate manual processes while saving time and operational expenditure.

- » **Advanced analytics.** Many organizations are flooded with business data from a variety of sources and data types. Advanced analytics provide actionable business insights by discerning and interpreting data trends. It helps businesses identify process gaps and provide suggestions on quick course corrections for daily AR operations.
- » **Application programming interfaces (APIs).** APIs allow developers and managers the opportunity to quickly add or modify data flows into and out of the software application. This also enables integration between multiple systems for seamless communication and data sharing.
- » **AI-powered virtual assistants.** A virtual assistant can augment and even automate many lower-level tasks, freeing up valuable resources to focus on strategic initiatives. These help you prioritize worklists, answer emails, and check patterns in data.
- » **Digital payment technology.** The availability of multiple payment formats such as same-day ACH, credit cards, virtual cards, and wire makes it possible for businesses to get real-time payments. Customers can also leverage remote deposits for check payments using a mobile device. The adaptability of these payment formats helps businesses process payments in real time for a faster cash conversion cycle.

The Impact of Artificial Intelligence

Many businesses are mired in manual processes and the AR departments are no exception. AR departments must contend with paper-based processes, including payments and reconciliations. This leads to inaccuracies and inefficiencies in AR data management. Consequently, the demand for artificial intelligence has increased greatly in the past 24 months. Intelligent AR automation helps businesses reduce manual, repetitive, and time-consuming order-to-cash functions. It enables streamlined AR management and provides real-time cash position visibility with actionable data-driven insights that have a companywide impact. According to IDC's most recent *SaaSPath Survey*, 77% of respondents are willing to pay a premium for artificial intelligence in their accounts receivable applications.

While businesses may be willing to pay more for AI technology, it has to be applied across a wide range of AR-related tasks and processes for maximum productivity. Figure 1 illustrates high-impact people activities/processes in AR where artificial intelligence will be aggressively applied:

- » **Blocked order prediction (credit).** AI-based blocked order predictions and release recommendations enable proactive management of upcoming orders. The system analyzes the credit limits, order history, past payment patterns, and credit data collected from credit agencies to come up with blocked order predictions. It eliminates the time lost in manual blocked order resolution and lets collectors proactively reach out to the customers to collect a partial or full payment to release the blocked order.
- » **Payment date prediction (collections).** AI provides early insights into potential repayment problems before they arise. The technology can predict when customers will most likely make their next payment based on past payment behavior and aging analysis. It allows businesses to dynamically adjust collection initiatives and dunning strategies for at-risk customers, greatly increasing collection success rates.

- » **Dynamic worklist prioritization (collections).** Collection managers are constantly pressed to manage their time more efficiently. AI-based payment predictions allow collection teams to move certain collection activities up or down the task list to focus on the most profitable accounts or key strategic accounts based on the business' financial priorities. It allows finance teams to tailor collection strategies with AI-based recommendations.
- » **Non-standardized remittance capture and AI-based recommendations (cash application).** Cash application is error-prone and a major concern area. Manually applying cash to the correct general ledger codes is tedious and inefficient. AI/ML technology lets AR teams resolve exceptions faster with automated cash application. AI can self-learn and work on template-agnostic remittance data. It captures all remittance details even from non-standardized formats such as images, text, and emails. Companies use AI specifically for automated invoice matching and straight-through cash posting in complex scenarios.
- » **Dispute validity predictor (deductions).** Deductions management is a problem area for accounts receivable in most companies. An AI-based dispute validity predictor leverages ML to analyze historical data and resolution patterns to identify invalid deductions. It enables finance teams to focus on high-dollar-value invalid deductions and automatically writes off low-dollar-value valid deductions.

FIGURE 1: **Top Impact Areas for AI Within AR**



Credit: Blocked order prediction



Collections: Payment date prediction



Collections: Dynamic worklist prioritization



Cash Applications: Non-standardized remittance capture and AI-based recommendations



Deductions: Dispute validity predictor

Source: IDC, 2022

Market Forces Pushing AR Software Forward

The growing complexity of AR management means solution providers must build software that simplifies and streamlines everyday AR workflows for finance professionals. Solutions must provide end users with the ability to quickly manage information without compromising on efficiency.

