

TOP 5 ACTIONS TO IMPROVE CASH APPLICATION AND FORECASTING



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WHAT

Discussing key steps companies should take to improve their cash application process and rates as well as forecasting activities and accuracy.



WHEN

Thursday, December 8, 2022
2:00 PM – 3:00 PM EST



WHERE

Live online presentation
Replays at StrategicTreasurer.com



This presentation is provided by Strategic Treasurer and Deluxe

ABOUT THE SPEAKERS

GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS



BETH BOURGOIN

Beth Bourgoin is a financial services executive with deep experience in financial technology and commercial banking markets. An accredited ACH (Automated Clearing House) payments professional, Beth's expertise spans the implementation, management, support, and analysis of treasury management products and services. In her current role, Beth and her team determine client needs based on Deluxe's product standards, working directly with the sales team to provide technical support on complex solutions, while ensuring implementation success across all products. Beth holds a Bachelor of Science in psychobiology and neuroscience from Simmons College in Boston.



CRAIG JEFFERY

Craig Jeffery formed Strategic Treasurer in 2004 to provide corporate, educational and government entities direct access to comprehensive and current assistance with their treasury and financial process needs.

His 30+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.

TOPICS OF DISCUSSION

KEY AREAS OF FOCUS &
ANALYSIS



TWO MENTALITIES

ISLAND VS. PROCESS



CASH APPLICATION

IMPROVING PROCESS & RATES



WORKING CAPITAL

MEASUREMENTS & METRICS



CASH CONVERSION CYCLE

PERILS OF INEFFICIENCY



FORECASTING

TIGHTENING ACTIVITIES &
ACCURACY



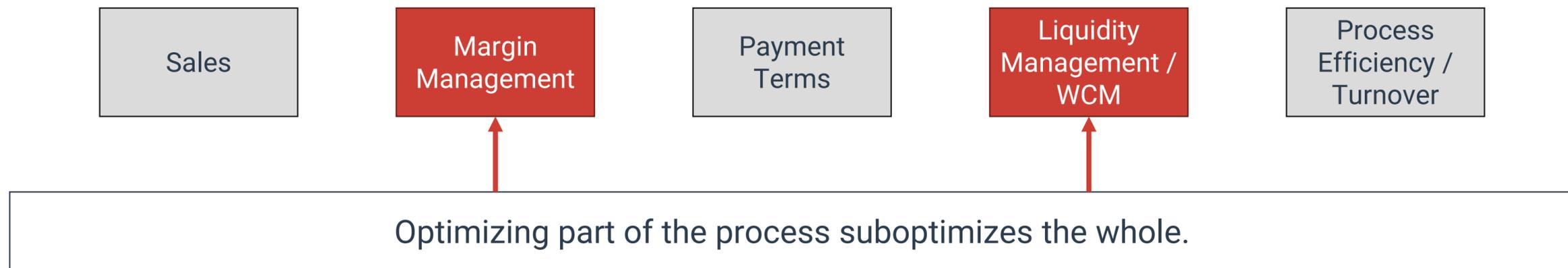
KEY TAKEAWAYS

AND FINAL THOUGHTS

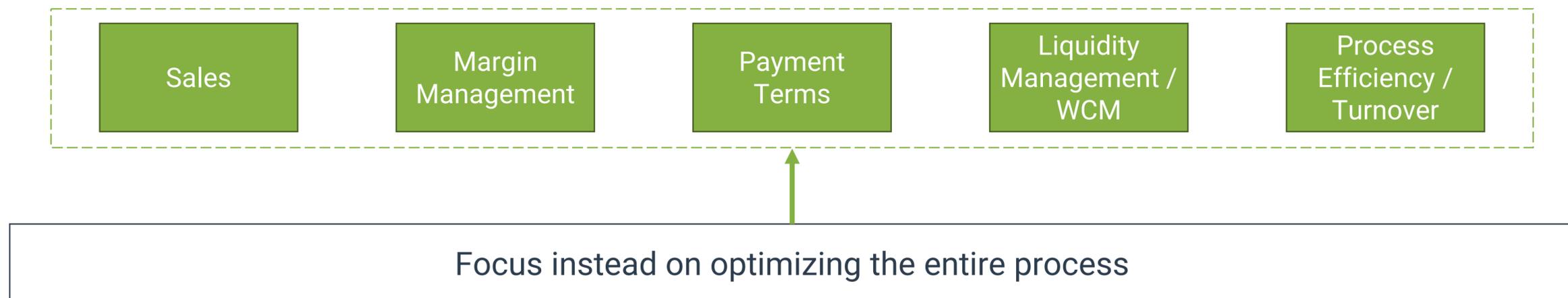
ISLAND VS. PROCESS MENTALITY

CONSEQUENCES OF CONSIDERING ONLY PART OF THE PROCESS

Island mentality



Process mentality



CASH APPLICATION

IN NARROW CONTEXT

Receipt of payment area

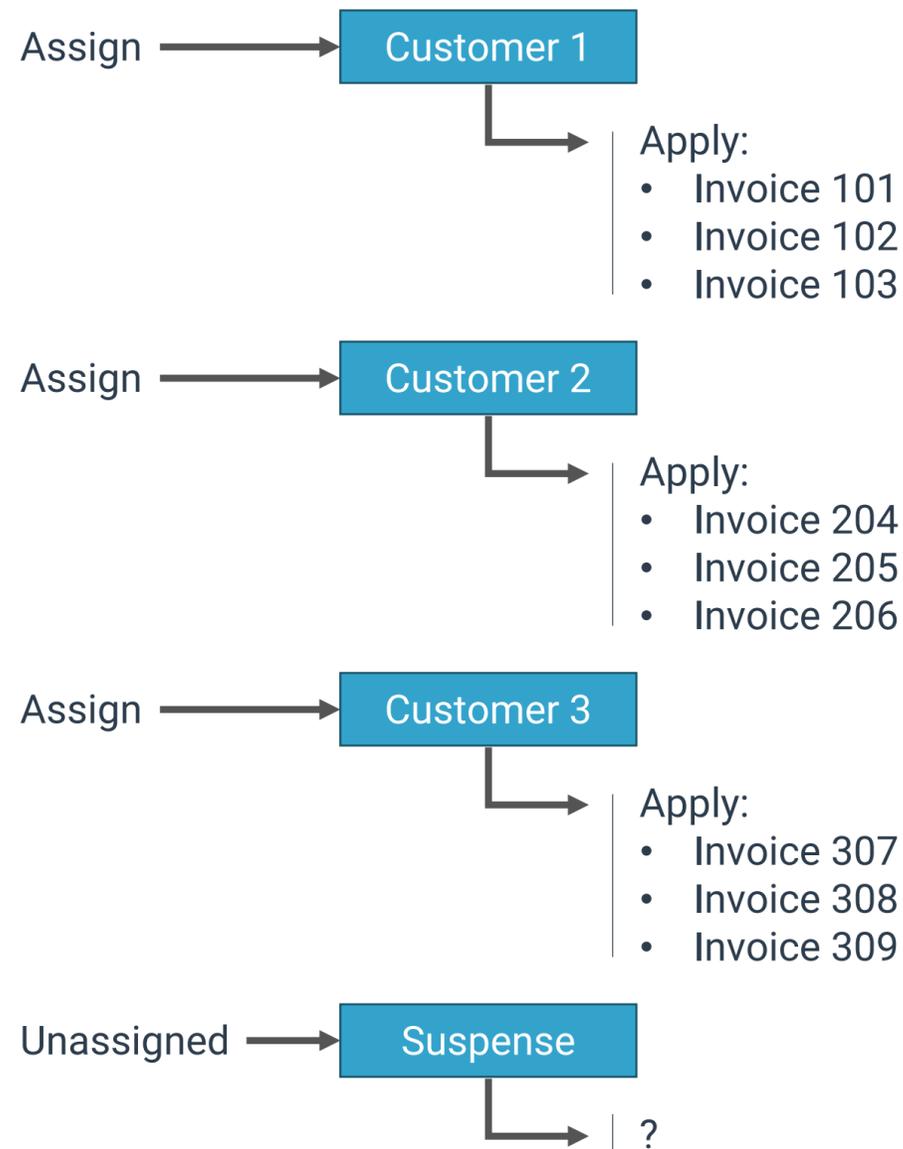
Check & List

ACH

Wire

Other payment types (virtual card, digital, etc.)

