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Written by: Mitchell Rose, Billtrust

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Electronic Invoicing Mandates: No Longer Optional

By: Mitchell Rose, Senior Vice President & General Manager, Billtrust

Invoicing electronically has become the norm for B2B suppliers – especially those doing business internationally. Between buyers' growing usage of AP portals and myriad government mandates demanding compliance, getting paid while creating world-class customer experiences depends on AR teams embracing automation. Let's look at two types of mandates that affect AR teams, and ultimately how we need to deal with them.

Government Mandates

Close to 100 countries now mandate electronic invoicing in one form or another, and the list is growing. Why? For many countries, their governments are acting more like businesses and trying to improve efficiency with B2G transactions. For others, it's a way for them to reduce tax evasion by using invoice data to combat fraud. These are called "clearance models" and often extend beyond B2G into B2B and, in some cases, B2C invoicing.

Germany, Europe's largest economy, for example, currently mandates B2G invoicing, and its parliament has recently considered the potential of a B2B e-invoicing mandate in a bid to reduce their VAT gap. In the U.S., the Business Payments Coalition (BPC), an organization that advocates improvements in B2B payment-related issues, has been leading a multi-year effort exploring the feasibility of developing and implementing a standard, ubiquitous B2B electronic invoice and processing platform.

Mandates like these make it complicated for suppliers, not only because of the sheer number of them worldwide, but also because they differ, and it's not particularly easy to obtain information on what kinds of mandates exist country-by-country.

Buyer Mandates

Along with mandates that come from the government, there are also those that come directly from buyers. I wrote an article in 2020 for *Perspective by CRF* called, "The AP vs. AR tug-of-war: Ending the struggle to manage multiple AP platforms." In it, I describe the advantages that the AP side has had because of their mandated use of portals, and I offered several options to address – either refuse to use them, hire more people for manual invoice keying, invest internally in integrations, or use a third-party to automate. Two years later, undoubtedly, AP portals are even more entrenched. And post-pandemic, with lean staffs and a volatile and often uncertain economy, some of the options I outlined in 2020 – hiring more people and engaging IT to build integrations – are even less feasible than they were then. But do we need to make it easier for buyers to pay their way and minimize stress on AR teams? Yes, and it's now more important than ever!

What to Do?

Delivering an electronic invoice is easier said than done, whether it's to a government entity on the other side of the globe or a local buyer. The sheer number of e-invoicing mandates in operation globally, coupled with their differing rules of operation, integration and compliance means that businesses must conduct in-depth research to understand all of the requirements and legislation they must adhere to.

The sheer number of AP portals with which AR professionals are asked to interact can also be daunting, and the challenge is one many companies are simply not equipped to handle. Developing individual connections to B2B and B2G invoice networks is an extremely time- consuming, complex and costly process, and as more and more of these platforms are created, the complication grows. It's the same thing with AP portals. With at least 170 of them out there, and surely more on the way, the requirements of delivering invoices continue to haunt and hamper AR teams.

The bottom line for these government e-invoicing mandates? I'll offer similar options I did two years ago for dealing with AP portals: refuse to do business internationally (probably not a viable option); attack the problem by hiring more people; use more IT resources to build and maintain the channel connections necessary to connect with countries across multiple continents and languages; or partner with an experienced service provider that knows the regulations and complexities and guarantees global compliance.

Remember, the invoice is the order-to-cash cycle's most important document. Making sure it's generated, presented on time and delivered in an efficient – and fully compliant – manner is foundational to the order-to-cash process.

Note: Billtrust has developed a list of e-invoicing requirements by country.

About the Author

Mitchell Rose is Senior Vice President and General Manager, Corporate Segment at Billtrust, where he has worked with hundreds of businesses to help them automate their order-to-cash process. Before Billtrust, he held senior-level marketing positions with Coca-Cola, Mattel and Warner Lambert. Mitch holds an MBA from Columbia University in Marketing and a BS in Applied Economics from Cornell University.
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Inflation and Growth Update

By: Steven C. Isberg, PhD, Senior Fellow, Credit Research Foundation, Chair, Department of Accounting, Towson University

Inflation continues to be volatile yet is showing signs of slowing down. For the month of October 2022, six out of sixteen measures of inflation, based on the elements of the associated CPIs and measurement intervals, increased from the previous month. Nine of the measures decreased and one remained the same from the prior month. The results are shown in Exhibit 1 below. Orange shaded cells indicate increases and green cells decreases from the prior period, which results are shown in Exhibit 4.

