Receivables Management with SAP Software
Improve Cash Flow and Reduce Write-Offs

Today's receivables managers have to constantly balance the need to decrease days sales outstanding (DSO) and bad debt write-offs while maintaining a superior level of customer service. They are responsible for ensuring that cash is on hand to fund business operations and new growth opportunities. And they have to do all this at low cost to deliver on margin goals.

Receivables management is a complex and often labor-intensive process that's being made even more difficult by the fact that customer credit risk has increased because of global economic volatility.

But the challenges go beyond credit risk. Process inefficiencies in existing market solutions are common, resulting in more bad debt write-offs, longer DSO, higher costs, and increased error rates. And past due accounts threaten cash flow and working capital management while limiting the ability for a business to grow without external funding sources.

In addition, while accounts receivable managers need to collaborate internally and externally, their existing collaboration tools may not allow them to, for instance, give sales teams up-to-date information about customer accounts and untapped credit lines. Solutions also have to give customers anytime access to information and support high-quality service. Lean finance departments must automate interactions and enable management by exception in customer dealings – from managing customer credit risk to dealing with billing disputes.
Automation Improves Efficiency and Effectiveness

A receivables management team manages financial interactions with customers – but in most cases, these teams are constantly under pressure to do more with less. Automating key aspects of receivables processes can free receivables management professionals to focus on providing exceptional support for internal and external business partners.

Receivables teams want to streamline the entire order-to-cash process, from customer order entry and billing to dispute resolution and collections. To do this, they need to implement a company-wide credit policy that helps ensure that each customer transaction is cleared against a limit that reflects the current credit-worthiness of the customer. At the same time, they must give customers online access to their bills.

When handling billing disputes, receivables teams need a way to orchestrate the flow of information throughout their company until a resolution is found. At the same time, collections teams need to take a proactive, strategy-based approach to contacting customers about overdue receivables.

SAP software supports and streamlines all of these activities and optimizes the flow of financial information internally and with partners. At the same time, SAP collaboration tools help receivables managers work with sales professionals to provide superior customer service and decrease DSO.
Manage Working Capital to Enable Growth

For receivables management teams, the business benefits of effectively managing working capital are enormous. As external financing costs continue to increase, companies must tap into their receivables and convert them into cash to run and grow their business. SAP solutions help best-run companies use automation to establish best-in-class receivables operations while improving their bottom line. SAP solutions are helping customers:

- Improve days sales outstanding
- Reduce bad debt write-offs
- Minimize error rates on bills
- Accelerate dispute resolution

25% Lower accounts receivable write-offs when receivables are integrated with credit, billing, and collection systems

Source: SAP Performance Benchmarking
SAP Innovations

SAP software for receivables management leverages the latest technology innovations to enable fast responses to market dynamics and real-time visibility into receivables. The always-on, anywhere access to information and processes empower receivables managers to collaborate and work smarter. And low-cost, low-risk, scalable, flexible deployment options help companies work with people outside of the accounting department to improve their cash position.

Database and technology solutions powered by the SAP HANA platform enable receivables managers to monitor and analyze high volumes of customer transactions.

Powerful, tailored analytics tools help management better organize receivables teams and determine which strategies work best for their business. Managers can focus their teams on a subset of key customers driving credit risk or tying up significant amounts of cash in disputes. Managers can also investigate drivers of changes in working capital from a DSO perspective and make policy changes.

SAP also provides mobile solutions that give finance professionals always-on access to status reporting and exceptions and alerts, enabling quick responses, better decision making, and fewer risks to customer service. Mobile solutions extend financial data and processes to business users, especially to sales executives – for example, so they can see unpaid invoices and disputes underway. They can discuss issues in person with customers and provide better service. For finance, this helps ensure quick resolution of billing disputes and better liquidity planning.
Accelerate Receivables Management

Solution Overview

Accounts Receivable
Manage all financial accounting–related aspects of customer accounts receivable.

Credit Evaluation and Management
Embed proactive credit management in transactional processes and portfolio analysis.

Billing and E-Invoicing
Deploy a customer bill payment portal or an e-billing process.

Dispute Resolution
Clarify and resolve customer payment disputes quickly and efficiently.

Collections Management
Proactively manage customer collections and customer service.

