



ACCOUNTS RECEIVABLE

HOW TO ACHIEVE 100% ELECTRONIC AR INVOICING

Realistic Steps to Quit Paper™
in an SAP Environment



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INTRODUCTION



The advantages of electronic accounts receivable (AR) invoicing are clear: It's faster, less expensive and more reliable than manual methods, and eliminates the typical hassles and inefficiencies of paper-based processing. Businesses that run SAP and/or other ERP applications are more eager to automate AR but executing a successful e-invoicing project can seem daunting. The reality is, with the right strategy and vendor, 100% e-invoicing can be achieved while preserving the best interests of both company and customers.

The Value of AR Automation

Electronic AR invoicing addresses a broad range of issues that are top priorities for virtually all of today's businesses. Examples include: operational cost control, mailroom and mail house difficulties, and billing dispute management. Automating customer invoices also enhances the speed and accuracy of processing, allowing companies to deliver invoices sooner, and thus, collect cash faster.

IT analyst research consistently finds that the average U.S. company can save up to millions of dollars annually by sending invoices in real time via electronic delivery methods. According to results from the 2013 AR Automation Study conducted by The Institute of Financial Operations, over one-third of AR professionals surveyed indicated it costs more than \$2 to process a single PO-based paper invoice.¹

Satisfying customer preferences

Delivering invoices more rapidly, accurately and efficiently is one thing — satisfying varying customer preferences for receiving invoices is another. To gain the full advantages of electronic AR invoicing, companies need a practical way to resolve contact management issues. Although some customers understand the benefits that e-invoicing can bring them, many are simply not ready to change accustomed processes that are set up to handle paper invoices.

In the past, companies wanting to improve their billing process were seemingly left with only three choices:

1. Do nothing and forego major efficiency gains (while competitors are achieving them)
2. Try to move all customers to e-invoicing (and almost certainly fail)
3. Take on the high expense and complexity of custom-designing different processes for specific customers according to their various levels of sophistication

Finding the Ideal Solution

Today, forward-thinking companies have a fourth option: Send all of their invoices electronically while still allowing customers to receive those invoices in whatever format they prefer (e.g., postal mail, email or other electronic channel, or a combination). This type of solution enables best practices in delivery of invoices directly from SAP and other ERP applications, and can:

- Automatically send invoices in customer-preferred formats ranging from paper to electronic
- Reduce internal support for AR invoice delivery
- Archive invoices and associated documents or route them to a storage system
- Maintain and adapt as more customers adopt electronic invoicing
- Help customers go paperless and support green/sustainability initiatives
- Integrate seamlessly with SAP and other ERP applications

This white paper highlights the specific challenges, considerations and strategies necessary to help make your transition to 100% electronic AR invoicing as successful as possible.

¹ 2013 AR Automation Study, April, 2013. The Institute of Financial Operations.

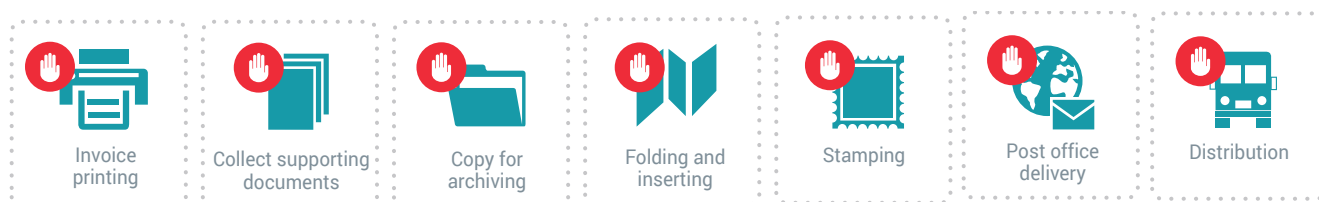
CHALLENGES OF MANUAL AR INVOICING

Traditional paper-based customer invoice processing involves a long and time-consuming series of steps that result in high production costs, longer Days Sales Outstanding (DSO) and lack of process visibility and control. Ultimately, manual invoicing prohibits companies from making the necessary improvements in AR document processing and the cash collection cycle.