Exhibit 1 Inflation Measures by Element and Interval: October 2022				
Measure	Monthly	QTRLY	ANNUAL	5 YR Average Annual
Overall	5.39%	3.83%	7.76%	3.86%
Core	3.31%	5.81%	6.31%	3.39%
Food	7.46%	9.07%	10.94%	4.64%
Energy	23.89%	-19.73%	17.65%	7.57%

Increasing inflation rates for energy prices offset slightly declining inflation rates for food prices, resulting in higher overall inflation rates measured using monthly, quarterly and five-year average annual intervals. Overall year-to-year inflation fell from 8.22% to 7.76%.

Core inflation (overall less food and energy) was down for all but the five-year average annual interval measure, which remained unchanged from the prior month. Inflation in food prices continued but was slightly lower than the prior month when measured using monthly, quarterly and annual intervals. Energy inflation, which was -22.54% (annualized) for the month of September, shot up to 23.69% in October. The quarterly measure went from -37.98 to -19.73%.

The declining rates for core inflation suggest that the interest rate increases enacted by the Federal Reserve are starting to have an impact on prices. Increasing food and energy prices will also force consumers to devote more of their spending budgets to those items, putting downward pressure on prices reflected in the core inflation rate. The fact that we are about to enter a recession was also evident in the rate of growth in consumer spending for 2022 Q3, which fell to 1.4% (annualized), as shown in Exhibit 2, which breaks third quarter real GDP growth into its principal elements.

Exhibit 2 Elements of GDP and Their Impact on 2022 Q3 Growth Rate		
Element	Percent Change	Contribution
Consumption Expenditures	1.40%	0.97%
Gross Private Domestic Investment	-8.50%	-1.59%
Government Consumption and Investment	2.40%	0.42%
Net Exports		
Exports	14.40%	1.63%
Imports	-6.90%	1.14%
Total change		2.57%

These same interest rate increases are responsible for slowing the momentum in private domestic investment as well. Private investment was down at an annualized rate of 8.5% in the third quarter. The residential housing component was down over 27%. This means that the interest rate increases are also choking the life out of any economic growth prospects over the next few years and virtually guaranteeing that there will be a significant recession, most likely by early next year.

The primary driver of the positive real GDP growth in 2022 Q3 was net exports. As can be seen in Exhibit 2, the increase in export value and decrease in import value contributed 2.77% of the total growth of 2.57% in the real GDP. Without it, real GDP shrunk by 0.2% for the quarter. The change in our net trade balance, however, is to a degree an artifact of rising interest rates leading to a strengthening US dollar in the global markets. Most of our trading partners are unable to follow the US up the interest rate ladder (it would kill their economies), and hence, the value of the dollar has strengthened. It is important to note that this is not a sign of sustainable real economic growth.

The problem of stubborn inflation continues to be directly related to the amount of excess money created by the Federal Reserve and borrowed and spent by the US Federal government during the pandemic. Government debt has increased by more than $7.0 trillion since the beginning of the pandemic. This matches almost dollar for dollar the amount of money created by the Fed's expanding monetary reserves over the same time period. Inflation in the prices of food and energy, which are composed primarily of commodities, will follow increases in the money supply. Consequently, one can say that much of the current inflation we are experiencing has been induced by the actions of the Federal Reserve and Federal government. Even so, it appears from observing the trend in the annual inflation rate in Exhibit 3, that it is slowly coming down.