Why SAP?
Receivables Management

Solution Overview

Accounts Receivable
Credit Management
Billing and E-Invoicing
Dispute Resolution
Collections Management
Receivables Management
Why SAP?

Receivables management applications from SAP address all key cross-industry needs for managing the order-to-cash process for businesses.

Finance

Accounts Receivable
Create Due Item
Check Credit
Assign Credit Limit
Process Incoming Payment
Release Blocked Sales Order
Receive Customer Payment

Credit Evaluation and Management
Create Sales Order and Due Item
Create Invoice Pool
Present or Send E-Invoice

Billing and E-Invoicing
Create Dispute Case
Resolve Dispute Case

Dispute Resolution

Collections Management

Present Due Item
Prioritize Overdue Receivables
Collect Overdue Receivables

Sales

Process Customer Service Inquiries

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Effectively Managing Accounts Receivable with SAP Software

Automated, integrated accounts receivable processes support the order-to-cash process in the SAP ERP application, giving managers real-time insight into receivables portfolios and working capital. They can work more efficiently and make better, faster decisions.

With SAP software, accounting organizations can record and manage accounts receivable data for all customers. Automated processes reduce manual effort and lower the cost associated with running this critical financial process.

For example, postings to accounts receivable are triggered in response to operative transactions in sales and logistics and simultaneously recorded in the general ledger. Customer line items are automatically cleared when the incoming payment is received by the system.

And receivables data can be integrated with dispute, collections, and credit management applications to reduce manual effort and lower the costs associated with these processes.

0.4%

Average finance costs relative to company revenue of top-quartile performers (compared to over 1.2% for bottom quartile)

Source: SAP Performance Benchmarking
Make Accounts Receivable (A/R) the Backbone of Order to Cash

SAP software includes an accounts receivable module that is central to managing all billing-related interactions throughout the order-to-cash process. Initially, it enables outgoing invoices or bills to be posted, organized, and viewed by respective customer accounts.

The software’s payment handling and clearing module plays a key role in the A/R process as well. Incoming payments can be posted manually or using automated rules. Customer transactions involving down payment requests can be managed. Received down payments are cleared automatically.

The accounts receivable module lays the foundation for effective management of credit, collections, and disputes by providing a single, unified view of customer outstanding amounts. This information is readily available for analysis.

And finally, mobile reporting functionality gives managers insight into the status of their receivables portfolio. A mobile app for sales executives makes accounts receivable information accessible anytime, anywhere.

57%

Lower finance cost as a percentage of revenue for automated versus unautomated companies

Source: SAP Performance Benchmarking
An Integrated Approach Reduces Costs and Helps Ensure Data Quality

SAP software includes an accounts receivable module for processing all customer receivables. The integrated approach to logistics, sales, dispute, collections, and credit management keeps data synchronized, reduces error risk, lowers audit costs, and helps everyone understand the value of customer relationships.

Taking an integrated approach to receivables results in both operational and compliance advantages. For example, automating postings, enabling self-service, and providing mobile access to key receivable information lower the operational load of the finance department while reducing costs. Companies can also reduce DSO by giving accounts receivable teams insights into outstanding customer positions during customer interactions.

At the same time, automation eliminates manual, error-prone processes and supports compliance and risk management. Automation also reduces audit costs because it helps to standardize and document processes.

Finally, companies can improve customer satisfaction by giving their accounting team and sales representatives fast access to real-time information about the status of their inquiries.

70% Of leading companies integrate billing and collections with order entry and credit, with no duplicate data entry

Source: Aberdeen Group, August 2012
Innovations for Accounts Receivable

Technology is pushing businesses faster than ever before. The pace of transaction processing is accelerating. Whether in the area of mobile, in-memory processing, or next-generation analytics, SAP innovations are driving changes in how traditional accounts receivable processes are managed.

**Big Data**

SAP HANA revolutionizes the handling of incoming bank statement items and improves unstructured searches, boosting the productivity of clerks.

**Mobile**

The SAP Customer Financial Fact Sheet mobile app extends accounts receivable information to the sales force – including credit limit utilization, outstanding invoices, and disputes – to drive down DSO. The SAP Receivables Manager mobile app combines SAP HANA and mobile functionality to give managers insight into their customer base and help them focus on where to reduce receivables risk.

