

REVOLUTIONIZING CASH APPLICATION: LEVERS FOR EFFICIENCY, LIQUIDITY AND CONTROL



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Managing Director, Payment Advisory Services, Deluxe

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CRAIG JEFFERY

Managing Partner, Strategic Treasurer



WHAT

Discussing how to transform cash application and relieve AR challenges.



WHEN

Tuesday, November 7, 2023
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



RICK SCHOLZ

Rick Scholz is a payments and treasury management expert with extensive experience helping companies optimize their payment processing systems by identifying activities that create delays and increase manual efforts. Rick's ability to work on strategic and tactical levels allows him to generate solutions that meet objectives and requirements on all fronts — business, operations, technical and human.

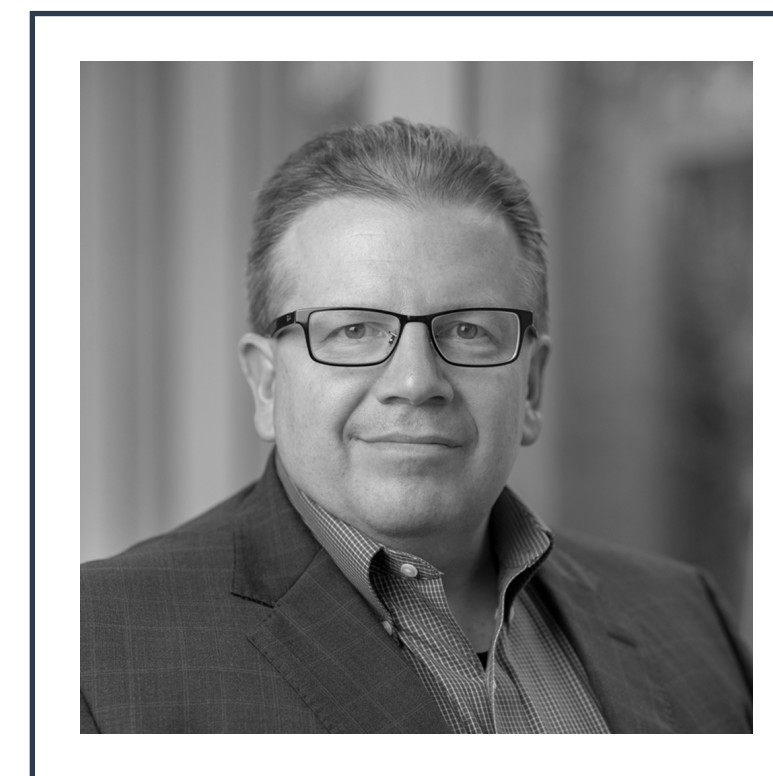
With a career that spans financial services and consulting spaces, Rick is comfortable developing and executing transformational shifts that drive successful change management.



TOM OBERHOLTZER

Tom Oberholtzer has been helping FIs and corporates improve their digital processes since 1998. In his various sales and sales management roles, Tom has seen firsthand the impact properly deployed technology can have on an organization.

Starting in the document management and forms recognition space, and moving to the receivables space 17 years ago, Tom has developed the ability to understand how different technology can work together to solve today's complex problems. A constant desire to drive improvements led to Tom being named as an inventor on a Deluxe patent.