In addition, AR is becoming more integral to business success as economic conditions tighten. The marketplace is moving away from paper-based AR processes and rapidly adopting new AR applications. The following trends are fueling this change:

- » **Remote working.** The pandemic disrupted businesses and required remote work, creating a sense of urgency to move away from legacy payment solutions.
- » **Demand for faster payments.** Fast payment initiatives continue to proliferate, including SWIFT, SEPA Instant Payment, and same-day ACH.
- » **Evolving business models.** Subscription business models are set to grow rapidly in the coming years in nearly every sector.

Solution providers must build software that simplifies and streamlines the everyday AR workflows for finance professionals.

Digital Transformation Fortifies Businesses Against Disruption in Many Ways

Enterprises are evolving to keep pace with the technological changes. The digital enterprise uses technology and automation, connectivity, and visibility to drive competitive advantage in all departments, including AR. Accordingly, the digital AR department will have different expectations from its software. The digital AR department will be most able to harness the following trends:

- » **Convergence of AR and accounts payable (AP).** AR affects many other business workflows, including customer relationship management, accounts payable, treasury, legal, finance, and sales. There is a growing need to incorporate external data sources (i.e., credit information, supplier chain risk, supplier news) into the mix as well. The walls between traditionally siloed data sources are crumbling, and the result is a new world of opportunities for AR managers to blend data from multiple sources to drive new insights to reduce DSO and increase customer satisfaction. We expect to see the convergence continue among customers, sparking further demand for revolutionary product development, M&A activity, and partner ecosystem growth.
- » **Integrated digital payments capabilities.** Corporate payments continue to be a huge pain point for AR collections managers. The uncertainty during 2020 greatly accelerated digital transformation efforts within AR departments in customer payment management. Businesses found themselves scrambling to receive payments efficiently during the height of the pandemic. The growth of digital payments over the past 18 months has been explosive. As a result, AR software with advanced payment management features like one-click payment or partial payments is in demand. We expect to see AR software vendors establish partnerships with major banks and fintech players to provide more visibility into the payment process, including fraud detection, cash application, and payment reconciliation.
- » **Focusing on data security.** Security has become a multifaceted issue due to the rise of cybersecurity threats and cyberfraud. The pathway toward improved visibility starts with data management and security. Being able to

collate more of your company's AR data from various related sources and applications leads to better forecasts and improved visibility.

- » **More predictive features.** These are needed because so much of accounting has been backward facing, examining historical data to balance the books and then establishing the current cash position.
- » **More lending/financing capabilities.** Businesses, especially smaller ones, see factoring as a means of quickly tapping into unused/unapplied AR funds. Many AR providers are working to forge partnerships with banks to give their users access to financing based on the condition of their receivables. In the coming two to three years, we expect to see more AR software providers take the full step of providing financing to their customers in a more direct fashion.

A Proactive AR Approach

While organizations have seen unprecedented disruptions over the past 24 months, all indications point to even greater disruptions on the near horizon. This idea of future disruption is pushing businesses toward a more aggressive approach to accounts receivable. The following are characteristics of a more aggressive approach to accounts receivable:

- » **Enhanced risk management.** The risk of nonpayment or late payment is ever-present for businesses. Businesses are using advanced analytics to identify patterns and establish risk profiles for customer groups. Companies are also using advanced analytics to identify and analyze security arrangements and guarantees such as credit insurance, liens, and bonds.
- » **Engaged in continuous master data management.** Businesses must utilize master data management on a continuous basis to ensure that customer data is up to date. Changes in points of contact for contracts, mergers/acquisitions, consolidations, and so forth require businesses to regularly refresh customer data to ensure accuracy and to reduce DSO.
- » **Automated long-tail tasks.** Typically, businesses spend a major portion of their time on the most strategic accounts. However, this leaves a long tail of customers that may only interact with the AR process periodically, or they may represent recurring small quantity buys. In either case, most midmarket organizations don't have the staff to attend to those customers well.
- » **Increased factoring.** Businesses of all sizes may face irregular cash flows at some point. This is especially impactful for midmarket companies as they are more susceptible to cash flow issues. Factoring can provide instant access to the much-needed cash to fund business activities.
- » **Increased forecasting frequency.** Businesses are eager to build resilience into their financial operations, including AR forecasting. Discussions with financial leaders have revealed a major increase in the frequency of financial forecasts (from once per month to once per day) and a 10x increase in the number of scenarios being forecast.

What Do Buyers Want Most from Their AR Software?