**Analytics**

The DSO scope of the SAP Working Capital Analytics analytic application allows managers to drill down into the drivers of change for working capital.

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68%

Of leading companies utilize performance dashboards to support their strategic actions

Source: Aberdeen Group, August 2012
Credit Evaluation and Management

SAP gives accounts receivable teams the tools they need to control the risk of nonpayment through real-time credit allocation based on internal and external data. Process management tools help teams monitor and automate credit application and approval processes to accelerate and improve credit decisions across the enterprise.

The SAP Credit Management application helps companies manage and monitor credit limits and risk from a single platform for all of their business. The integration of credit management functions with key transactional processes helps ensure that corporate credit policies are enforced for every deal. Automation of credit application and approval processes accelerates processing time while minimizing time and effort, reducing credit-blocked orders. And support for real-time credit allocations and better insight and monitoring help finance reduce credit exposure. Using a combination of internal data, such as payment behavior, and externally sourced data leads to analyses that help companies adapt quickly to changing market conditions.

The result is a proactive credit management process for evaluating credit before prices and sales are confirmed. Managers can also view all credit risk being carried by the organization and manage accordingly.
Enable Predictive Credit Evaluations

SAP Credit Management is a proactive and predictive credit evaluation solution that enables finance to execute on and manage a global credit policy – even in a distributed system landscape. Credit-specific customer master data is stored using the business partner function, a flexible data store that can accommodate information such as financial ratios for determining credit stores, third-party data, and more.

The application supports credit checks at several points within operational sales and logistics processes. A business document called a credit case is used to process credit limit applications in a structured way. The status and results of credit limit applications are documented and tracked.

The software includes a credit rules engine that automatically categorizes customers based on scoring rules. These automated calculations assign a customer-specific credit limit, which may also reflect information from external rating agencies.

The software also provides role-based access to credit management information and analysis tools. For example, corporate credit risk analysts can monitor credit risk by criteria such as country or currency. In addition, sales people can have Web- and mobile-based access to credit information to avoid sales order delays and negotiate better.

83%

The amount of credit sales collected within terms by world-class organizations

Source: The Hackett Group, September 2012
Integrate Credit Management into Every Transaction

Taking an enterprise-wide approach to managing credit risk helps companies shape their customer portfolio in response to changing market conditions. Companies can extend credit to customers to facilitate sales while managing total exposure and reducing bad debt write-offs.

SAP software supports an integrated approach to credit evaluation and management that helps companies limit their credit exposure without significantly slowing revenue-generating business processes.

Clearly defined credit limits are automatically checked by the system at the point of order entry so that troublesome cancellations can be avoided. Business workflow regarding credit-blocked orders automatically routes approval or credit extensions without delay. And because the software automatically calculates credit limits based on customer financials, external credit rating agency information, and payment behavior, finance teams can lower costs and resource demands. At the same time, finance professionals can make more reliable credit decisions and have full documentation of decisions through automated audit trails. Better credit decision making, of course, ultimately leads to fewer bad debt write-offs, which boosts the bottom line.

0.3%

The amount of accounts receivable write-offs by the 25% top-performing companies (compared to 3.1% for the bottom 25%)

Source: ASUG Benchmarks
Innovations for Credit Evaluation and Management

SAP innovations give business managers and sales executives real-time customer credit information to help them focus on critical customers and alert sales teams about credit utilization to aid negotiations. They can instantly analyze exposures and utilizations to shape their portfolio.

Big Data
The SAP Receivables Manager mobile app gives managers real-time insight into customers in various credit segments. Collaboration tools help teams focus their attention on the right priorities and trigger further credit analyses, when appropriate.

Mobile
The SAP Customer Financial Fact Sheet mobile app extends credit information, including credit risk class, credit limits, and credit utilization, to sales executives. Combining this information with access to sales orders and invoices, it enables sales executives to negotiate better with customers and ask for payments on outstanding invoices to avoid credit-blocked orders.

82%
Of leading companies have real-time visibility into outstanding invoice volumes

Source: Aberdeen Group, August 2012
Billing and E-Invoicing

Using SAP software, finance departments can efficiently create, present, and send bills to customers. To improve service levels, the software also enables customers to access their bills through a self-service portal, where they can also make payments electronically.