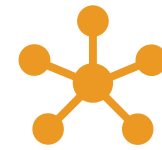
CRAIG JEFFERY

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



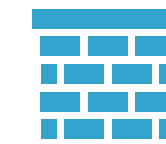
PAIN POINTS
AND OTHER CHALLENGES



AUTOMATION
IMPLICATIONS AND
DEVELOPMENTS



IMPROVING AR
THROUGH AUTOMATION,
AI/ML AND INTEGRATION



BLOCKERS
TO BEING HIGHLY
AUTOMATED



CASE STUDIES
PRACTICAL APPLICATION

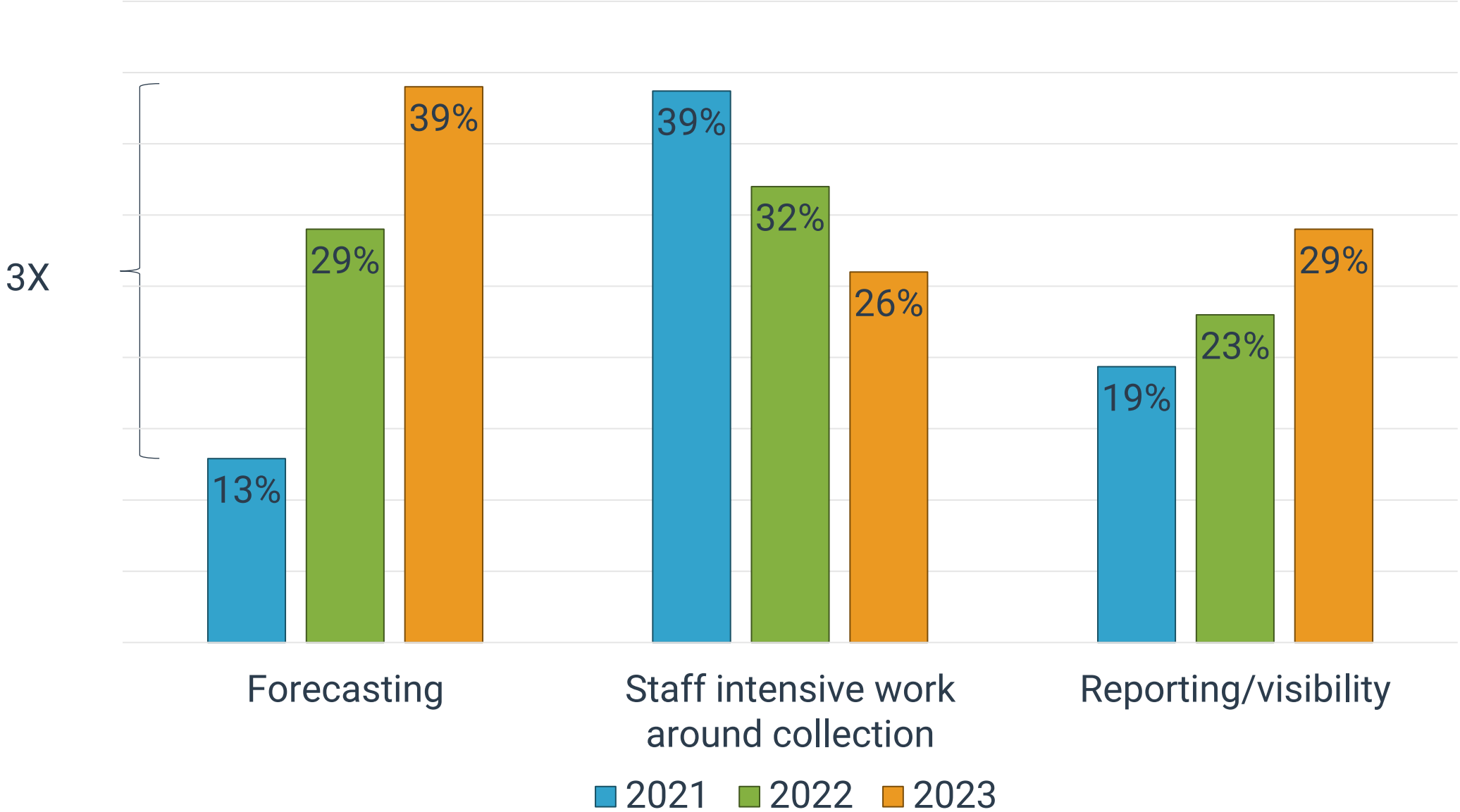


KEY TAKEAWAYS
AND FINAL THOUGHTS

PAIN POINTS

FORECASTING IS MOST PAINFUL

Top three pain points in the AR process



3X

OTHER CHALLENGES AR FACES

AREAS OF OPPORTUNITY



Limited visibility
across payment
channels



Inability to
support new
billing or
payment
methods



Fragmented,
understaffed
teams and
functions



Slow cash
application
resulting in
increased DSO
and decreased
STP



Unhappy
customers due
to poor billing
and paying
experience

TROUBLE WITH PAYMENTS

PAYMENT-SPECIFIC PAIN POINTS



Time Consuming

- **57%** manually apply payments received due to inconsistent channels, formats and data ¹



Disruptive

- **61%** of ACH transactions have remittance data sent separately from the payment ²



