Customer, customer, customer, debtor….

By Lance Wickman

Billing and collections is an often-undervalued "moment of truth" in the overall customer experience that businesses can no longer afford to ignore.

A lot of time and money goes into acquiring and servicing customers, but the post transaction phase sees them morph from customer to "debtor".

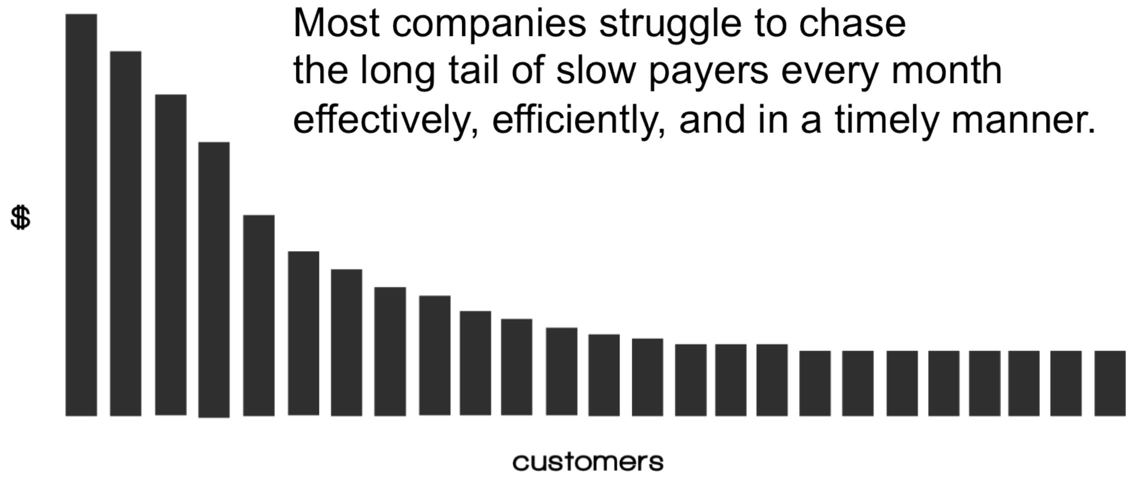
All too often the billing and collection processes are expected to follow the simplistic view that "*we have done our part, here is your invoice, now pay us".* But anyone working in receivables management will know that it's not always that simple. Customers may have legitimate reasons for not paying that you don't know about, and even when they want to pay, it's not always that easy for them to process your invoice or quickly arrange payment. Getting other areas of the business to resolve disputes can be very time-consuming and frustrating.

It's time for businesses to take another look at this critical phase of the customer relationship and see what is required to manage it better by taking some queues from sales and marketing.

In 2014, according to Gartner, around $24 billion was spent by companies on CRM systems to better manage their sales and marketing efforts by capturing information and automating much of the communications and workflow. There have been massive advancements in on-line sales and eCommerce automation. Businesses continue to invest in upgrading their core ERP, accounting, or practice management software, but little has changed in the way organisations bill and collect payment.

In contrast to the development and investment in systems to support front-office activities, collections and dispute management is still very manual and call-centre centric, most companies running off the aged trial balance, a revolution dating back over 60 years. Self-help services for billing, disputes and ePayment are often clumsy or non-existent.

The cost of chasing a small account is the same as collecting a large amount, so it is logical to use a serial approach starting with the larger debts working down the line. However, collection teams using predominantly manual approaches struggle to find the time to follow up the long tail of slow payers every month. The smaller accounts become delinquents requiring debt collectors, legal action or just wasteful write-offs.



Electronic billing has been around for some time, but the default electronic bill in the marketplace is a static PDF, an image of the paper version. This is not very useful for the recipient, hence the typically low opt-in rates, estimated at just 14%-24% (Billentis Report 2014).

Batch treatment or outsourcing of the billing function results in a disconnect from collections. In larger organisations, credit management is a separate department and not integrated with either billing or customer services.

Little attention has been given to electronic bill-pay. Payment gateways have been developed for eCommerce and demand a “Pay Now” transaction before goods are released. Bill-pay on the other hand, is credit based and so customers don’t want to “Pay Now”, they want to pay on or around the due date.

Customer expectations have risen, but investment in appropriate systems to better meet them, has not.

When a company does decide to invest in better eBilling and AR Management automation tools, the rationale typically focuses on cost savings and reduced DSO. These are very valid, but should they be the only drivers?