SAP software integrates accounts receivable, cash management, and dispute resolution into the billing and invoicing process. Customers, customer service representatives, business managers, and accountants all have access to the same business documents and status information. There is no room for misinterpretation, which improves customer satisfaction.

Using the software, users can generate invoices two ways: based on sales orders for each delivery, or collectively. Billing administrators can create and process invoices, credit memos, debit memos, pro forma invoices, and cancellation documents. Plus, they can send bills and invoices electronically, enable online inquiries, and receive electronic payments through a customer-facing portal. By effectively using all of these features, billing organizations can automate processes, resulting in fewer errors, faster processing, and better customer service.

85%
Percent of customer invoices automatically generated by world-class companies
Source: The Hackett Group, September 2012
Automate Customer Billing

SAP software supports the key elements in the billing and e-invoicing process. The first step is to generate bills and invoices from back-end sales, billing, and accounting systems to initiate the invoicing process with a customer.

Some companies choose to present and send bills and invoices electronically. SAP software provides a customer-facing portal that displays invoice documents in PDF or XML format to customers. Through this portal, customers have access to self-service functionality. For example, customers can see all of their bills and credit notes on the Internet and download bill data in PDF or comma-separated values (CSV) file formats. If items are being disputed, customers can create a dispute case online. They can also initiate payments through various payment methods or download bills into an accounts payable system.

SAP software also supports e-billing initiatives. For example, companies can send XML or electronic data interchange (EDI) data or digitally signed PDFs to customers, including compliance checks if required by legal jurisdiction.

47%

Lower finance costs as a percent of revenue due to automation and self-services

Source: The Hackett Group, 2012
Lower Billing Costs While Ensuring Customer Satisfaction

Automated billing and e-invoicing processes supported by SAP software reduce costly, time-consuming errors; lower invoicing costs; and even help companies save money on printing and postage. Companies benefit from accelerated cash collections and reduced DSO.

As part of a finance transformation initiative, finance operations teams can leverage billing and e-invoicing functions within SAP software to reduce the cost of operations. Cost savings are achieved by using SAP software to automate processes, eliminate the need for printing and postage, and enable customer self-services to reduce staffing needs. In addition, by automatically generating billing documents and optimizing invoice transmission, companies can shorten the invoice cycle time and thus reduce DSO.

Automation built into billing and e-invoicing functions can also enhance compliance and risk management initiatives by eliminating manual, error-prone processes. Automation also reduces audit costs, as automated, standardized processes are less time-consuming to audit. The software also documents a full audit trail for every transaction. Finally, finance benefits from more precise cash management and improved liquidity planning, as the data flow is automatically pushed into cash management processes supported by SAP ERP.

50%

Of leading companies have fewer error rates on bills with automation solutions

Source: SAP Performance Benchmarking
Dispute Resolution

SAP software tracks underpayments automatically and uses workflow and escalations so finance professionals can resolve disputes quickly and effectively. It also provides centralized reporting, which finance can use to identify process weaknesses that are causing cash to be tied up in disputes.

SAP software automates the creation of dispute cases related to invoice and payment discrepancies and provides a workflow-based collaborative platform for managing them through to resolution. The accounts receivable data is continuously synchronized with the dispute cases – for example, if a remaining outstanding amount is received, the dispute case is closed automatically.

Equally important, using various mobile, collaboration, and workflow tools, finance can dispatch dispute cases to resources outside its team, for example, to the logistics organization to verify a late delivery. This can vastly accelerate the dispute resolution process, which leads to happier customers and less cash tied up in disputes and unavailable to the business. For the business, this means less cash and time tied up in disputes and reduced DSO. And for customers, it means better service and a reason to keep coming back for more business.

56.5%

Lower uncollectible accounts receivable write-offs (as a percentage of revenue) with integrated, automated dispute management

Source: SAP Performance Benchmarking
With dispute resolution functions supported by SAP software, companies can automate the creation of dispute cases based on discrepancies between invoices and payments. They can also give customers self-service access to the SAP Biller Direct application so they can create dispute cases. Shared service agents can log disputes in the SAP Shared Service Framework software.

Dispute cases are centrally processed and continuously synchronized with accounts receivable data, and cases are automatically closed based on receipts. Collaborative workflows speed information gathering.