Costly

- **\$5** minimum cost per payment to manually resolve a payment exception ³

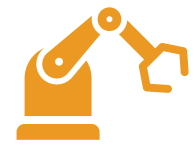


Error Prone

- **47%** of B2B payments are sent via check and often processed manually ⁴

AR AUTOMATION

AREAS OF IMPACT



Reduction or elimination of manual efforts

- Unattended processes



Improved accuracy and speed

- Financial insights



Cash flow/working capital management

- Improved cashflow
- Reduced DSO



Efficiency/scalability

- Cost reduction
- Error reduction
- Staff re-deployment



Visibility

- Access to data

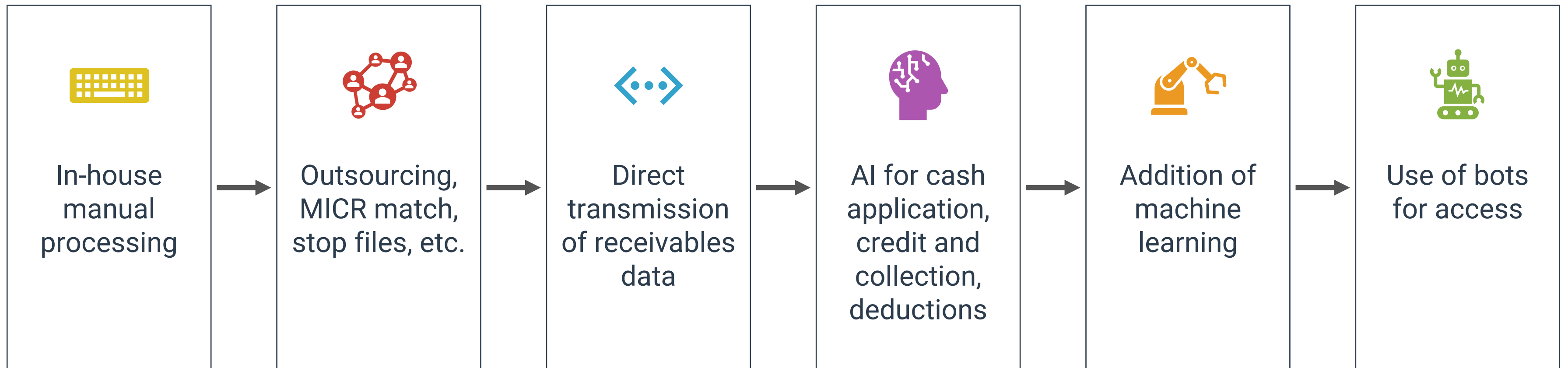


Relationships

- Customer satisfaction