Multiple Manual Touch Points

According to a 2013 study by The Institute of Financial Operations, the average AR department still delivers more than half of their invoices via postal mail.² Customers wanting documents mailed is nothing new, but when a company is processing those documents for postal delivery on their own time, with their own staff and using their own resources, it can be a bigger headache than what it's worth.

Consider the amount of bottlenecks involved from the time an invoice is generated to the time it's mailed out in a traditional mailroom operation. As illustrated in the following diagram, each point in the process requires some form of manual handling. Until companies find an alternative to streamlining the conventional mail delivery of invoices, their potential for efficiency gains within the AR process will be limited.



Where Your Time and Money Goes

When accounting for all of the different factors involved in running a manual mailing process, it is easy to see why an organization's time, money and resources can become strained:

- Labor
- Hardware and maintenance
- Dependence on production equipment (e.g., printers, folding machines, stamping machines, etc.)
- Printing
- Stuffing and collating
- Stamping or metering
- Errors and exception handling
- Archiving and storage
- Process quality (e.g., monitoring, reporting, etc.)

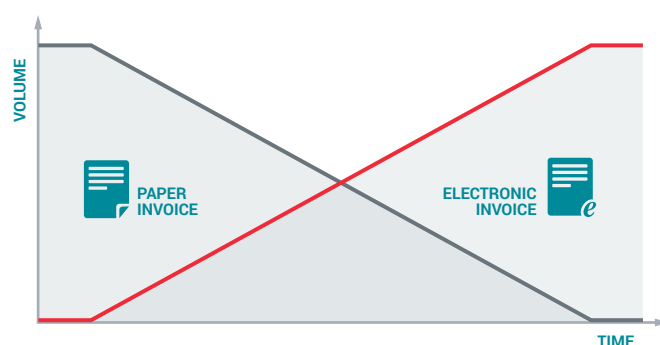
ESSENTIAL ELEMENTS OF ANY NEW SOLUTION

Based on Esker's experience, companies that modernize their AR department have greater success rates when utilizing an all-encompassing document process automation solution. The following elements should be a top priority for any company hoping to achieve 100% electronic customer invoicing.

No Format Restrictions

With the objective of sending every AR invoice electronically, a single automation platform can produce both paper and electronic formats that match varying customer preferences. This allows companies to:

- Automate workflow routing and delivery to customers
- Manage all customers automatically
- Let customers move to electronic invoicing at their own pace
- Avoid disruption of existing AR processes or customers' AP processes



Comprehensive Functionality

Streamlining the transition from paper to electronic invoices requires several key functional capabilities, including the ability to deliver customer invoices by fax, email and postal mail.

Any new solution should also include automated electronic archive access to billing information for customer service and collections, and provide online subscription capabilities to e-invoicing.

Enhancement of SAP Capabilities

An AR automation solution should offer a wide range of billing capabilities that go beyond what a company's current SAP system is already doing. Examples of these capabilities include:

Overcoming auto-fax and email limitations

SAP provides the ability to email or fax invoices, but doesn't offer true electronic invoicing. Best-in-class automated AR solutions go beyond basic fax and email to streamline invoice delivery and reduce costs. Companies running SAP should ask themselves these key questions:

- Are you really automating the process?
- Do you have the visibility you need/want?
- How do you deliver what customers want?

Real-time invoice delivery based on customer preference

With a fully capable electronic invoicing solution, invoices can be faxed, emailed and/or mailed based on customer preferences, and are transmitted in real time from the moment they are generated.

Auto-bundling invoices with additional documents

Companies often struggle to get prompt remittance on invoices because customers want proof of delivery (POD) or other supporting documentation before payment. Electronic AR invoicing can provide a means to speed up payment, or at least remove the common barriers. Documents generated throughout a transaction can be stored and then collected to send a complete package of billing documents along with the invoice. Usage examples of these capabilities include:

- Auto-assembly of billing documents into a complete package
- POD received via XML from a handheld device
- Documents converted to PDF and archived
- POD and signed cover letter attached when the SAP system sends an invoice
- Invoices bundled by customer name
- Customer receives one email or postal mail with multiple invoices

Advanced read receipt notifications

Using electronic invoicing, customers can receive an email including a link to a web-based portal, where they can view their invoices. After a customer has viewed an invoice, the date (status) is available online and notification can be sent.