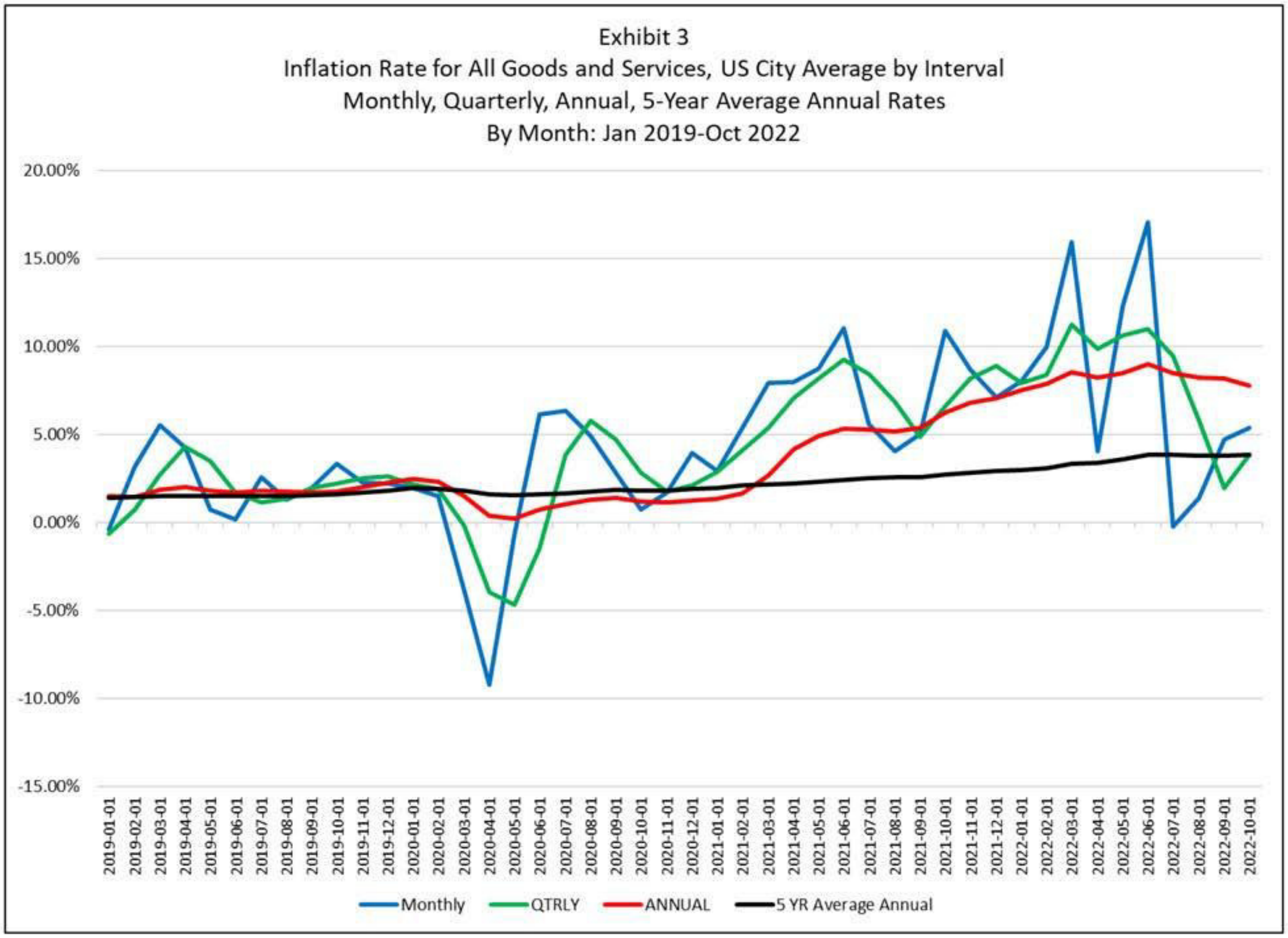


Exhibit 4				
Inflation Measures by Element and Interval: September 2022				
Measure	**Monthly**	**QTRLY**	**ANNUAL**	**5 YR Average Annual**
Overall	4.73%	1.96%	8.22%	3.79%
Core	7.13%	5.98%	6.66%	3.39%
Food	9.83%	11.25%	11.24%	4.54%
Energy	-22.54%	-37.98%	19.87%	6.74%

About the Author

Steven C. Isberg is the Chair of the Department of Accounting at Towson University and teaches graduate and undergraduate courses in corporate finance, financial analysis and valuation, and financial economic history. As Sr Research Fellow at the Credit Research Foundation he conducts various research studies and delivers online financial analysis courses as part of the CRF Online Classroom™ program. He has over 25 publications in academic and professional journals and has served as a professional business consultant to a variety of firms.

5 Questions to Drive a Cash Culture During Economic Uncertainty

By: Brian Morgan, Director Product Marketing AR, BlackLine

Times are changing, and so are the roles of credit managers. Beyond what is traditionally understood of the credit manager, their role is expanding to become something more like a 'revenue manager', and this shift will have many impacts on business as we know it. For some this is a small shift, but a significant one regardless. For others, this is a massive stride away from being the debt collection department!

Job titles often change without much real significance. This shift requires credit managers to oversee end-to-end global processes and simultaneously manage the stakeholders involved at each stage of those processes. If credit departments are to truly drive success, they need to extend collaborative working relationships with the sales department, and with the customers to whom they sell. Such a change necessitates an accompanying shift in mindset and culture – towards what I like to call a "cash culture".

For many organizations, cash has been easily accessible over the last ten years. During the pandemic, the threat of cash becoming scarce resulted in cashflow rising to the top of the agenda for the C-suite, in particular the CFO, at almost every organization. Against this backdrop, tactical methods to maintaining oversight over cash were taken. For example, many businesses set up 'war rooms' for cash on a daily basis, to track cashflow status and cash coming in from customers.

