WHITE PAPER

EXPERT CREDIT BRIEFS
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Build Your Case for Automation

NACM NATIONAL ASSOCIATION OF CREDIT MANAGEMENT
Driving results

Overview

Business-to-business (B2B) credit professionals are expected to do more with less in today's world, but automation can bridge the gap. The key is to determine the needs of your department, find the best automation to meet those needs and build the ultimate case that will persuade upper management to invest in new technology.

B2B trade is highly dependent on paper documents and manual processes despite efforts to digitize over the years. Although many credit departments want to incorporate more automation in their processes, the majority use a limited amount and some do not use any at all.

A few credit and collection departments are outliers, however, with the goal to reach near complete automation of their processes. One difference between those departments in the infancy stage of automation and those in the advanced stage is the credit department's ability to build a solid argument that appeals to upper management.

After identifying your audience, the next step in creating a sound case for automation is finding your "Why?"

Credit and Collection Responsibilities Have Evolved, Your Tools Should Too

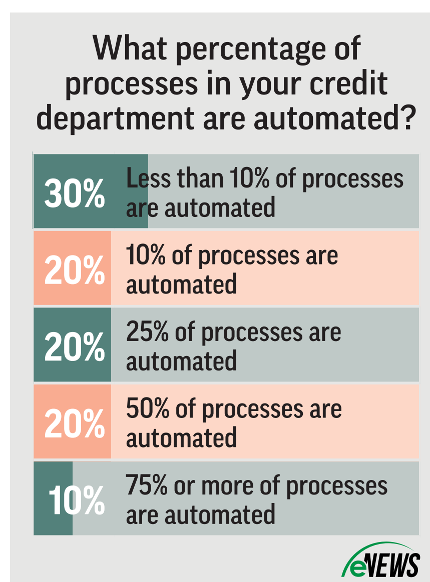
The credit and collection department is involved in more business duties than prior years. Regardless of staffing challenges, the credit and collection team is expected to work on:

- Cross-functional team projects
- Vendor vetting
- Contract review and negotiations
- Cash forecasting
- Customer service

Yet at the same time, different types of automation are more available to credit departments than ever before, thanks to an accelerated shift toward technology from the pandemic. Automation can be used to cut down on tedious, manual tasks and increase accuracy in a variety of credit functions, including:

- Electronic invoice delivery
- Dispute management
- Credit line setting
- Automated scorecard
- Collection reminder
- Order dispatch
- Billing quality system
- Collections prioritization software
- Customer portal
- ERP system
- Approval workflows
- Payment application

Most credit professionals understand the value of automated solutions, but a barrier still stands between credit and technology. Most credit departments (70%) use automation in only 0% to 25% of their processes, according to an NACM *eNews* poll.



Argument Pillars

Now that you have your "why" for automation—whether it be staff shortages, more responsibility or less time for manual tasks—it's time to build your argument. The information below is to help you establish three pillars of persuasive communication; **Ethos**, **logos** and **pathos**.

First, establish your credibility (ethos) and make your leadership qualities clear. Upper management needs to accept you as a credit industry leader before accepting the points you are about to make.

Next, you want to appeal to their emotion (pathos). This is the perfect time to explain how your team feels burnt out or overworked, and how process gaps impact customers. The solution? Automation!

The last pillar, but certainly not the least, is the appeal to logic (logos). This is where you want to bring out all those data points and evidence to back your claim for automation. Track how many hours your team spends on manual tasks and how those hours would be better spent on strategic initiatives or value-added tasks.

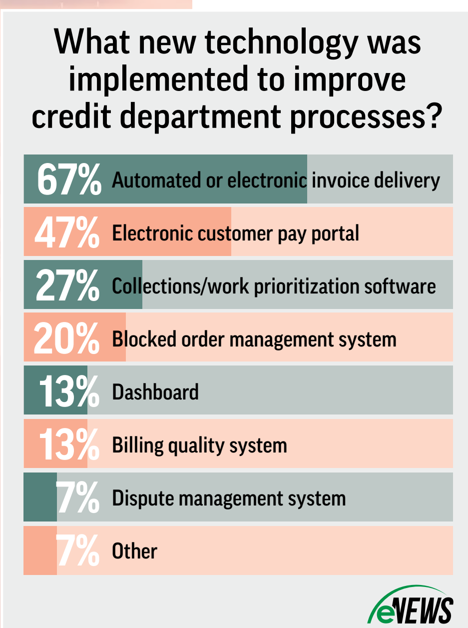
Credit professionals should build the rest of their argument around relevant points, such as improved customer service, maximized productivity and decreased expenses.

Customer Service

Customer service is a cornerstone of credit management. A common misconception is that automation takes away from positive, personalized interactions with customers, but it actually does the opposite. Technology can be used to improve the customer experience at every stop along the order-to-cash process—from credit applications to disputes, collections and payments.

The traditional approach to collections relied on persistent calls and generalized communications that reminded customers of overdue payments. An automated system can help you determine the best way and the best time to contact customers.

Robotic process automation (RPA) can make those reminders a lot more meaningful and individualized without taking time away from staff. That way you can spend time focusing on customers that require more of your attention.



ERP systems take risk level into consideration and help separate high and low risk customers. This will help credit departments determine which customers should be contacted the most and which can be called the least. The system also can be designed to alert you when a customer is ordering more than usual so you know to call and ask questions.