Self-service contact management

AR automation solutions offer subscription capabilities that allow customers to set preferences for receiving invoices, helping to relieve customer service staff of contact management burdens.

Email copies of invoices externally and internally

Esker offers the ability to identify additional individuals beyond the primary contact by sending them the invoice copy via email. Sales representatives and other internal contacts can also be identified and copied via an email alias.

Customer Portal Support

A key component of any AR automation solution is improved control over communication. Depending on the level of sophistication needed for its specific billing process, companies should be able to decide how their AR invoice delivery preferences are managed.

On the customer side, maintenance of media preferences can be achieved via subscription functionality through a web interface. Here, customers can choose how they want to receive invoices and other documents. A customer portal also allows customers to search and retrieve their invoices online. Customers can also pay any open invoice directly from the portal using a credit card, online transfer, PayPal, etc. For the sellers, companies can select media options they want to offer customers, and take advantage of online tracking to see when invoices have been read and paid.

Your customers gain the ability to:

- Search and retrieve all their invoices online
- Select their preferred media with online subscription
- Pay any invoice online

Your company gains the ability to:

- Track online when an invoice was read
- Select media options to offer customers
- Report on invoices sent via each type of media

The screenshot shows a web portal for a company named ACME. The page is titled 'Welcome' and includes a message: 'You are using this application for the first time. Please take a few minutes to fill out this form so the application can adapt to your preferences.'

Invoice delivery

E-invoicing terms and conditions: If you wish to receive your invoices in electronic format, please read and accept the terms and conditions described in the link below.

Terms and conditions:

☐ I have read and accept the e-invoicing terms and conditions.

Please choose your invoice reception method:

☒ Online (with email notification)
☐ Email attachment
☐ Postal mail

General Information

Salutation: [dropdown]
 First name: JC Peck Ltd
 Last name: [dropdown]
 Phone number: +44 (0)115 262 0411

The following information will be used, if applicable, for the delivery of your invoices:

Email address: demoproces.achada@esker.com
 Fax number: +44 (0)115 262 0411

Regional settings

Regional settings: English (United Kingdom)
 Language: English
 Time zone: (GMT) Greenwich Mean Time : Dublin, Edinburgh, Lisbon, London

At the bottom, there is an 'Enter' button and the Esker logo.

BENEFITS OF AUTOMATED AR INVOICING

Unlike manual production and distribution methods for paper invoices, automated customer invoicing has a positive effect on virtually every aspect of AR processing. The following are examples of the numerous advantages of AR automation based on Esker customer results.



Increased Business Process Efficiency

- Reduce document handling time up to 96%
- Cut the cost of sending billing documents by 40-80%
- Prevent lost invoices and related documents
- Free-up customer service representative time
- Adhere to 100% e-invoice regulatory compliance
- Place paper invoices in postal stream in less than 24 hours



Enhanced Visibility

- Real-time tracking and reporting
- Immediate dispute resolution



Improved Access and Response

- Billing documents readily available
- Faster dispute resolution
- Improved process control for quicker collections



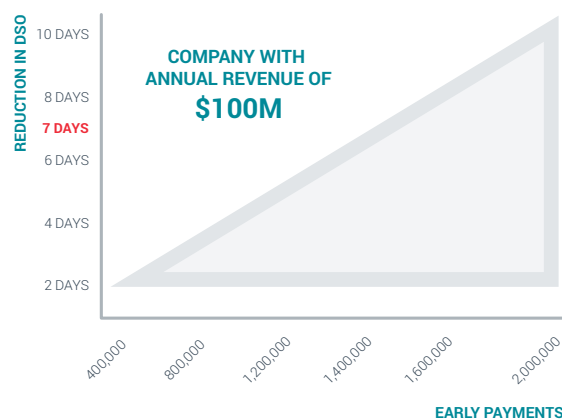
Reduced DSO

The faster a company gets invoices to customers, the sooner it can receive payment. In a conventional billing process, invoices are typically processed and sent at the end of a set time period (e.g., weekly, monthly, etc.); even invoices that are ready to go remain stationary until that time. AR automation allows for real-time sending of invoices as they are prepared so customers can immediately start their payment process, even online. By enabling customers to pay mailed or emailed invoice online, it helps reduce DSO (by up to seven days) and bad debt while improving customer service.