Cashflow has remained at the very top of the agenda post-pandemic. In fact, according to a recent global survey we conducted at BlackLine (Eye of the Storm: F&A's Role in Responding to Instability & Volatility, 2022), 62% of C-suite and finance professionals believe that understanding cash flow in real time is going to become more important for their company over the next 12 months, in the face of economic uncertainty.

Despite this, only 2% of C-suite and finance professionals surveyed stated that they feel confident in the visibility they have over their cashflow.

This is why creating a cash culture is so essential. A cash culture is one that moves visibility over cash from a tactical or operational task to a strategic one, which highlights to all stakeholders, including sales, operations and marketing, that cash is truly king.

Here are some key characteristics of a prosperous cash culture:

- Unanimous understanding that being paid on time impacts not only working capital but profitability. This is driven by credit managers educating stakeholders about how accounts receivable processes impact the success of the business.
- All key stakeholders are involved in the end-to-end process, ensuring optimised cash collections. This involves sending invoices out in a speedy fashion, and sending invoices out accurately – for example, ensuring all charges are as per agreed rates with the customers. This means the CRM needs to be in sync with the billing system to prevent invoices going into dispute, thus slowing payments down. This also involves a common understanding from all stakeholders that extending payment terms comes at a cost – the longer the debt is to be paid results in a higher cost of finance, thus impacting not only cash flow, but profitability. Finally, it means disputed invoices are quickly resolved and collectable, and most importantly that being paid on time is expected – and everyone works together for that goal.

To achieve a cash culture as laid out above, credit managers should ask themselves five key questions.

1. Process Improvement – Opportunity or blank space!?

Are my processes designed to drive actions for success, or to fix the challenges created by the ERP?

Throughout the pandemic, every business had to adapt to new and unfamiliar circumstances in order to keep their head above the sand. In many cases, this meant adding extra processes to support finance teams and customers. While these processes were added with the best intentions at the time, are these additional processes still creating more efficiency?

Now that new ways of working have been established – often with a hybrid style of remote and office working – we need to shift our processes to reflect that. Ask yourself what your current processes are for, which are necessary and whether they are increasing efficiency and productivity in the new normal. Which of these processes can be automated to enable your teams to focus on adding value? Reviewing processes post-pandemic is essential if credit managers are to enable the cash culture needed to support their changing roles.

Processes should be consistently reviewed to find better ways of working.

2. How is my stakeholder engagement?

Successful departments must be underpinned by effective stakeholder engagement. More so than ever now, as the role of credit departments has expanded to incorporate a wider range of global processes and stakeholders.

Do you know how each one of your stakeholders contributes to your success? Consider putting together a RACI plan (a matrix of those who are Responsible, Accountable, Consulted, Informed) to determine which stakeholders are the most relevant and how you can measure your engagement with them.

Which ones impact the success of the AR key performance outcomes? Do they understand how and why it impacts them?

In my experience, when a win-win scenario is created, it comes from understanding how different roles impact one another's success. This is when business partnering is at its best.

3. Do I make the most out of my credit policy?

Every organization should have a credit policy – but this doesn't mean they do. In many cases, it is something created to tick a box for a target operating model, but never actually used in earnest, which is a missed opportunity.

If you want to drive a great cash culture, sales, ops and credit should all be aligned, working towards the same framework – with the customer at the center. Problems arise when Sales has one policy – the purpose of which is to sell as much as possible – and Credit's policy naturally is to reduce debt, which means not selling to customers deemed too risky. This can mean that the two functions don't communicate and are therefore not aligned.

In the challenging landscape we are in today, we face the necessity to sell. Many times, this will mean selling to customers who do not fit our ideal credit risk appetite. The key is to agree on an aligned policy, which establishes the appetite for risk up front, rather than creating challenges on a regular basis, creating friction in working relationships.

4. What do I measure and why?

What you measure is what you get, as they say. It is crucial to carefully understand what you are measuring and why, especially in periods when demonstrating successes is more frequently relied upon.

Often in organizations we only measure our outcomes, not the method taken to achieve those outcomes. It's time to review all of the leading measures in your current processes, rather than focusing solely on the lagging measures. Furthermore, automating processes and making their analysis easier is a reliable way of measuring every element of your processes, not just those that might seem most obvious.

5. Where is my roadmap taking me?

Noah didn't wait for the rain to come to build the ark. Preparation is essential before times of crisis, not when they arrive. Crucial to this is having a clear roadmap to guide you through difficulty.