AR

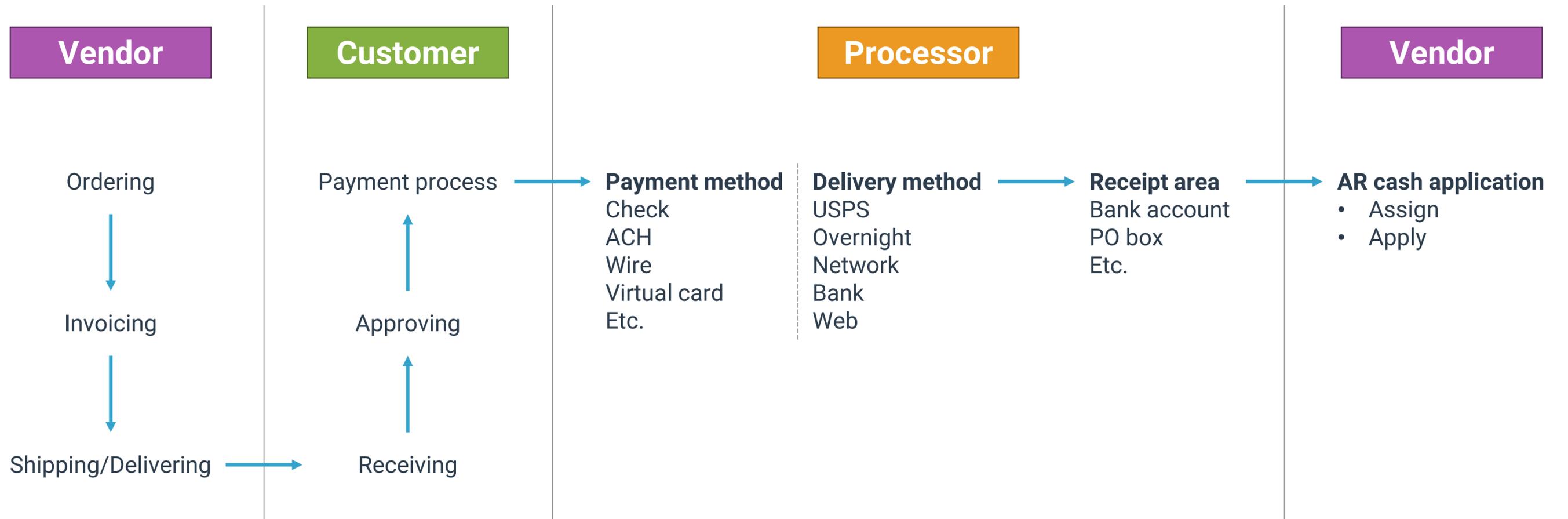


Functions of cash application

- Assign to customer
- Apply to invoice

CASH APPLICATION BACKSTORY

THE BIGGER PICTURE



Potential for lost time and money

- Bad shipments
- Incorrect invoices

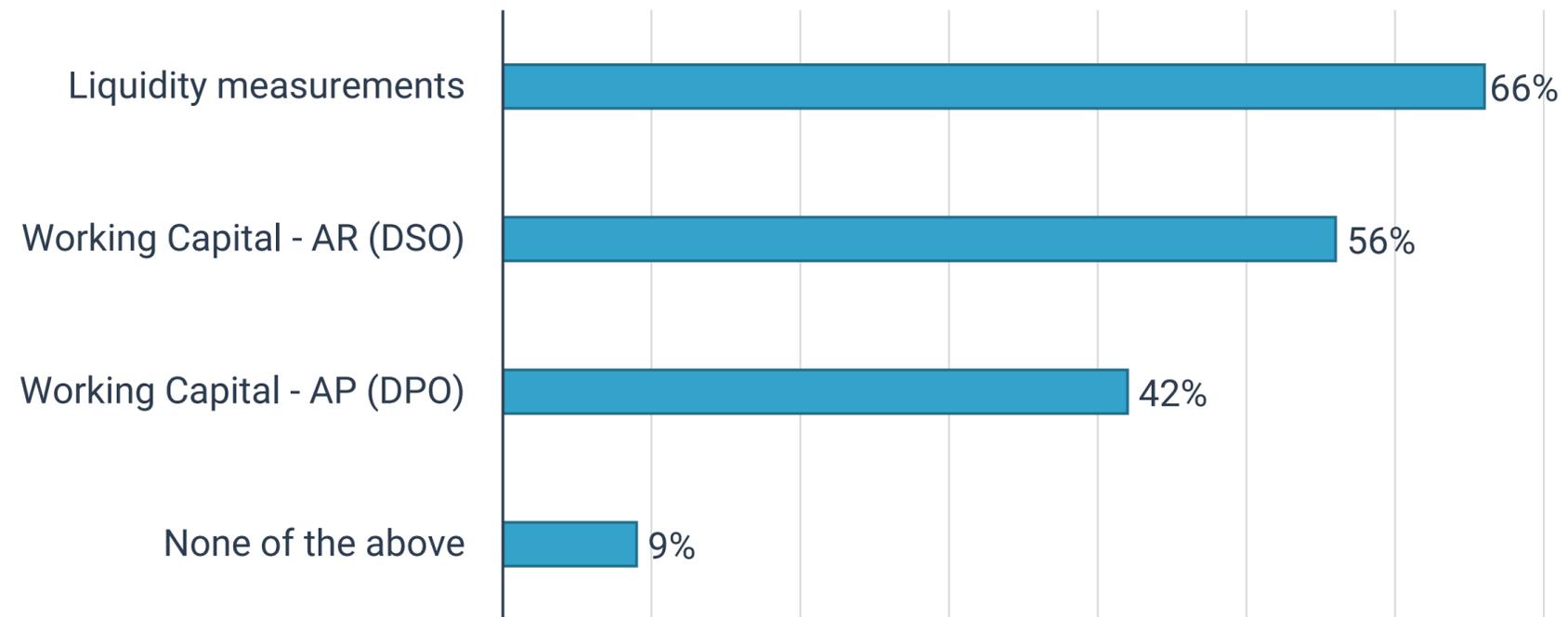
- Delays in approval
- Missing items
- Queries
- Miskeyings