Additional cash

How much does reducing DSO matter? Imagine a company that earns \$100 million annually. With 250 business days in a year, and assuming all customers paid on time, the company would take in \$400,000 a day. Of course, the reality is customers do not always pay on time. But even with a conservative assumption of half paying late, the company would take in \$200,000 per day.

Reducing average DSO by seven days through electronic AR invoicing would amount to \$1.4 million in early payments. With an average return on investment at 5%, the early cash collection could earn the company an additional \$70,000 in the bank.



Continuous collection

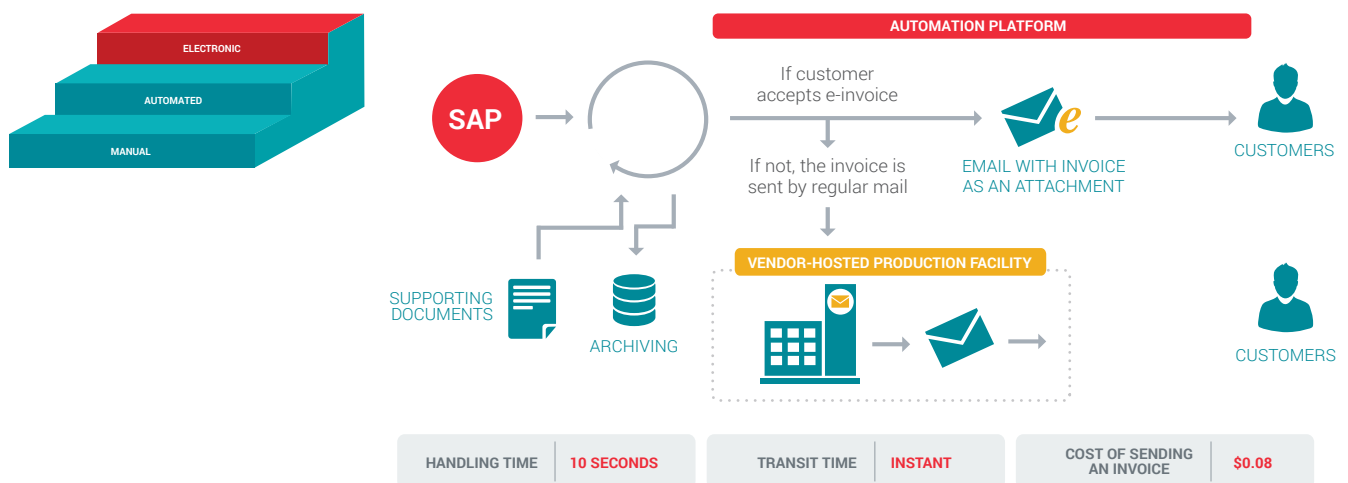
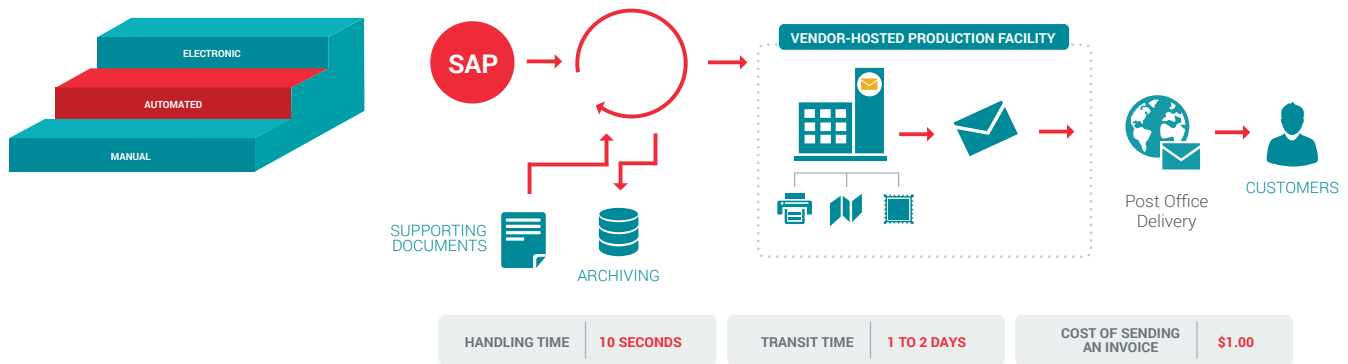
E-invoicing also adds a level of consistency and stability to cash collection. Whereas conventional invoicing methods of cash collection depend on invoice batches posted by end of month and payments only coming in at certain times, an AR automation solution allows cash to be collected continuously with real-time electronic delivery of invoices.