Outside of collections, customer portals and electronic invoice delivery are popular uses of automation in the credit industry. According to an NACM *eNews* poll, 67% of credit departments have either enhanced or adopted an electronic invoice delivery system in the last two years, and 47% have implemented an online customer payment portal.

E-invoicing is not only convenient for your customer, but it can have a visible benefit on your accounts receivable, prevent past-due payments and save time spent tracking down lost invoices.

Automation allows the ability to mass communicate with all customers in one go and at the same time have a common approach to customer feedback. When handling thousands of customer portfolios, being able to approach them at once is a huge milestone.

Maximize Productivity

The credit and collections industry can feel a bit outdated when it comes to driving innovation, but that's where automation makes a difference. It reduces human error and improves productivity. Amid a world of massive amounts of data, investing in automation is no longer optional for businesses to remain competitive.

Roughly 56 million hours are wasted each year in the U.K. pursuing overdue payments, according to a report from Intuit QuickBooks. But with technology, the same level of payments can be processed with less people and more accuracy.

Include both intangible and tangible benefits in your argument for automation. For example, automation leads to less employee burnout. About 49% of U.S. employees say they are burned out from their jobs, according to a survey by Eagle Hill Consulting LLC. And 63% say that staffing shortages are contributing to employee burnout.

With increased business growth comes more work for the credit department. Having solutions in place to offset those demands allow employees to have a reasonable workflow that can be accomplished daily.

Digital credit management and debt collection frees up time to focus on more business-critical tasks as they surface, while maintaining quality and accuracy. For example, implementing the technology to accept ACH payments will save a substantial amount of time.

"By the time you open the mail and apply the check to the correct accounts, multiple ACH transactions could have been completed," said one NACM member who uses cash application software to process ACH payments. "If we have 1,000 customers on ACH, that's 1,000 payments we don't have to manually process each month. That is a substantial amount of time versus waiting for a check or typing in a credit card number, whereas an ACH transaction takes only a minute."

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Decrease Expenses

Revenue is often top of mind for senior management, and it is no secret that automated tools can be expensive. But digitization can help save your business money in the long run. "Upper management consistently focuses on the short-term cost rather than the long-term benefits of software, which often leads to inaction," said an NACM member.

Automated solutions can save a company money in a few different ways, like helping recover lost revenue due to payment failures. Be sure to find an automation platform that aligns with your company vision, is compatible with your technology infastructure and is cost-effective. When presenting your argument to leadership, make a point to highlight the automation that will bring the highest return on investment (ROI). Cost and implementation are difficult obstacles to overcome, but having a strong ROI will be beneficial to your case.

Especially in a market where it is harder to fill positions and wages are increasing, digitization can be used to redirect and better utilize existing team members without having to significantly add more people or expenses. Salaries in the U.S. increased 3.2% in the 12-month period ending in June 2022, according to the U.S. Bureau of Labor Statistics. Automation may sound more expensive in upfront costs, but will eventually pay for itself.

Digital debt collection also reduces the costs of payment recovery and helps minimize delinquencies while improving speed and collection rates. With automation, businesses can take advantage of opportunities that may otherwise not have been an option.

“As collections get more cost-efficient, predictable and faster, lenders with better recoveries would eventually consider lending to newer segments and remote areas, which have remained outside the credit umbrella for now,” reads an article from *Financial Express*.

Timing is important. Try to schedule a meeting with management roughly three to four months before your company sets its annual budget to discuss pricing options.

Making a Seamless Transition

Your argument for automation successfully gained the support of upper management. Now what?

The work is far from over.

If there are any existing inconsistencies with customer information in your database, they will surface during the automation implementation process. It is key to double-check documents when setting up a customer account. Doing so will cut back on the frustration of having to go back to the customer for corrections.

At first, it may be difficult to get the credit department and customers on the same page. A change in your normal credit processes could be confusing, so make sure you explain it as best you can to everyone who will be affected.

Switching to an automated system can generate a lot of questions from customers which may actually make the credit department busier at first. Go into automation with the expectation that the first billing cycle might not be perfect, but eventually, everyone will get caught up.

Technology can never replace the credit professional, only enhance their skills.

Involve team members from all departments who have a knack for technology and strong project management skills for a smooth transition when adopting new automation. Allow a tech savvy employee to develop a presentation and invite others to conduct a portion of the training course.

Technology can sometimes come with a negative stigma and may be off-putting to some members of the credit department. Colleagues could have differing opinions about a major change to the credit and collection process. And even if the entire credit department is on board, difficult situations may arise during employee training. The best way to minimize any friction within the credit department regarding automation is to have open communication and allow time for the department to manage the transition and not just the change.

Finally, know that technology can never replace the credit professional, only enhance their skills. In some cases, it can actually help grow your department. One credit professional saw such large improvements in their receivables with the help of technology that other company locations took note, and now their team is in the process of expanding.

Insight gathered from NACM’s Thought Leadership Groups and weekly *eNews* poll questions made this white paper possible. Member participation is critical for our ability to gather accurate data and write quality articles. We thank the members who are generous with their time and invite our Editorial Team to engage in further discussion. To learn more about our Thought Leadership Groups, please contact Tracey Lerminiaux at traceyL@nacm.org or 410-423-1830.