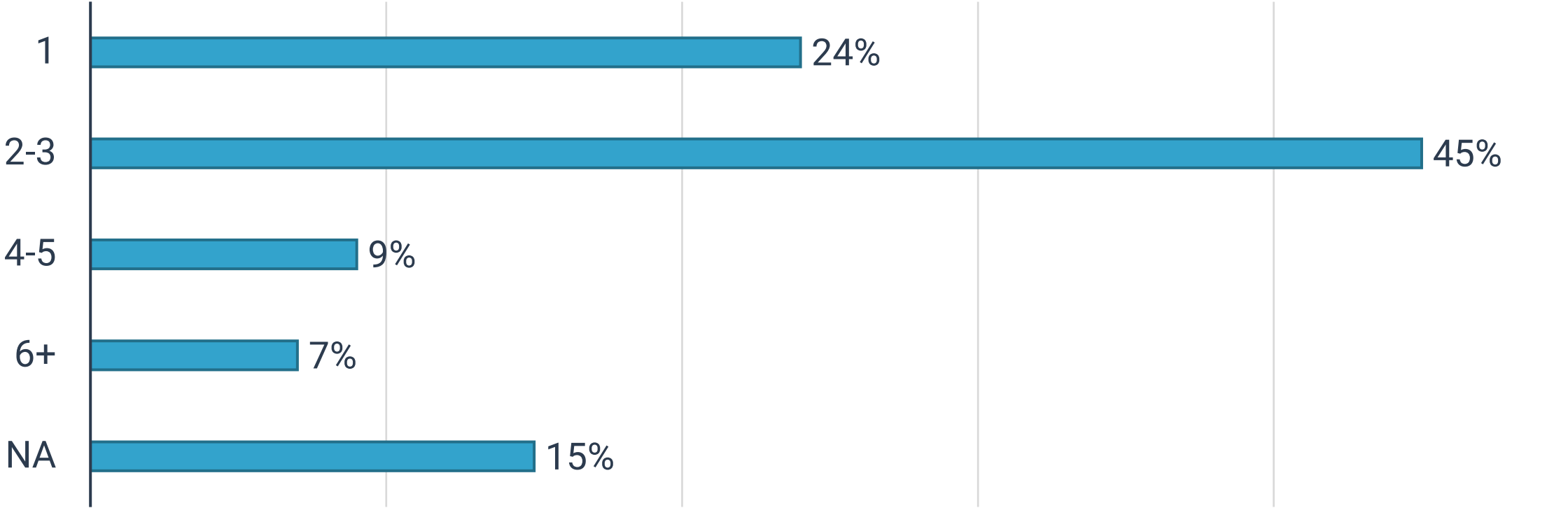
ADVANCEMENT OF AUTOMATION

PROGRESSION OF AR TECHNOLOGY

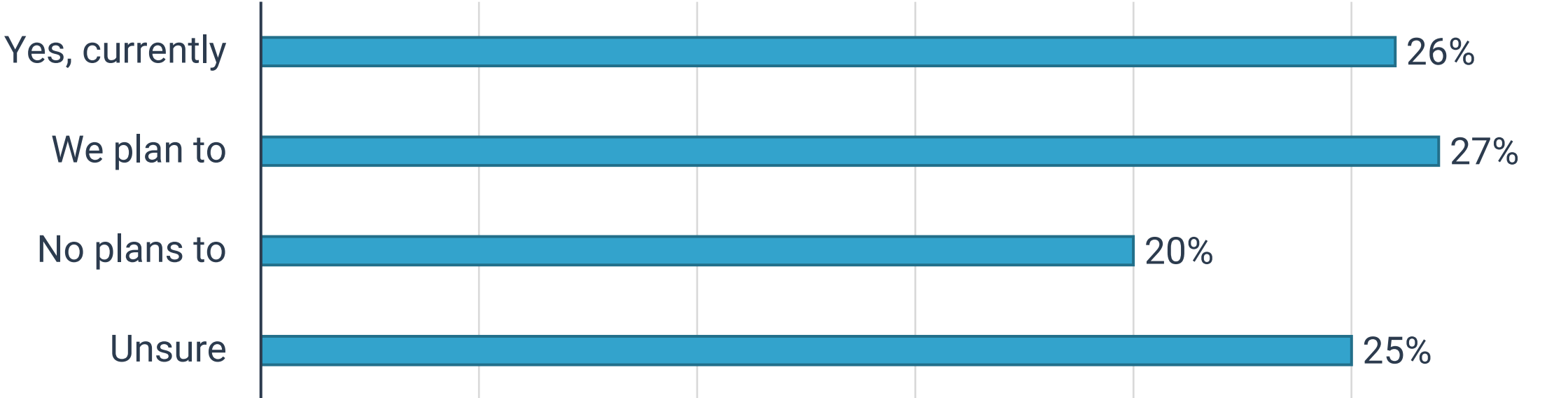


POLL QUESTION

How many systems do you have for AR (e. g. billing, cash application, ERP) (single choice)

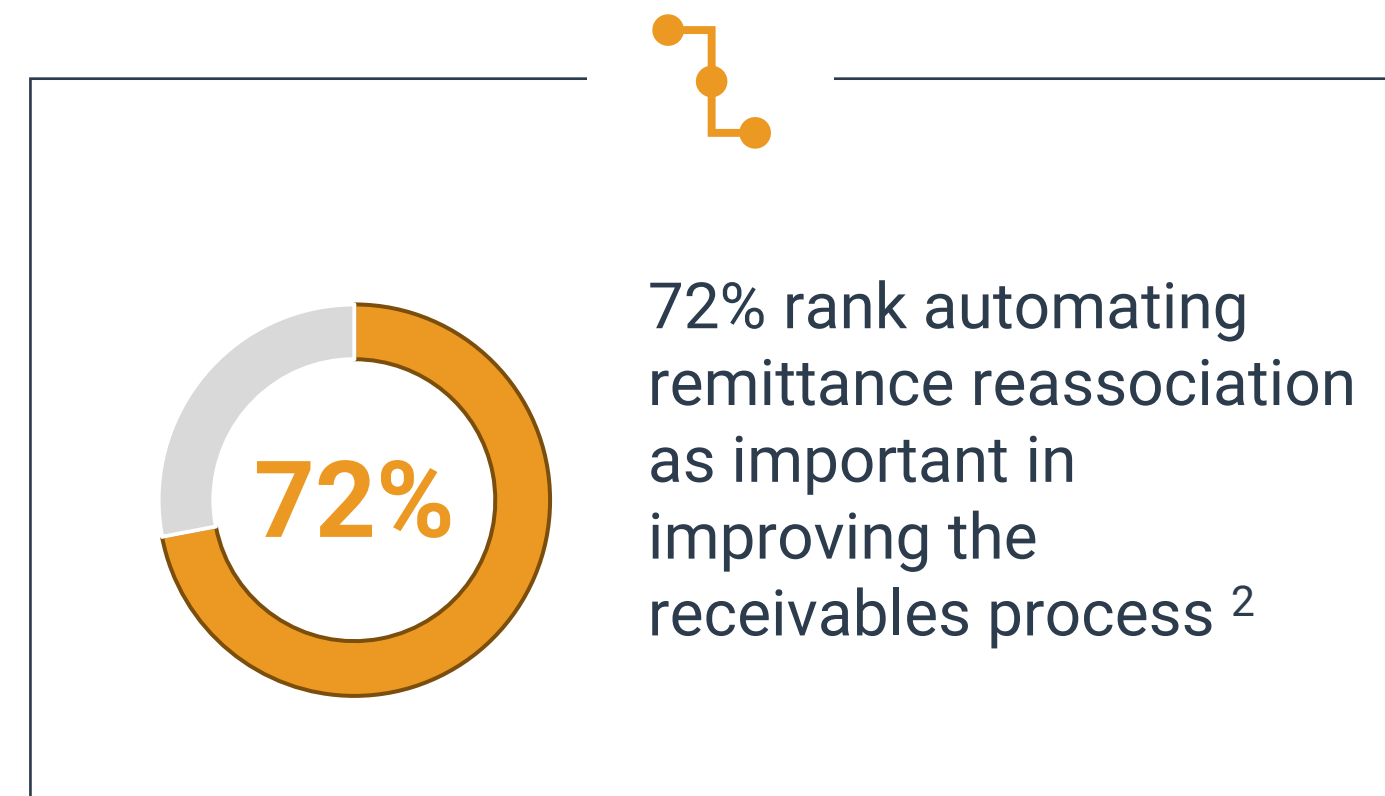
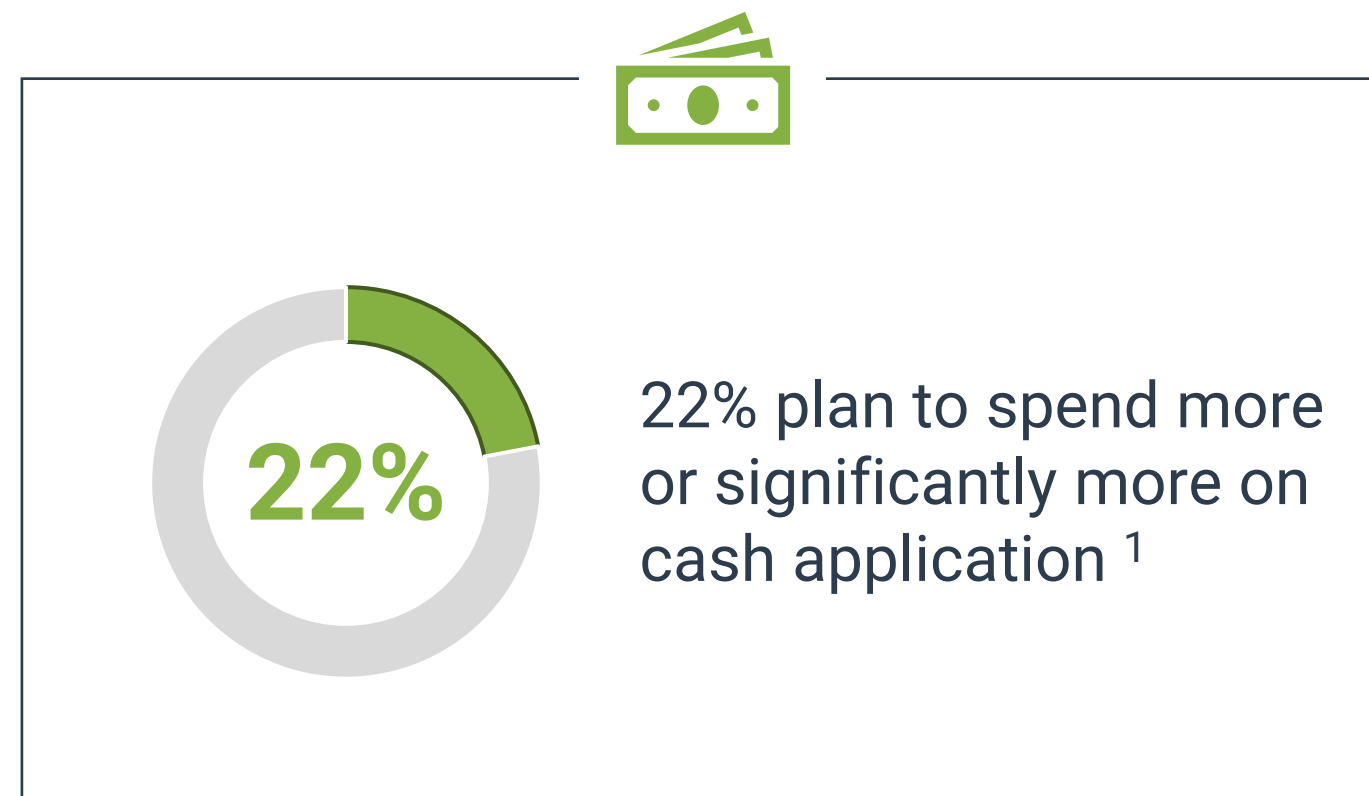