Streamlined Transition to Electronic Delivery

Accounts payable is a critical process that not many customers are prepared (or want) to change, especially just to save their suppliers some time and money. Electronic AR invoicing solves this dilemma by requiring no change on the part of customers — billing can be automated on your end while adhering to customers who still want paper invoices. As customers become ready to adopt e-invoicing, your company can easily satisfy changing preferences and tailor invoice delivery to each customer.

Taking a step-by-step approach creates a smooth transition between legacy media and future e-invoicing operations. The path of manual to automated to electronic follows customer adoption curves so companies can immediately gain efficiencies and reduce costs. Top-tier AR invoicing solutions allow companies to send electronic and paper invoices to small and large customers instantly, eliminating the time and expense of managing costly mailroom operations.

Step-by-step approach:



WHAT A BEST PRACTICE AR AUTOMATION SOLUTION LOOKS LIKE

Esker's Accounts Receivable automation solution completely automates the sending and archiving of both paper and e-invoices according to customer preferences and regardless of media type, allowing companies to gain the immediate benefits of e-invoicing without negatively impacting customer satisfaction.

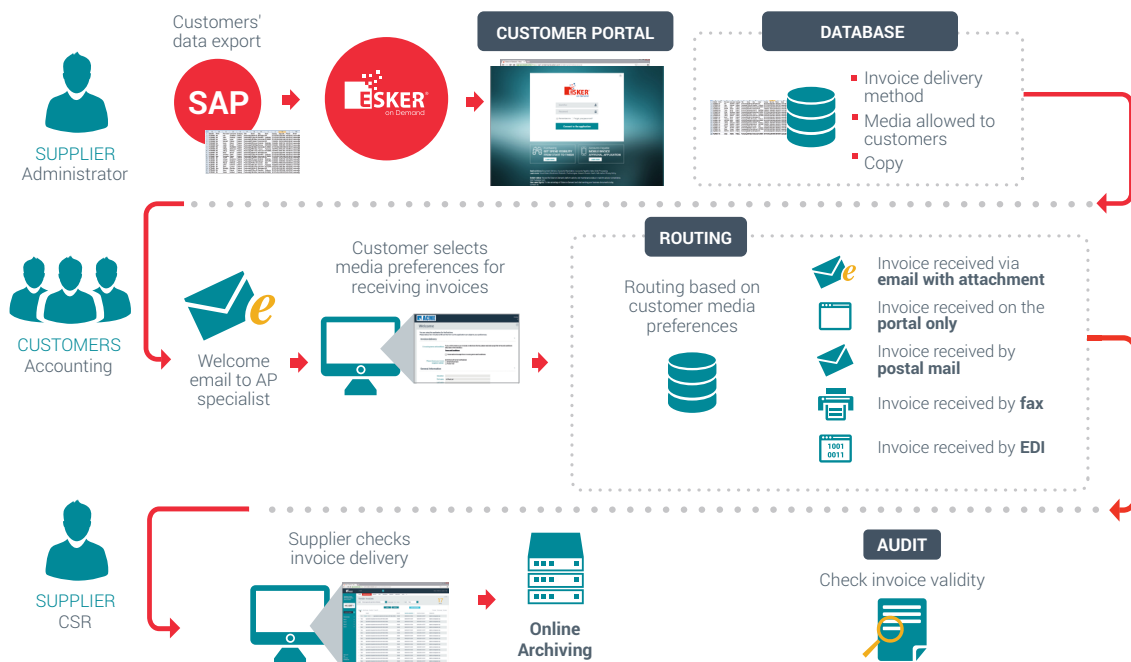
Automation in All Phases of Processing



Automated AR invoicing with Esker simplifies billing operations and resource management at minimal expense, effectively removing the direct costs and process inefficiencies associated with the handling of paper invoices. Key capabilities of Esker's solution include SAP integration, invoice delivery status notification and automatic routing of invoice copies. Archiving of original invoices is available for up to 10 years with secure online access to archived documents in PDF format with search, filter and download functions. Backup of invoices on digital media can be ordered online or sent automatically on a regular basis.