IDC's 2021 *SaaSPath* Survey asked financial leaders about the benefits they demand most from their account receivable solution. The following are their responses:

- » **Faster payment processing.** Many AR departments are looking for help in providing multiple payment options to their customers and processing those payments faster.
- » **Reduced time spent on exceptions.** Exceptions prevent fast and easy reconciliation, delaying the business from accounting for the dollar inflows.
- » **Better reporting and analytics/data-driven insights.** Increased transparency and visibility into core accounts receivable data is essential for overall business agility.
- » **Better access to critical AR-related documents.** Contextual documents are incredibly important, especially for collections and deduction management processes.

Considering HighRadius for AR Automation

HighRadius offers a specially designed software package, named RadiusOne AR Suite, for midmarket businesses. The HighRadius RadiusOne AR Suite includes a set of intelligent automation solutions designed to support AR processing for midmarket companies across industries. It is a complete order-to-cash solution supporting out-of-the-box integrations. The solution can be deployed in under four weeks without borrowing support and time from internal IT teams.

RadiusOne AR supports robust API-based connectors for lightning-fast remote deployment. It automates key accounts receivable functions, including e-invoicing, collections, cash reconciliation, and credit risk management. It comes preloaded with industry best practices and is ready to use with popular ERPs, including NetSuite, Sage Intacct, Microsoft Dynamics, and Infor.

Strengths

The following are key strengths of the HighRadius RadiusOne product:

- » **Credit management capabilities:** Credit management is a critical issue for businesses. It is a balancing act between offering too much credit and elevating the risk factor or not giving enough credit and potentially leaving money on the table. RadiusOne offers online credit application functionality as well as credit scoring capabilities.
- » **Global integrations:** More and more businesses are engaging with customers in multiple geographies. Even midmarket and small businesses may need to engage with customers around the globe. RadiusOne customers benefit from the seamless integration experience that HighRadius has developed over the years.

Challenges

As technology progresses, new challenges arise. The following are some challenges HighRadius will continue to contend with as the market continues to shift and evolve:

- » **Competition:** There is a long and growing list of software companies (both large and small) offering software within the midmarket AR space.

- » **Rapid expansion:** HighRadius is growing rapidly both within their traditional competitive domain, accounts receivable automation, and also into adjacent competitive software markets like treasury and financial reporting. Amid this high level of growth, it will be critical for HighRadius to continue to invest resources to maintain their current balance between research/development, employee base expansion, and customer service.

Conclusion

We are living in times of unprecedented uncertainty and volatility. The priority for midmarket businesses is to enhance business resiliency by gaining tighter control over and visibility into their money and financial processes. Core financial processes like collections, cash management, working capital, and managing spending have become even more critical to companies, both large and small. Organizations of all sizes have turned their focus toward the most fundamental aspects of business — cash flow management and working capital. As a result, accounts receivable software, especially SaaS software, has been highlighted to get a quick return from digital transformation efforts.

About the Analyst



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As a research director, Kevin M. Permenter provides insights and analysis across multiple fintech market segments, including accounting, revenue management, corporate tax, accounts payable, accounts receivable, treasury, and enterprise payment management. Kevin leads qualitative research efforts that drive a series of technology buyer-focused documents, including MarketScapes, buyer perspectives, PeerScapes, and end-user surveys.

MESSAGE FROM THE SPONSOR

More About HighRadius

HighRadius is dedicated to providing intelligent AR solutions to all types of businesses. With the introduction of RadiusOne AR Suite, HighRadius has the breadth and depth of capabilities to meet the AR functional requirements across all spectrum of business growth including that of small and mid-sized businesses to large enterprises and corporations. RadiusOne AR Suite built for mid-sized businesses is a set of intelligent automation solutions designed to streamline AR functions and improve cash flows. With access to enterprise-grade AR software and quick implementation cycles, mid-sized businesses can now level the playing field with Fortune 1000 companies at a fraction of the typical cost.

Why RadiusOne AR?

- » Plug and play solution with minimal IT involvement
- » Lightning-fast remote deployment in under four weeks
- » Out-of-the-box integration with ERPs such as Oracle NetSuite, Sage Intacct, MS Dynamics, SAP, and more with robust API-based connectors

[See RadiusOne AR in action](#)



The content in this paper was adapted from existing IDC research published on www.idc.com.

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