Are you moving towards rationalization to integrate data and systems? (single choice)



IMPROVING AR

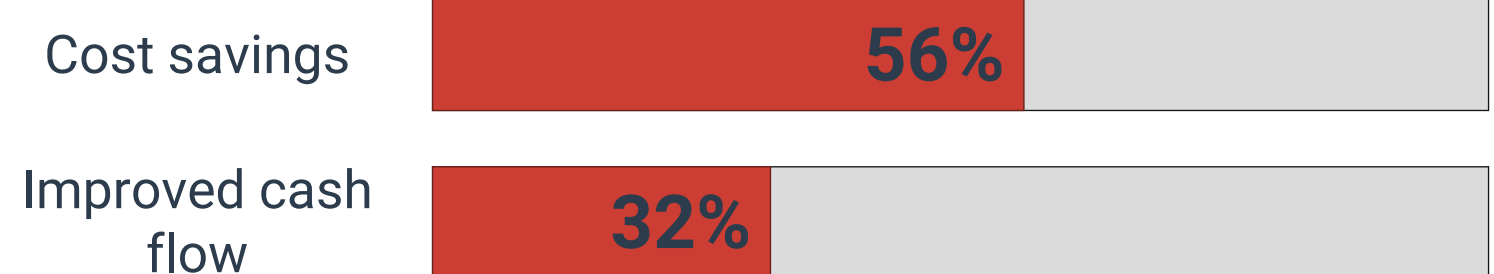
PLANS, VALUES AND DRIVERS



Top drivers to AR automation ¹

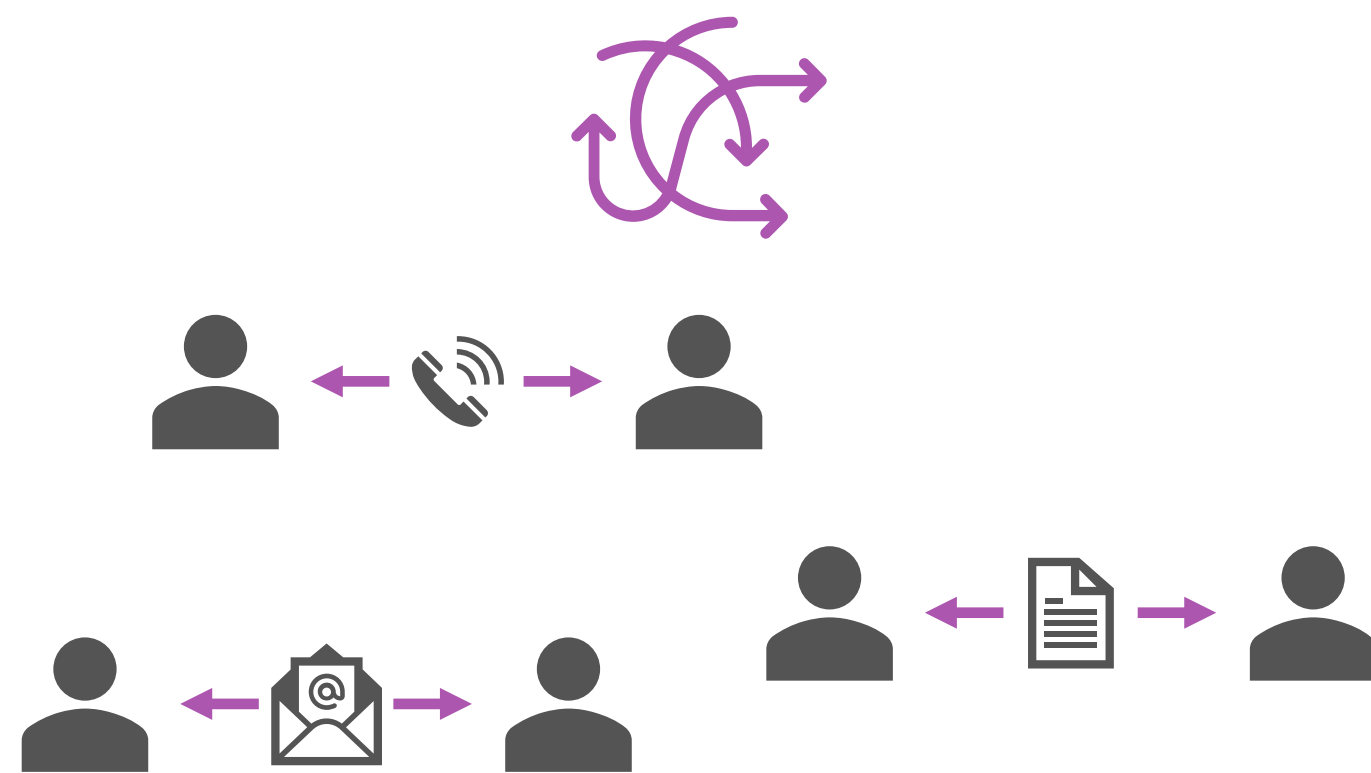


Factors that would move full electronic processing up on the priority list ¹

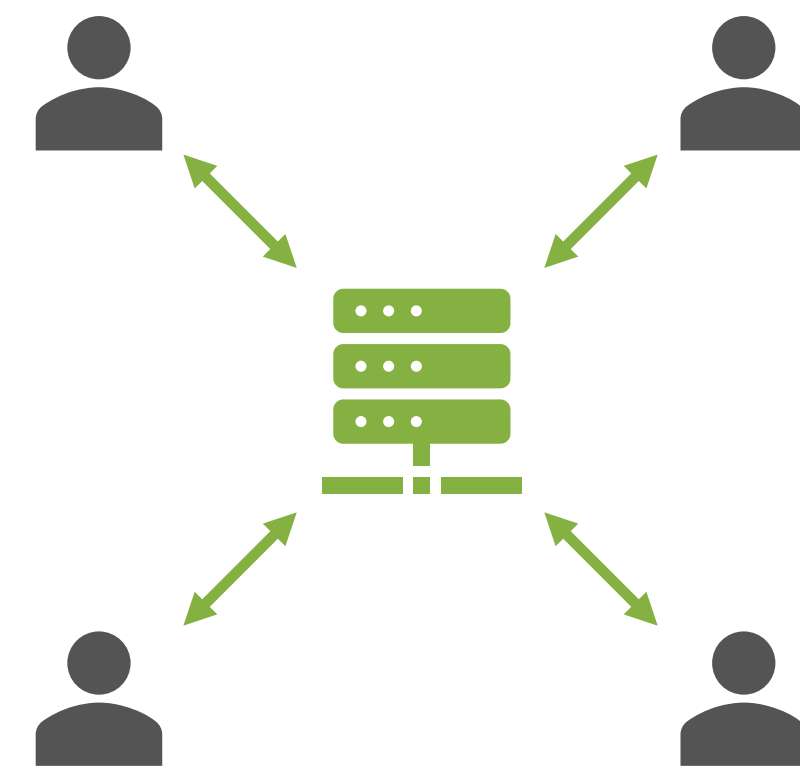
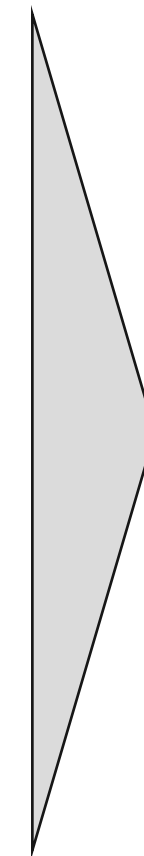