End-to-End Efficiency

Along with giving customers a wider range of choices for receiving invoices from suppliers, Esker helps contribute to higher customer satisfaction rates by reducing risks of human error, delivering invoices in real time and enabling companies to track individual invoices. For customers not ready to receive invoices electronically, companies can still benefit from automation by offloading the delivery of paper invoices on-demand through Esker Mail Services as part of Esker's Accounts Receivable solution. Invoices can be sent directly from SAP applications to an Esker production facility where the documents are printed, folded, inserted, stamped and forwarded to the post office.



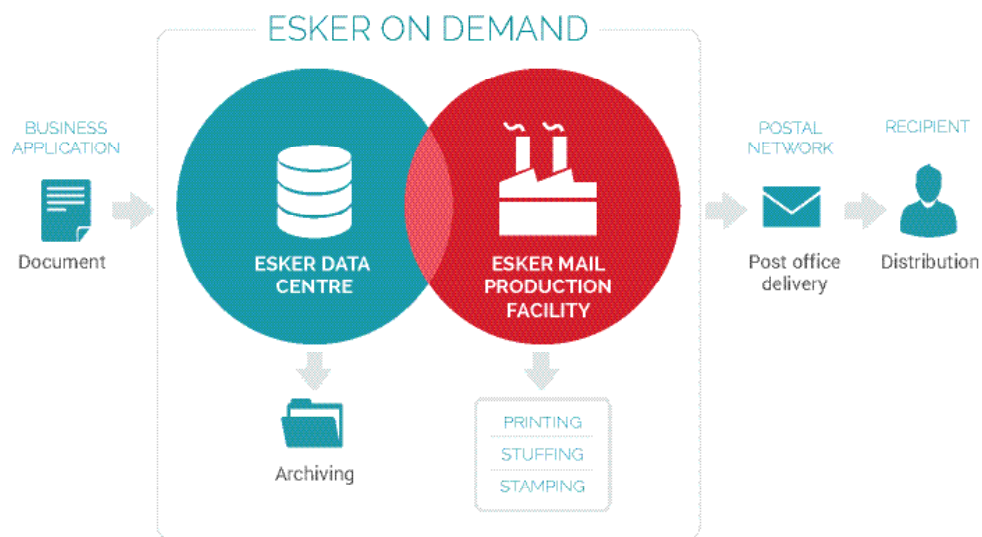
ESKER MAIL SERVICES

As part of Esker's Accounts Receivable automation solution, Esker Mail Services is a business document delivery service that makes traditional business mail completely electronic for the sender from start to finish. As a result, organizations can mail business documents directly from their SAP applications for worldwide delivery to postal services in less than 24 hours of creation.

How It Works

Esker Mail Services requires no hardware or software investments and utilizes a convenient pay-per-use pricing model, allowing companies to eliminate some of the major sources of frustration of running an internal mailroom. Individual invoices or batch mailings of any size are dispatched immediately without manual handling or internal process delays, resulting in reduced costs, accelerated AR processing and improved document tracking.

Esker Mail Services can handle large volumes and provide status notifications to the individual document level. While an external mail house may require data in a specific format, Esker can take mail in any format directly from core business applications via multiple transfer mechanisms. Invoices are delivered electronically to an Esker on Demand production center where they are processed and put into the postal stream in less than 24 hours. Esker Mail Services seamlessly integrates into SAP systems with no need to modify existing applications.



What Are the Advantages?