Increasingly, smart operators realise that billing and collections is a critical part of the on-going relationship, impacting customer satisfaction, loyalty, and profitability. They are adopting new customer-orientated approaches to managing the “Post Transactional Relationship”.

Pitney Bowes' Top eBilling Trends includes these points.

1. Billers will stop perceiving the billing event and eBill as a commodity that drives cost savings, and start leveraging online customer care as a differentiating and transformational part of their total product offering.
2. Leading companies will review and revamp their online customer care with the sole objective of turning customers into fans.

Jerry Ashton, from CFO Advisors has this to say about credit management trends.

1. Customer service, especially in a down economy, is now priority #1 and must run seamlessly through sales, credit, and collections.
2. Credit Management is dead; its successor is relationship management.
3. Slow pay is the symptom, not the disease.
4. Allow client access to selected AR data and encourage self-help and feedback.
5. Make sure the client is touched affordably; and via the channels that best suit them.

This kind of thinking requires a much more holistic approach to billing and collections, with streamlined processes linked to automated workflows and communications to support the billing and credit teams.

Consider a scenario where your customer is delighted to receive an electronic bill from you, not because it's good for you, but because it adds value to them. Instead of just an image of their paper invoice, they receive a fully interactive bill that allows them to easily establish a payment for the due date, initiate a query or dispute, and even download the data version to their own AP system for processing. This is called a hybrid e-invoice delivering both the image and more importantly, the associated data. It also interactive with embedded functionality that makes it really easy to process straight away. No need to print it out or return to it later on the due date. Billentis are predicting that this will be the fastest growing electronic billing format over the next 5-10 years rapidly displacing pure image PDF.

The high take up of these interactive, hybrid invoices (60%-95%) [1] creates a digital relationship with those responsible for payment on the customer side, making it possible for you to use "low cost touches", just like eMarketing does in the front-office, to cost effectively chase the long tail of overdue accounts.

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[1] Based on average results from OfficeTorque FRM users.

Quickly distinguishing between legitimate barriers to payment and slow payers allows appropriate escalations to be activated promptly initiating dispute management workflows or automated dunning communications.

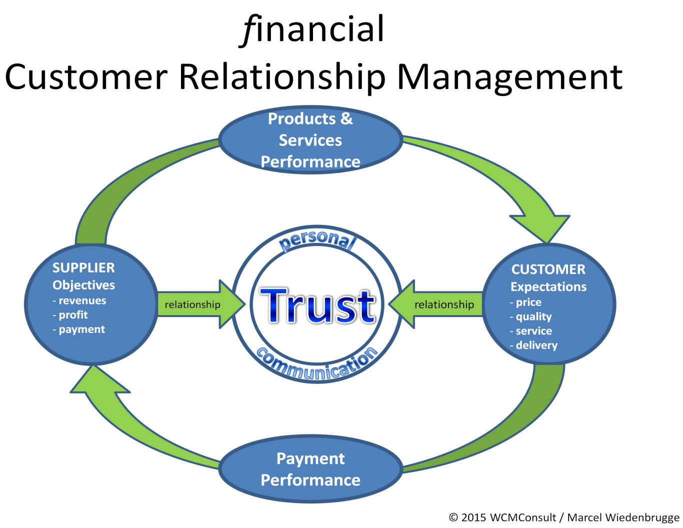
Imagine if you could present your customers with targeted cross-sell / up-sell opportunities direct from your interactive bill? Do you think the marketing department might get excited about billing as a new sales channel?

Customers can choose how they wish to receive invoices and reminders. Disputes are easy to log and track. Bill pay is as easy as eCommerce.

“Self-help” becomes attractive to your clients for all the right reasons, and at the same time your costs are reduced and cashflow increases.