INTEGRATING DATA AND PROCESSES

MOVING TOWARD DESIRED RESULTS



- Disparate systems
- Manual detective work to apply cash accurately
- Time and effort spent on manual work and manipulation



- Integrated suite
- Use artificial intelligence where possible to automate application of cash
- Allows AR teams to focus on value adds like reporting and insights

GENERATIVE AI & DEEP LEARNING

RELEVANT AREAS AND BENEFITS



Potential areas of impact

- Digitization networks
- Electronic remittance standards
- Smart routing networks and solutions
- Trading partner collaboration (AP/AR)
- Public and private settlement networks



Biggest advantages short-term:

- Fraud detection
- Payment optimization
- Advancement in self-service



Predictive analytics can help with:

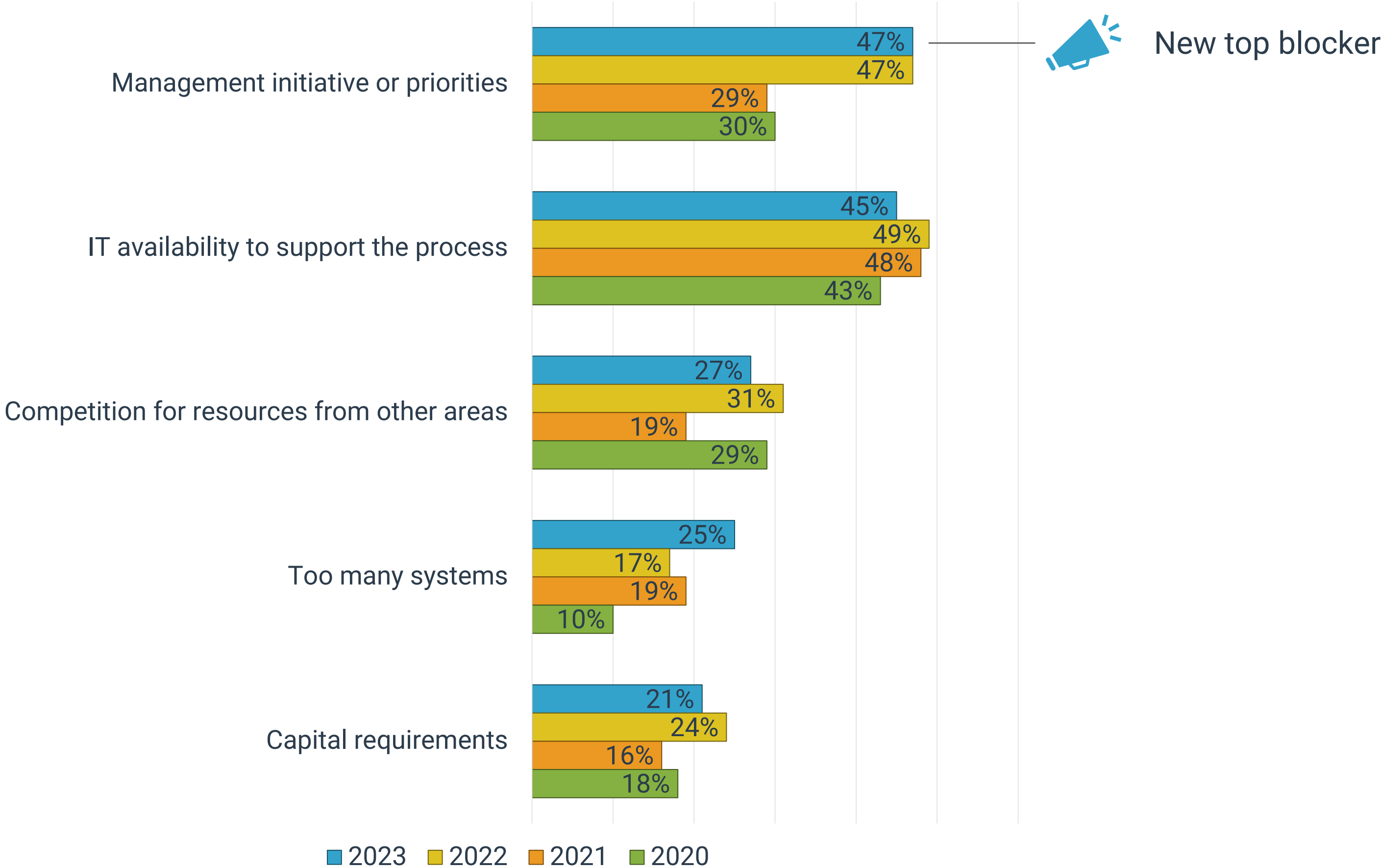
- Payment trends and changes in behavior
- Forecasting
- Risk analysis