- Key/scanning errors
- Lost mail

- Manual entry
- Error management
- Resolution
- Time delays

POLL QUESTION

Poll 1 - We focus on the following metrics:



GOALS

IMPROVING CASH APPLICATION AND FORECASTING



Reduce defects



Increase automation and digital sharing of information



Auto-balancing



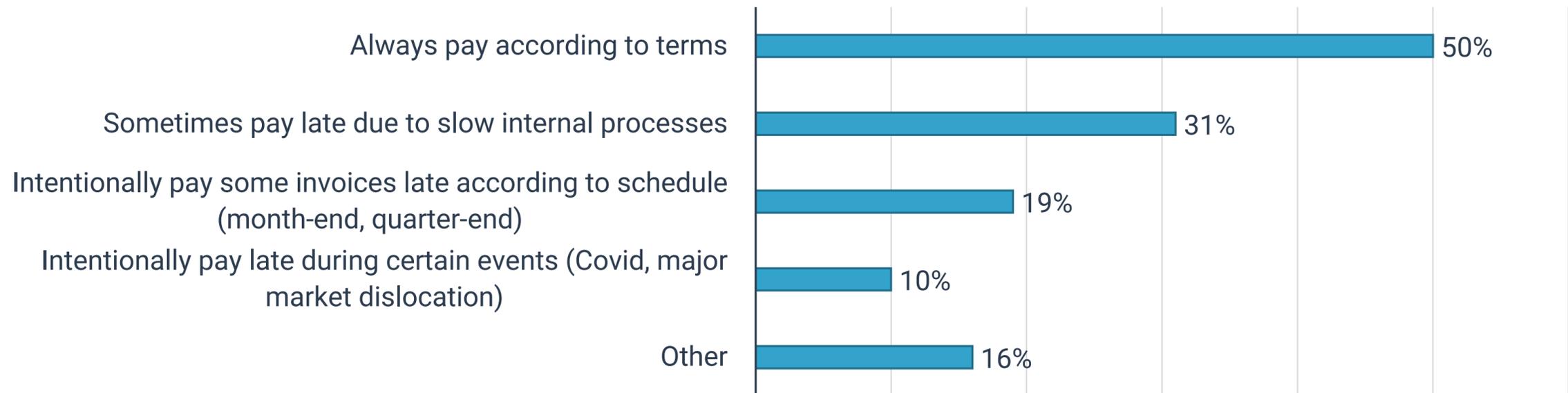
Scale gracefully



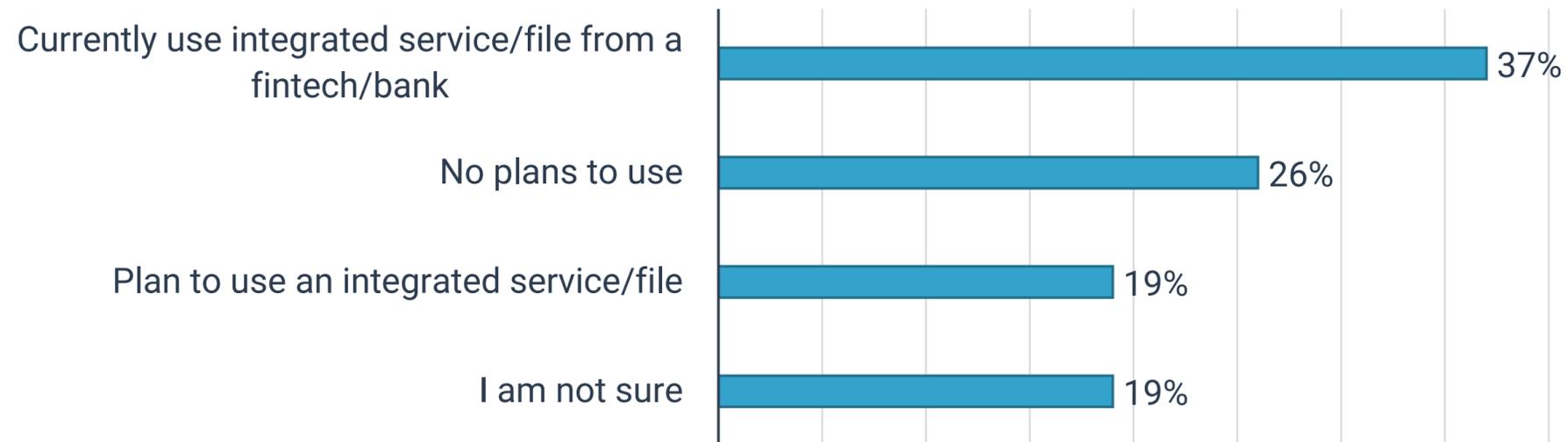
End-to-end mindset

POLL QUESTION

Poll 2 - For payables, we:

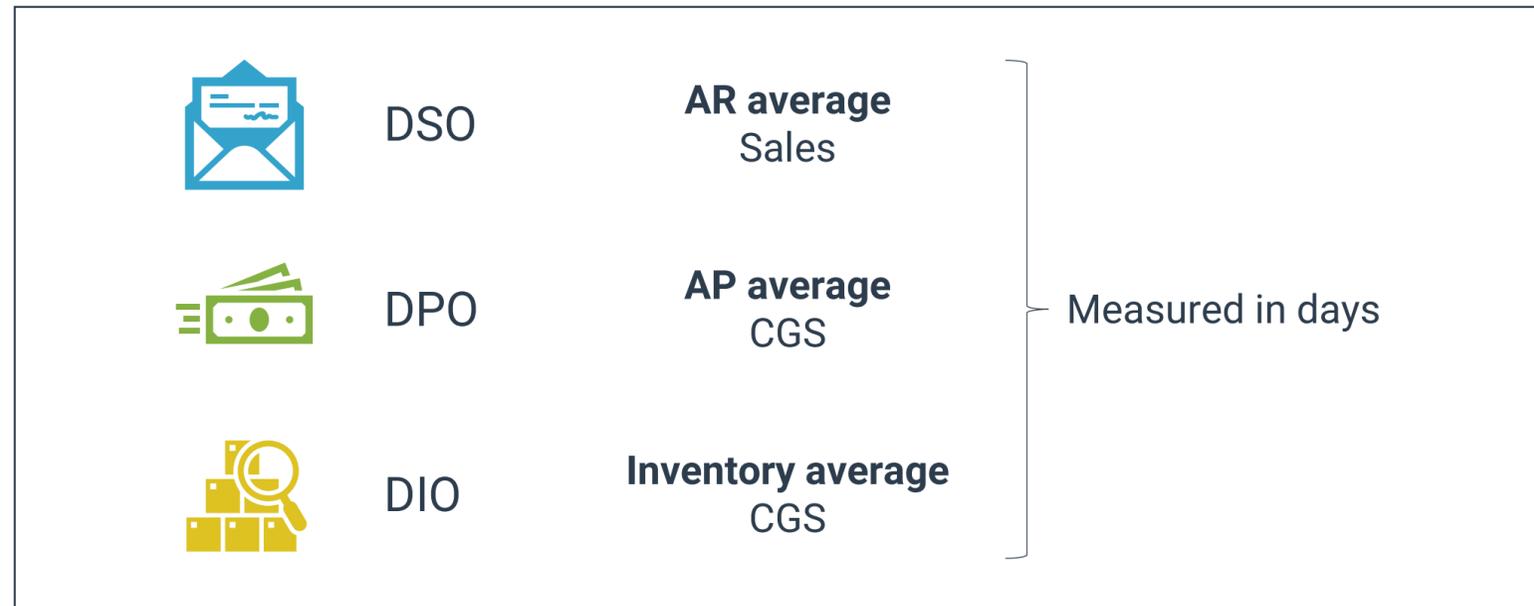


Poll 3 - For integrated processes (AR), we:



WORKING CAPITAL METRICS

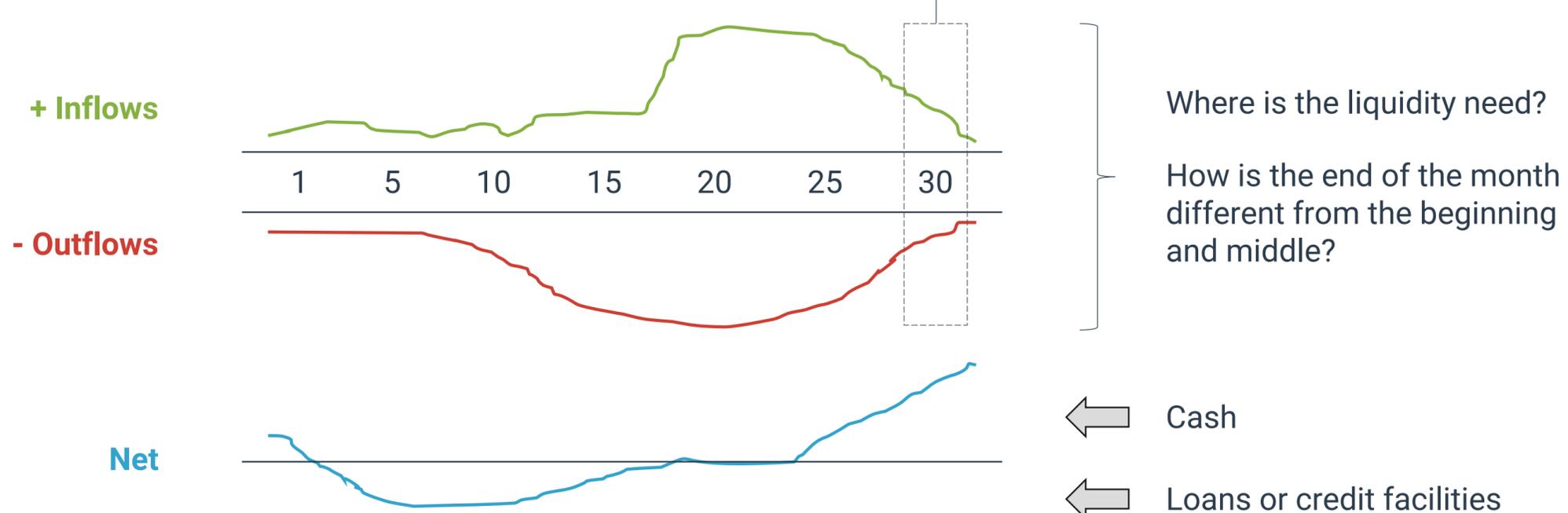
EFFICIENCY MEASURES



Liquidity

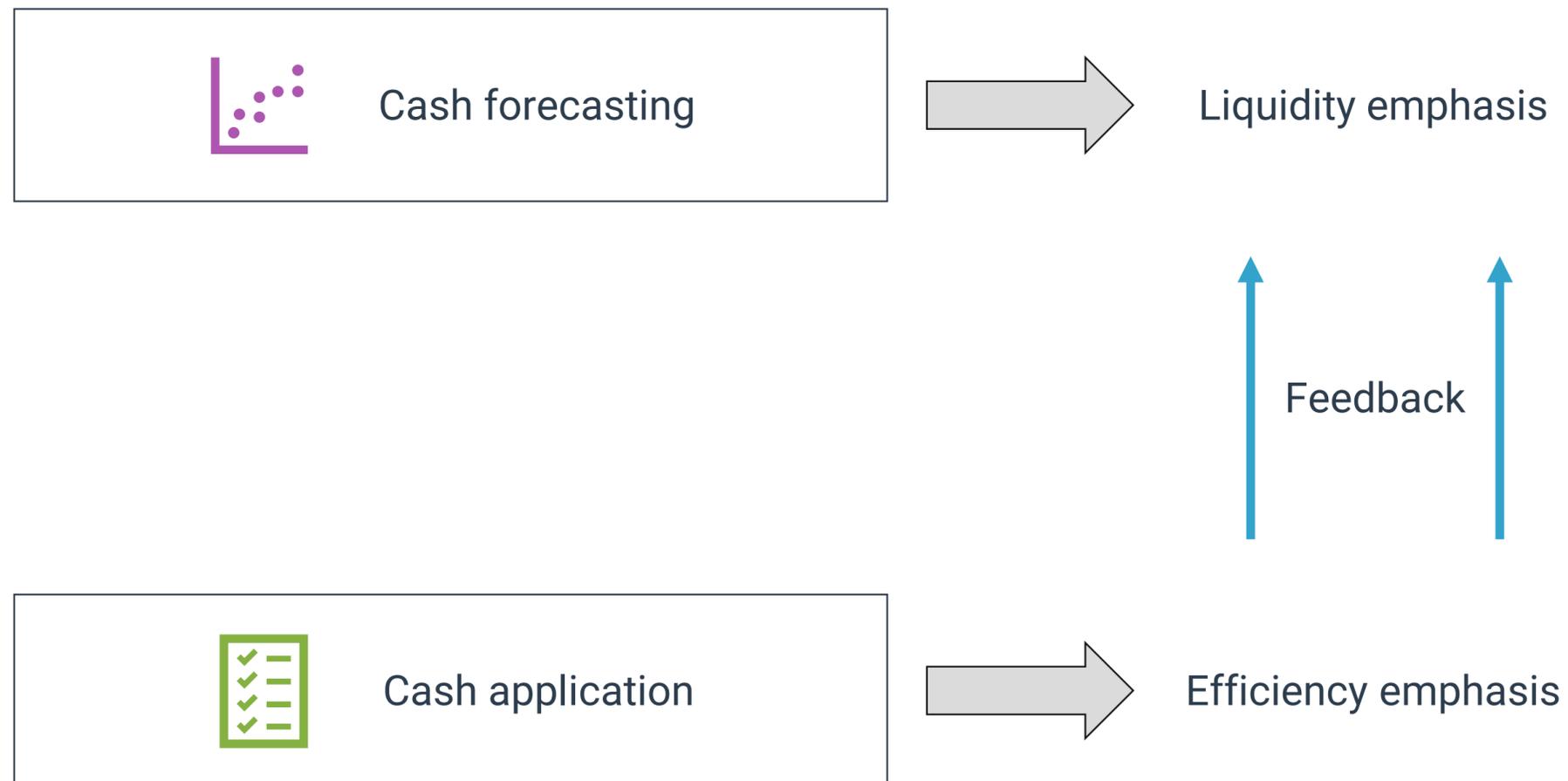
Working capital measurements

- End-of-month snapshot
- Only directionally correct for liquidity



WORKING CAPITAL MANAGEMENT

IMPORTANCE OF EFFICIENT CASH APPLICATION & ACCURATE FORECASTING



CASH CONVERSION CYCLE

CONSEQUENCES OF INEFFICIENCY

—  CCC inefficiency leads to —



More capital requirements



Lower economic efficiency