If a claim is justified, finance issues a credit memo. For short payments, the credited amount is offset by the residual balance. For non-payments, the net balance is due after the credit memo is issued. If a claim is unjustified, an agent can return it to the collections work list.

Reporting functions help managers identify the root causes of disputes. Once identified, the causes can be resolved, lowering the total numbers of future disputes.

68%
Of leading companies have real-time visibility into current invoice exceptions by customer and problem type
Source: Aberdeen Group, August 2012
Reduce the Amount of Working Capital Tied Up in Disputes

SAP software supports a centralized, automated approach to disputes that accelerates resolutions. As a result, companies have less cash and time tied up in resolutions, and they can reduce DSO. And using root cause analysis, they can identify and address issues impacting customer satisfaction.

Finance teams benefit from the standardized, automated approach to dispute management supported by SAP software in a variety of ways. Automation lowers the cost of finance by accelerating dispute creation and information gathering. Centralized data storage helps accountants be more effective when fielding inquiries about the status of disputes. And mobile-enabled access to dispute information for sales reps lowers call center volumes.

In addition, companies can reduce DSO by handling billing disputes faster and increasing working capital to grow the business. And automation tools enhance compliance and risk management; eliminate manual, error-prone processes; and help ensure more accurate, compliant data (which is less expensive to audit). Finally, companies gain a centralized data repository and way to identify process inefficiencies that, once addressed, boost customer satisfaction.
Innovations for Dispute Resolution

SAP innovations improve dispute processes by providing business managers “anywhere” insight into the root causes of disputes – improving processes that lead to more satisfied customers. And new user interfaces provide a “no training required” way to push the process beyond the finance team.

**Big Data**
The SAP Receivables Manager mobile app gives managers real-time insight into the cash tied up in the dispute management process, as well as trend and aggregate data about the top disputing customers.

**Mobile**
The SAP Customer Financial Fact Sheet mobile app extends dispute information to the sales force. The accounting back office can communicate with sales reps, asking them to follow up on certain invoices. Sales reps can also start the dispute resolution process directly from the app, which helps accelerate the process and drive down DSO.

27%
Lower DSO for firms with A/R systems that track short payments and alert users about issues and short payments outside tolerances
Source: SAP Performance Benchmarking
Collections Management

Collections management functionality within SAP software supports each step of the collections process – from creating a collection work list and preparing customer contacts to documenting the history of each customer contact. Managers can analyze and optimize which strategies work best to achieve results that lower DSO.

SAP software supports a customer-centric receivables management process for evaluation, identification, and prioritization of accounts from both a risk and customer relationship perspective. From a risk perspective, agents can see all relevant outstanding customers, credit risk scores and rating information, and open disputes. From a customer relationship perspective, they can see key customer contacts and detailed information on what was discussed and agreed to in the past.

Organizations can prioritize customers for collections calls, document promises to pay, open invoice disputes, provide customers with copies of bills and statements, and analyze agent performance. In addition, collection data can be combined with receivables information and presented in prioritized work lists for individual staff to handle. By making this information accessible, agents can help reduce DSO, improve collections rates, and enhance customer relationships.

18.6%

Lower overdue accounts receivables when companies take a holistic view of their customers at the time of interaction

Source: SAP Performance Benchmarking
**Take a Proactive Approach**

SAP software for collections management enables finance to proactively identify, prioritize, and target the most critical delinquent accounts. Managers can implement collections strategies to improve success rates by focusing their team on the most critical past-due accounts. Based on the prioritization, the software creates and distributes daily work lists and tracks them to completion.

Collections specialists can also access full information on delinquent accounts and specific actions to be taken. The software tracks promises to pay and invoice disputes as well as correspondence sent to customers, automatically recording actions in a contact log.

Collections management processes can also be extended to the sales force using the SAP Customer Financial Fact Sheet mobile app. As a result, sales reps can view all open invoices for each customer and document promises to pay in the system. Analytical tools help managers monitor the entire collections process, assess the effectiveness of strategies, and ensure company goals are achieved.

20% Fewer uncollectible accounts receivable write-offs when collection strategies reflect customer relationships

Source: SAP Performance Benchmarking
Reduce DSO by Collecting Receivables Faster

Using SAP software, organizations can take a strategy-based approach that streamlines and accelerates the collection of outstanding and overdue receivables while minimizing customer conflict. As a result, companies can improve their cash flow, maximize working capital, and lower costs while protecting valuable customer relationships.