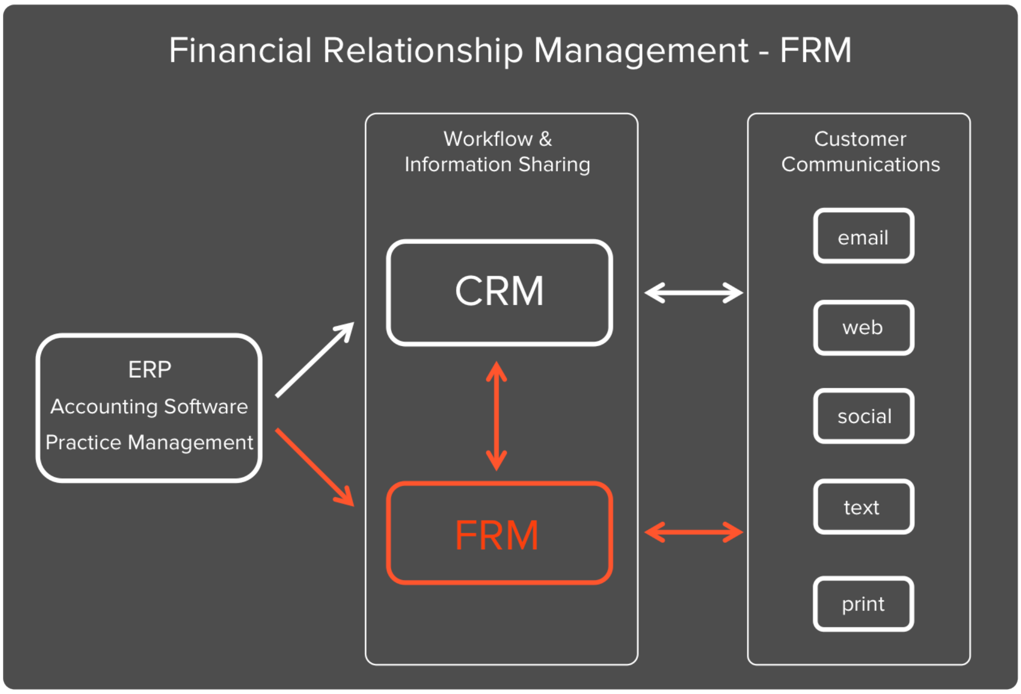
The value delivered to the client is significant. Smaller customers can quickly and easily raise a dispute or arrange a future dated ePayment. Larger clients can download all their invoices electronically and upload them for processing in their AP system. Disputed invoices can be isolated from those they are happy to pay.

Marcel Wiedenbrugge, author of **Happy Customers Faster Cash** encapsulates this approach using the concept of Financial CRM, (or FRM – Financial Relationship Management), a model where credit management is seen as an integral element in the overall customer relationship, not just an isolated process to ***get the money in***. This approach focuses on managing the financial relationship with the customer in such a way that the financial and commercial goals of both the customer and supplier are met, as summarized in the diagram below.



In his previous book, **The Customer Profit Maxim**, Wiedenbrugge goes a step further, suggesting that effective (cross-functional) collaboration between financial and commercial departments is a key contributor to overall business profitability.

Translating this process model into a system-based model, we see the use of CRM employed to assist in the automation of workflow and communications for the front-office functions and fCRM or FRM (Financial Relationship Management) deployed to provide a parallel function for the back-office financial functions. A critical element to this model is the connection between the CRM and FRM systems enabling both information and workflow sharing.



FRM aims to bring to the back-office what CRM has brought to the front-office.

So why can't you do all this with your existing ERP or accounting software? Well it's the same reason why companies invest in CRM, eMarketing and web services tools. ERPs and accounting software packages have not been designed for sophisticated and responsive customer-based workflow and multi channel outbound communications, which are the requirements to deliver interactive billing, on-line accounts self-help, smart collections, and electronic bill-pay.

Financial Relationship Management is a relatively new approach that encompasses a range of functions, and until recently, would have required a bespoke solution build, something only feasible for very large businesses.

In the last few years this has changed, and implementing an FRM solution no longer requires heavy and expensive custom development, and integration with existing systems is greatly simplified.

The results are very measurable, and the ROI very rapid. Within just 6-9 months an organisation could expect to achieve significant improvements in key areas including:

1. Enhanced customer experience
2. Reduced costs for bill presentment and reminders
3. High levels of “Self-Help” via a client portal
4. Reduced DSO
5. Regular and consistent follow up to ALL slow payers
6. Reduced costs for end customers to manage disputes and process your invoices

If you are seeking to create meaningful points of difference in the marketplace, increase customer satisfaction, and at the same time significantly improve your profitability, it might be time to take a fresh look at how you could enhance the post transaction customer experience by incorporating billing and collections into the broader customer service function and providing better interfaces and “self-help” options.

Starting with the customer in mind is a well-understood concept in sales, marketing and product or service delivery. Why wouldn’t you apply the same mindset to your billing and collections?

Lance Wickman

Founder & CEO of OfficeTorque

OfficeTorque, a web-based software company specialising in Financial Relationship Management (FRM), a customer centric, holistic approach to billing, accounts receivables management, and payment. Visit www.officetorque.com

The two books referenced above, **Happy Customers Faster Cash** and **The Customer Profit Maxim** are both available from Amazon.