Versus external mail house:

- Automation of the process, not just outsourcing
- No file transfer/format issues
- Barcoding for quality control
- Send batch or transactional mail (no minimums, mail a few invoices at a time and receive payment faster)
- Real-time tracking of jobs, with document-level status notifications
- Status notification in the SAP system
- Preview before processing
- No custom reprogramming required

Versus internal mailroom:

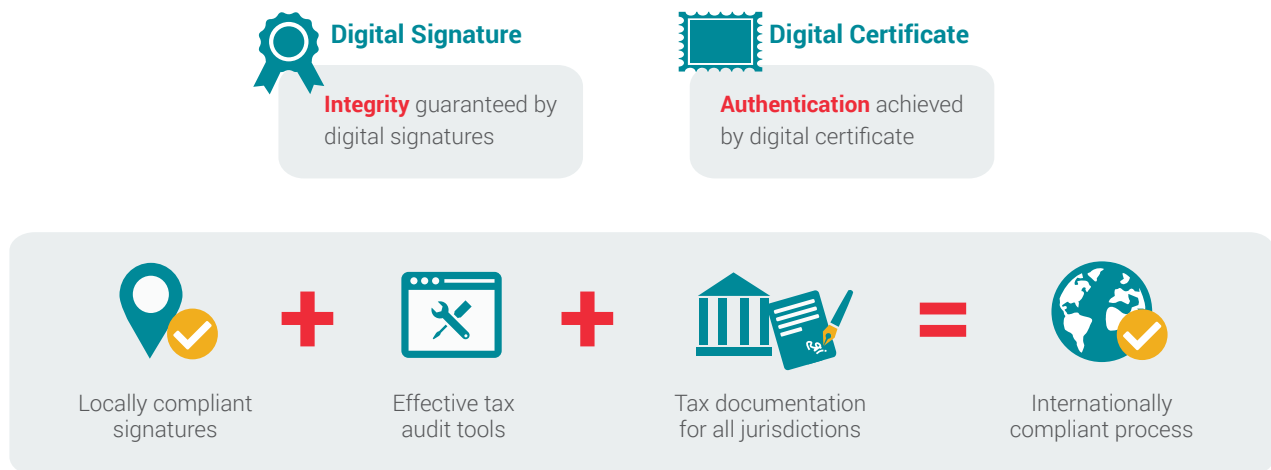
- Reduced labor costs
- No need to maintain equipment
- Status notification in the SAP system
- Preview before processing
- No custom reprogramming required

INTERNATIONAL COMPLIANCE

Many countries have specific requirements about the ways in which invoice auditability must be guaranteed. With Esker, e-invoices are processed in compliance with all international regulations (e.g., e-signatures, EDI, sales order matching, tracking and reporting capabilities for business controls audit trails, e-archiving, etc.).

Electronic Signatures and Certificates

Companies have the ability to decide which signatures to apply and verify depending on specific country requirements and according to a proven compliance mapping mechanism that documents and maintains data to satisfy local requirements.



Tax Audit Features

Along with signing and time stamping, Esker's Accounts Receivable automation solution provides invoice validation on behalf of the customer and a revalidation portal for tax auditing purposes.

Interoperability

Since many suppliers and their customers are already equipped with platforms for various invoicing functions, another key consideration involves making sure all AR systems can work together. Esker's Accounts Receivable automation solution is able to generate all types of EDI formats (e.g., XML, EDIFACT, ANSI, UBL, etc.) and communicate with platforms from other service providers and public administrations.

CUSTOMER SUCCESS STORIES



ED&S (formally MK Electric) is part of Honeywell's Environmental Controls and Combustion business unit, itself a division of Honeywell Automation and Control Solutions, a diversified technology and manufacturing leader.



Key Objectives

After successfully working with Esker to automate its sales order process, ED&S hoped to extend Esker's automation capabilities to its AR process and automate the invoice delivery. Key objectives included: automating manual effort, modernizing internal processes, lowering costs, reducing delivery errors and accelerating cash collection.

Previously, ED&S was using large amounts of paper within its invoice process. When orders were placed, invoices would be printed out, manually sorted and batched, folded, stuffed into envelopes, and finally sent for delivery by postal mail. This slowed down the invoice delivery process, from the time it took to produce the final document to when it was received by the customer. Today, ED&S invoice files are sent directly from their SAP application.



