

ACCELERATING YOUR CASH FLOW

By Christopher R. Cauley

In spite of corporate efforts over the past few years to wring inefficiencies out of back-office processes, invoice-to-cash processing remains a costly proposition for most organizations.

The challenge is especially tough in the hospitality industry, where companies must deal with high volumes of multi-page paper invoices with a requirement to attach backup documents such as receipts. Most AR departments in the hospitality industry also face a dizzying number of customer inquiries, a lot of partial- and short-paid invoices that require research and resolution, and many disputed invoices. Against this backdrop, it's not surprising that the industry is plagued by high Days Sales Outstanding (DSO), overdue invoices, and manual payment posting and cash application.

For companies in the hospitality industry, an answer to reducing DSO and accelerating cash flow -- as well as improving overall efficiency -- is electronic invoicing and online payment processing.

SKY HIGH ACCOUNTS RECEIVABLE COSTS

To be sure, the high costs associated with invoice-to-cash processes go well beyond the hospitality industry. Research from Aberdeen Group paints a sobering picture. Aberdeen's AR maturity index (June 2011) reports that between 45 and 80 percent of all invoices require manual intervention at 80 percent of companies. Further, based upon the Aberdeen Group's survey of over 160 companies conducted in May 2010, the average cost to process a paper check was \$7.15. Considering that between nine and 16 percent of these invoices are past due for these companies, it's clear that even small improvements in AR could pay big dividends.

THE BENEFITS OF ELECTRONIC PROCESSING

Electronic invoicing enables companies, such as those in the hospitality industry, to transition from costly manual paper invoicing to electronic invoice distribution, dispute collaboration, and customer self-service. This migration to electronic invoicing can slash a company's costs by over 50 percent an invoice, while delivering a 5 to 10 percent reduction in cycle-time DSO over the adoption period.

Electronic payment processing -- whether it's via Automated Clearing House (ACH) Network or card -- eliminates manual paper-check handling and payment posting, and with a high level of accuracy and security.

Both solutions offer a compelling business case for weary AR departments.

Take the example of a leading hospitality company boasting more than 1,000 hotels, a similar number of restaurants, and a chain of travel services locations. Like many of its industry peers, this company was challenged by large volumes of paper invoices -- many of them with attachments -- that needed to be distributed manually to its company owned hotels, franchisees, and group property management customers. Moreover, the company's business customers routinely disputed their invoices or short-paid invoices using paper checks. The company needed a better solution.

After an exhaustive evaluation of solutions on the market, the company selected the Invoices On-Line (IOL) platform from Direct Insite. The hospitality firm's solution includes capabilities for:

- Electronic invoice distribution
- Real-time notification of invoice disputes, deductions and short-payments
- Customer self-service ACH and credit card payment processing
- Real-time credit card authorization and settlement
- Real-time notifications and visibility into invoice and payment status
- PCI compliant, level-3 credit card processing
- Viewing and reporting of detailed payment remittance information
- Automated payment remittance posting into AR

THE PAYOFF

By deploying the Direct Insite platform, the hospitality company achieved seven critical benefits:

- 1. Eliminated paper-based invoicing and manual attachment of backup documents.** Manually attaching and e-mailing backup documents to customers was a costly process that took the

hospitality company two to three days to complete. Now, backup documents are automatically attached to electronic invoices and made available to customers in real-time via Direct Insite's electronic invoicing portal. This has accelerated the company's billing cycle and enabled its customers to view invoices and other documents online, any time they want.

2. Provided customers with better visibility to charges.

Direct Insite portal provides the company's customers with full line-item detail, on top of online access to backup documents, improving their AP reconciliation process and reducing inquiries and disputes.

3. Improved dispute and deduction processes.

In the past, short payments and invoice disputes cost the company's credit and collections group a lot of time and money. With the real-time notification and online information provided by the Direct Insite electronic invoicing portal, the company now knows the moment a customer short-pays, the reason, the amount of the short-payment, and the difference between the payment and the invoiced amount. This improved visibility and has saved the company's credit and collections group a ton of research time and facilitated faster communication and resolution with its customers.

4. Information presented by property location.

With the Direct Insite portal, the hospitality company's customers can now view invoice information, including balance due, by property location. This has accelerated invoice approval processes as the initial AP reviewers and approvers are typically located at the property location and can make an informed decision.

5. Fewer paper checks. Direct Insite's payment portal enables the hospitality company's customers to pay via credit card or ACH, rather than paper check. In addition to being much cheaper to process than checks, online payments enable the company to know exactly which invoices are being paid, in turn, eliminating potential errors in cash application.

6. Lower credit card interchange fees.

The hospitality company can now process its online credit card transactions with Level-3 payment data, ensuring that it qualifies for the lowest interchange rates possible - this can save the merchant 1 percent or more in credit card interchange fees on qualifying transactions.

7. Streamlined payment posting.

Like many of its industry peers, the hospitality company used to post payments manually. Now, the Direct Insite payment processing portal automatically generates a posting file that is directly received and reconciled by the company's enterprise resource planning (ERP)/AR system. Posting payments electronically has saved the company significant manual effort, reduced posting errors, and accelerated the posting process.

The hospitality industry is not alone when it comes to challenges in receivables processing. And like other industries, it is finding a compelling solution in the deployment of electronic invoicing and payment processing solutions. By eliminating paper-driven accounts receivables processes, companies can accelerate cash flow, reduce cost, speed cycle times and enhance customer service.

For more information, visit www.directinsite.com or call 631-873-2900.