Companies using AI in cash application
expected to triple in 2 years

BLOCKERS

TO AR BEING HIGHLY AUTOMATED



Source: Modernizing AR Processing Surveys; not all responses displayed

CONSIDERATIONS

WHEN ENDEAVORING TO IMPROVE CASH APPLICATION



Consider existing trusted relationships



Collaborate with other departments within your company and with your trading partners



Providers can help relieve the tech-heavy lifting



Use all available public and proprietary data points to build a strong ROI and business case



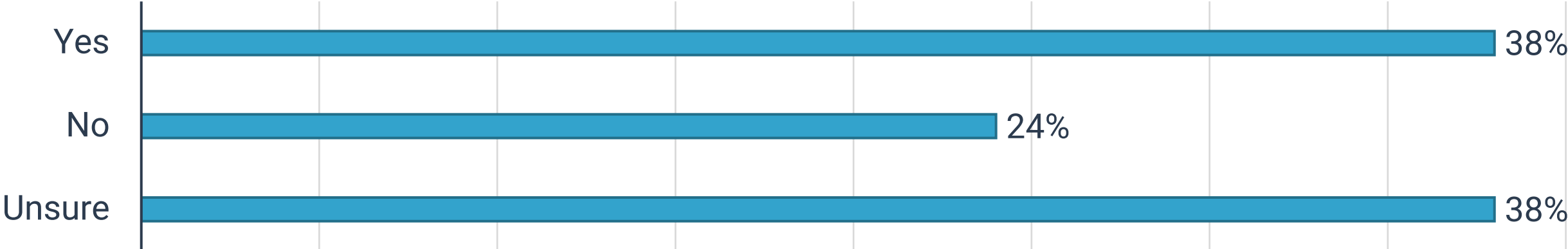
Communication is key, especially with leadership and affected staff

POLL QUESTION

**Do you measure your straight-through processing to auto-assign
(cash assignment to an individual client record)?**

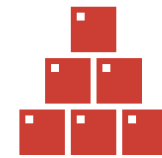


**Do you measure your straight-through processing to auto-apply
(cash application to an individual invoice)?**



CASE STUDY I

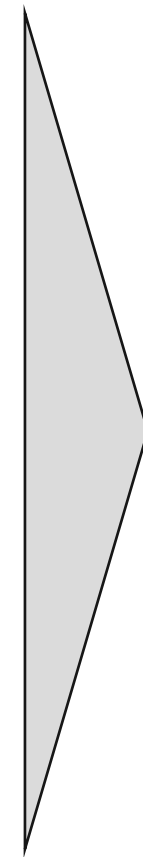
APPLICATION OF AI/ML



Large wholesale distributor

Overview

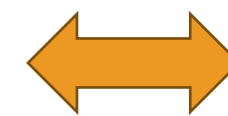
- Needed a solution to help increase auto-posting and match rate for incoming paper-based and electronic payments. Their hit rates were approximately 85% and 20%, respectively.
- They received a daily auto posting file transmission and Electronic Data Interchange (EDI) reporting for incoming ACH payments.
- Most payors were not sending required addenda needed to auto-post the incoming ACH payments.
- Monthly Payments: ~6,000
Monthly Invoices: ~34,000



Use of AI/ML tools greatly reduced time spent posting email remittances



~80% reduction of time spent on cash application



Straight-through processing rate range: 86% - 95%



Freed up staff from time spent on cash application

CASE STUDY II

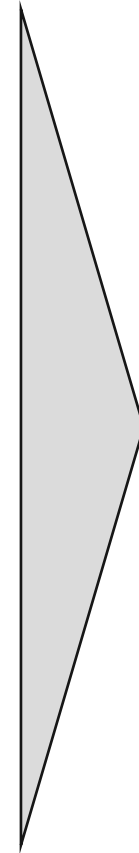
FROM DISPARATE TO CENTRALIZED PROCESSING



Top ten lumber company

Overview

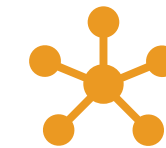
- 70% company growth, which was requiring additional FTE to process AR
- Manual processes implemented to keep up with volume
- AR processing being done in multiple locations, causing daily reconciliation challenges



Peak day processing time went from 2½ days to less than one day



50% reduction in AR processing staff



Centralized 100% of AR processing

FINAL THOUGHTS

HOW TO PROCEED



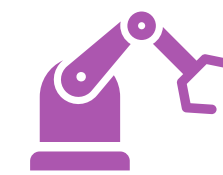
PAIN POINTS

- Understanding the pain points is essential for improvements
- Pain points include forecasting, efficiency and scalability



LINKS IN THE CHAIN

- Importance of partnering
- Internal, payers
- The E2E2E2E view for efficiency and visibility



AUTOMATION PERSPECTIVES

- Where are we with automation?
- Improving over time
- Don't expect to achieve 100% today – strive for progress over perfection

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.



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🎧 [The Treasury Update Podcast](#)

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Episode 266
Receivables Strategy: Mastering the Move to
Digital Payments



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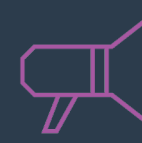
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