Results with Esker

- Reduced bottom line costs of the whole invoice process by 30%
- Eliminated processing errors which reduced invoice disputes and improved supplier relations
- Saved time by relying on automated batch processing rather than manual sorting
- Accelerated payment cycles and reduced DSO via faster delivery time
- Consolidated IT infrastructure and simplified SAP environment



As a subsidiary of Toshiba America Business Solutions, Inc. (TABS), Toshiba Business Solutions (TBS) is a leading managed document services provider with experts that help organizations take control of document security, workflow and print environments.



Key Objectives

Prior to Esker, TBS was experiencing a number of issues relating to its customer invoicing process (e.g., confusing and cluttered formats, increased volume of calls to AR, extended DSO, tedious manual review process prior to mailing, etc.). In order to bring more simplicity and efficiency to this process, TBS sought a replacement solution that could accomplish two key objectives:

- 1) Re-engineer the invoice template to make it more customer friendly
- 2) Get an electronic delivery component (web portal) to integrate with SAP and internal invoice process, and persuade customers to adopt e-invoicing



Results with Esker

- Created 13 separate web portals where location-specific invoices could be viewed independently by TBS's subsidiaries
- Streamlined workflow process where Esker automatically distributes a PDF of the invoice electronically
- Easier to access, view and deselect invoices with a single mouse click
- Improved traceability and data retention of invoices (e.g., when an invoice was accessed, processed, completed, etc.)
- Expected ROI of approximately \$342,000 with a 20% e-invoicing adoption rate over three years

ABOUT ESKER

Esfer is an industry leader in document process automation solutions, helping organizations of all sizes Quit Paper™ and improve how their business information is processed and exchanged via one unified and ERP-integrated automation platform. Esfer's suite of automation solutions, offered on-demand or on-premises, help customers around the world reduce processing time and costs, increase their competitive advantage, gain significant operational efficiencies, and realize measurable ROI in as little as three to six months.



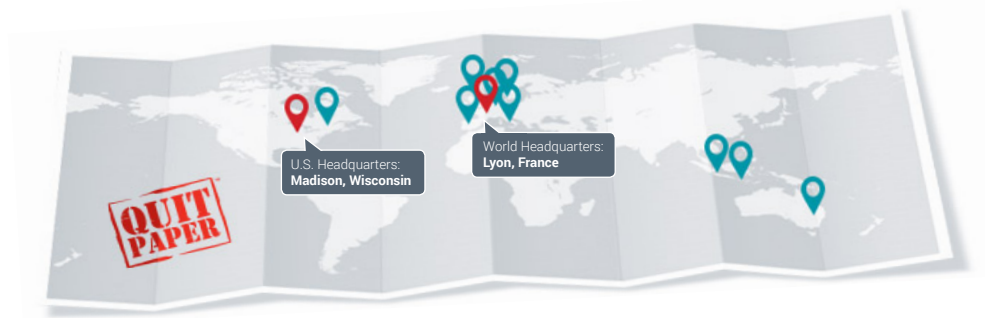
SAP Certified Partner



As an established SAP software solution partner with certified integration, and an SAP customer itself, Esfer has made serving the needs of SAP customers a top priority. The results of the SAP and Esfer partnership are demonstrated around the world by SAP customers who have automated document processes with Esfer solutions. Esfer has a dedicated R&D team focusing on SAP applications, and a primary objective to offer SAP customers the best solution for document process automation.

Global Expertise

Founded in 1985, Esfer has more than 80,000 customers and millions of licensed users worldwide. Esfer's operates in North America, Latin America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin.



TermSync, an Esfer Company



TermSync™ offers a complete Accounts Receivable automation solution designed to streamline the entire billing and collections process by giving organizations the ability to automatically send customized payment reminders or account statements, create customized workflow tools and analyze all data points. This truly end-to-end option provides forward-thinking companies with all of the necessary tools for automating the four critical components of AR operations: invoice delivery, collections management, a customer portal, and reporting and analytics.

TermSync currently connects over 350,000 businesses through an intuitive, cloud-based platform that operates in tandem with existing workflows and systems, and can be up and running in less than a week. Through TermSync, clients are able to improve customer relations, reduce administrative costs and get paid faster — **it's our commitment to finally bring AR into the 21st century!**

TermSync is located in Madison, Wisconsin. For more information, visit www.termsync.com.



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