Decreased earnings (EPS)



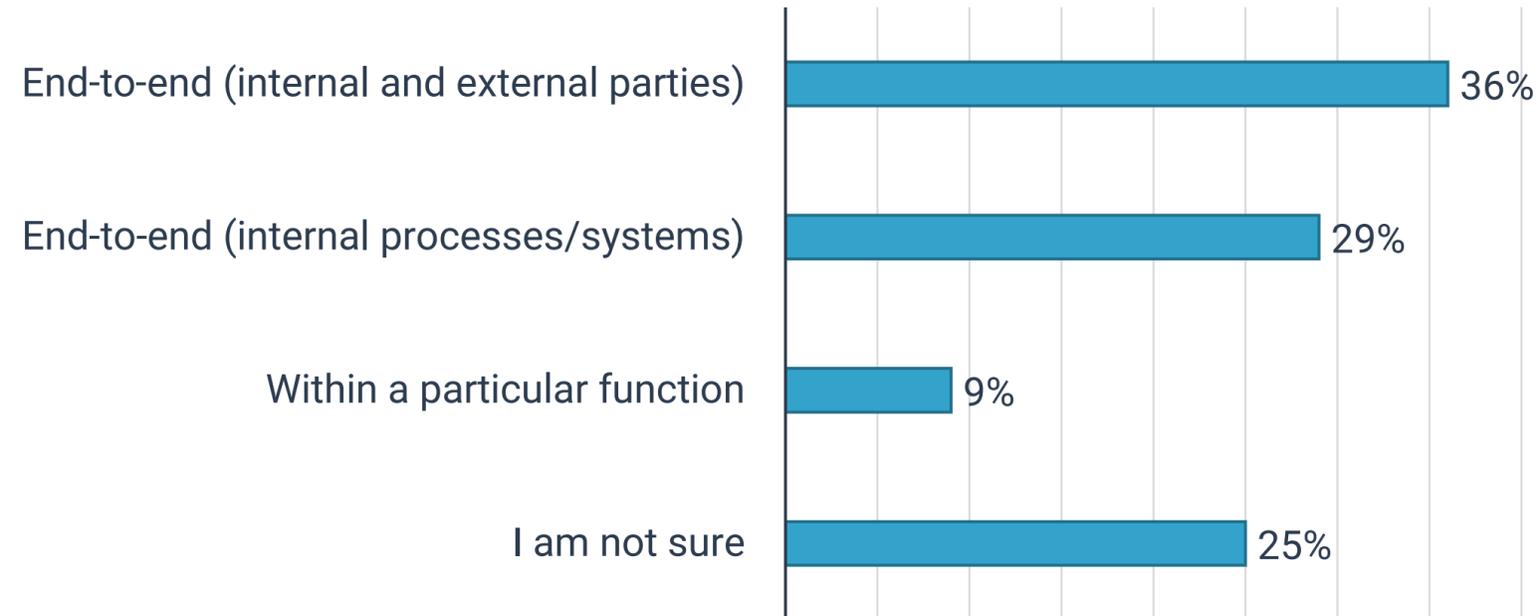
Decreased value of organization (P/E)



Increased cost of borrowing

POLL QUESTION

Poll 4 - Our focus on the business process is most accurately described as:



FOCUS ON FORECASTING

IMPORTANCE INCREASES DURING TOUGH TIMES



% of time spent on cash reporting/positioning and forecasting operations:

- 0-20% - 55%
- 20-40% - 41%
- 40+% - 5%



Executive management cares about variances and forecasting accuracy:

- 68% agree or strongly agree



We would spend more time on forecasting if we had it:

- 56% agree or strongly agree



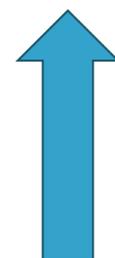
Forecasting is very important to treasury:

- 84% agree or strongly agree



Rapidly rising interest rate environment:

- Up 3.75% in US and 2.75% in UK from January to November 2022



Increasing expectations

More models required

Increase focus on AR efficiencies

Reduce surprises | Plan ahead | Understand the possibilities

TAKEAWAYS

IDEAS AND POINTS TO BRING BACK TO THE OFFICE



FORECASTING

- Identify goals/KPIs first, then look at where the data is



CASH APPLICATION

- Review the root cause for any errors
- A successful end requires a good process
- Manual processes scale poorly



END-TO-END MINDSET

- A successful end requires a good process
- Liquidity, cash forecasting and cash application are linked



MORE COMPLEXITY

- Impact of more payment rails and payment types
- Deploy strategies for scale → simplification

LET'S CONNECT

DON'T LET THE LEARNING END HERE...
CONTACT US WITH ANY FUTURE QUESTIONS.

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.



STRATEGIC TREASURER

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🌐 [linkedin.com/in/strategictreasurer/](https://www.linkedin.com/in/strategictreasurer/)

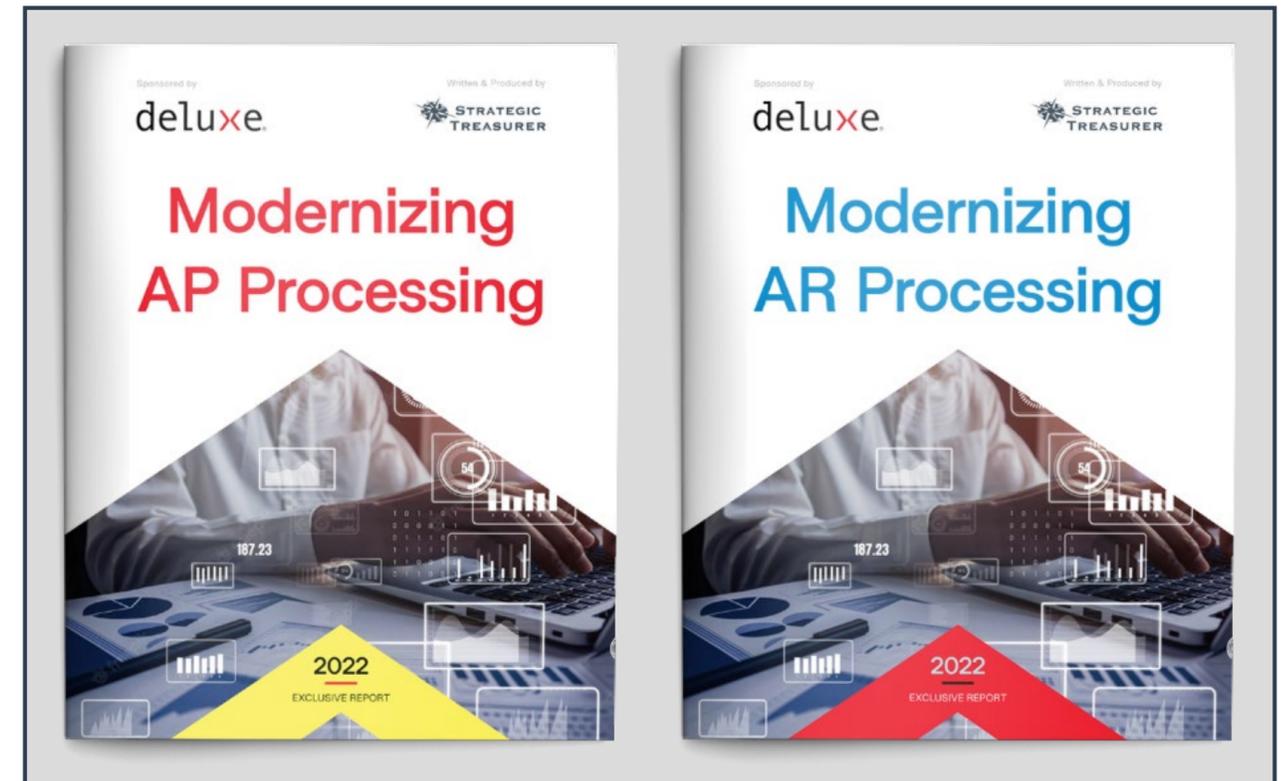


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SURVEY REPORTS

Download the 2022 Modernizing AP/AR Processing Reports for in-depth commentary.



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