SAP software automates key steps in the collections process – from creating a prioritized collection work list to documenting customer contact histories and promises to pay. Collections calls are faster as well because agents have direct access to all relevant customer service tools. Shorter calls result in lower operations costs, as agents can work faster while delivering exceptional customer service.

Support for collections management helps reduce DSO by providing agents with insight into outstanding customer positions during customer interactions. They can also implement proven strategies to manage customer interactions. DSO is further reduced because sales reps have mobile access to information about open invoices and can engage in the collections process thanks to SAP Customer Financial Fact Sheet.

These are just some of the ways that automation – enabled by SAP software – can help collections teams operate more effectively to improve working capital.
Innovations for Collections Management

SAP innovations improve collections processes by giving managers insight into the effectiveness of their collections teams and strategies. Also, field sales executives have tools to help ensure payments are received, potentially improving their compensation if it is tied to their customer’s performance.

**Big Data**

The SAP Receivables Manager mobile app gives managers real-time insight into overdue and outstanding amounts, as well as the effectiveness of collections strategies and efforts.

**Mobile**

With the SAP Customer Financial Fact Sheet mobile app, the accounting team can collaborate with sales reps to get promises-to-pay for particular invoices. These promises are tracked by the system, and when payments are not received, the priority of the customer is increased for further collection activities. This integrated approach extends the reach of the finance team, without any additional training effort.

16%

Processing cost reduction per collection contact by world-class firms

Source: The Hackett Group, September 2012
Finance Value Map

Solution Overview

Accounts Receivable
Credit Management
Billing and E-Invoicing
Dispute Resolution
Collections Management
Receivables Management
Why SAP?

Manage Financial Performance
Develop and Translate Strategy
Planning, Budgeting, and Forecasting
Profitability and Cost Analysis
Monitoring and Reporting

Accounting and Financial Close
Financial Accounting
Entity Close
Corporate Close
Reporting and Disclosure
Financial Close Governance

Treasury and Financial Risk Management
Payments and Bank Communications
Cash and Liquidity Management
Debt and Investments Strategies
Financial Risk Management
Commodity Risk Management

Collaborative Finance Operations
Receivables Management
Collaborative Invoice to Pay
Travel Management
Shared Services Framework

Manage Enterprise Risk and Compliance
Enterprise Governance, Risk, and Compliance
Access Risk Management
Global Trade Compliance
Sustainability Reporting

SAP solutions address key requirements of finance operations departments.
Why SAP?

By standardizing and automating core receivables management processes based on best practices, SAP software enables finance teams to boost efficiency and effectiveness. This quickly drives down the cost of finance and reduces DSO and bad debt write-offs.

Tightly Integrated, Complete Solution
SAP software for receivables management is natively integrated with the SAP ERP application. This means data is available in real time, giving internal business partners and customers the information they need to perform better. Because fewer integration points have to be maintained, total cost of ownership is lower. Standardized processes are also easier to deploy and audit.

Extend Beyond Finance Back Office
Finance teams can improve key receivables processes relative to business needs and goals. Dispute root cause analyses help identify opportunities to improve the business.

Leverage Breakthrough Innovations
Harness the power of Big Data, mobile apps, and intuitive analytics for superior receivables management.
Find Out More About How Your Organization Can Become Best-Run

Benchmark Your Performance
Position your organization for dominance in this new economy with the business performance benchmarking program from SAP – available free to SAP customers and select prospects. The SAP benchmarking program has helped more than 3,000 organizations assess their strengths, uncover areas for improvement, and identify best practices and IT strategies that generate clear, tangible value – not someday, but today.

Go Live in Weeks
Here’s the fastest way to run your business better: our rapid-deployment solutions. In one package, you get everything you need to be up and running quickly – including preconfigured software and implementation services – in just weeks. With a defined scope and predictable costs, there are no surprises.

Join Your Community of Practices
Every day, SAP Community Network (SCN) changes the way that thousands of SAP users work. It lets members help one another solve problems, learn, and invent new ways to get things done – faster. Find out how to connect with people, content, and resources.

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