Without a roadmap in place, it is easy to fall into survivor mode, doing what you can simply to keep going. Ask yourself which points on your journey you will need to understand before reaching them. What will I automate and how will I improve processes? How will I keep my key people? How will I attract the right talent?

In fact, according to research we conducted at BlackLine (Generation Future Finance, 2021), a quarter of C-suite and finance professionals believe that legacy technology and processes are making it difficult to attract talent. In fact, offering up-to-date technology and processes was found to be more important to potential candidates than offering a competitive salary. Furthermore, when asked about the biggest negative impact on finance employee retention, respondents identified the three main biggest challenges as:

- No opportunities to learn new skills because transactional work takes up so much time (28%)
- No time to focus on future career development (26%)
- Becoming bored with the mundane, repetitive nature of the job (26%)

Once a roadmap is in place – supported by automated processes that bring value to work – staying aligned to your goals is far more achievable.

Consider how you are incentivizing your people to stay. Nobody leaves college with the goal of data entry. In fact, according to BlackLine research, 2 in 5 C-suite professionals believe outdated perceptions of F&A roles, as defined by mundane data entry tasks, are stopping people from starting careers in this field.

Changes in our function have led to credit and AR professionals having the opportunity to become data analysts. People want to use their brains and add value to their businesses. Automating your processes allows for this by removing the need to spend time completing long, potentially mundane tasks and creates opportunities for growth, both on an individual and company-wide level.

What happens next?

There are many challenges coming, in particular for those at the forefront of ensuring businesses retain the right mindset. In asking yourself these five key questions, the important takeaway is to understand what is within your control.

I once heard an Olympic champion say that he couldn’t control winning the medal – which he ultimately did achieve – but he could control running the perfect race. Know what you can control and what you can’t and, crucially, ensure you have the visibility and understanding to know which is which. You can control your processes, what you measure, your roadmap and the engagement of your stakeholders.

We manage risk. We cannot eliminate risk, but we can transform how we work to reduce the threat of risk. Now is the time for AR and credit professionals to demonstrate their skills, and those of their teams, more than ever.

About the Author

Brian Morgan combines a wealth of knowledge and expertise in Shared Services, Accounts Receivable and Credit Management. Brian has over 25 years’ experience across multiple sectors for National and Global organizations. Throughout his career he has achieved outstanding results and received many Industry Awards, most notably when under Brian’s leadership, Veolia UK were recognised as a Centre of Excellence by the Chartered Institute of Credit Management. In Brian’s role at BlackLine, he is sharing his knowledge with Customers and supporting the development of an exciting Roadmap of AR solutions.

Do You Know What Your Peer Group is Responsible For?

By: Matt Skudera, Credit Research Foundation

We can all agree that the world has changed over the last three years – for obvious reasons. Operational, behavioral, and tactical changes have been a constant challenge. Let's explore further into these areas that have altered our responsibilities and added value to the business.

Operational Shifts

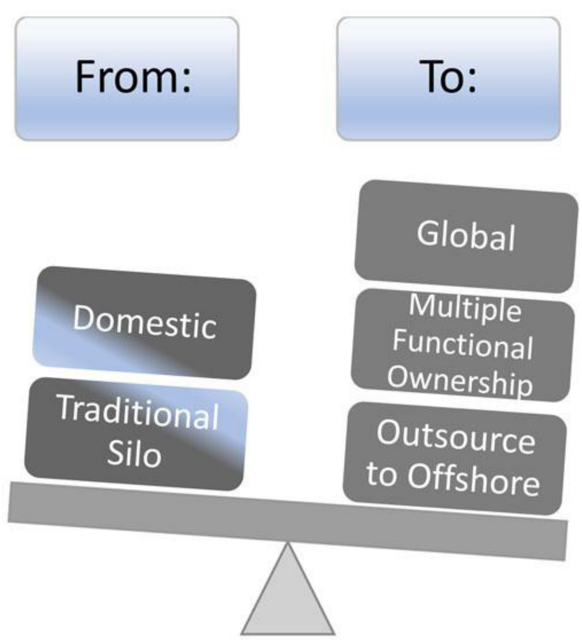
One of the most striking shifts has been in the operational environment. Three major areas of change are:

- Globalization
- The Value Chain (Revenue Cycle Management)
- Outsource to Offshore

First is the movement to a global market across all organizational sizes, from small businesses to the largest enterprises. Over the past three years, research has indicated a significant increase in the number of credit executives who now have international responsibilities – a staggering increase from 40% to 51%. A deeper dive into this statistic indicates that the growth is operational in nature, while policy has shifted to "In Region" control.

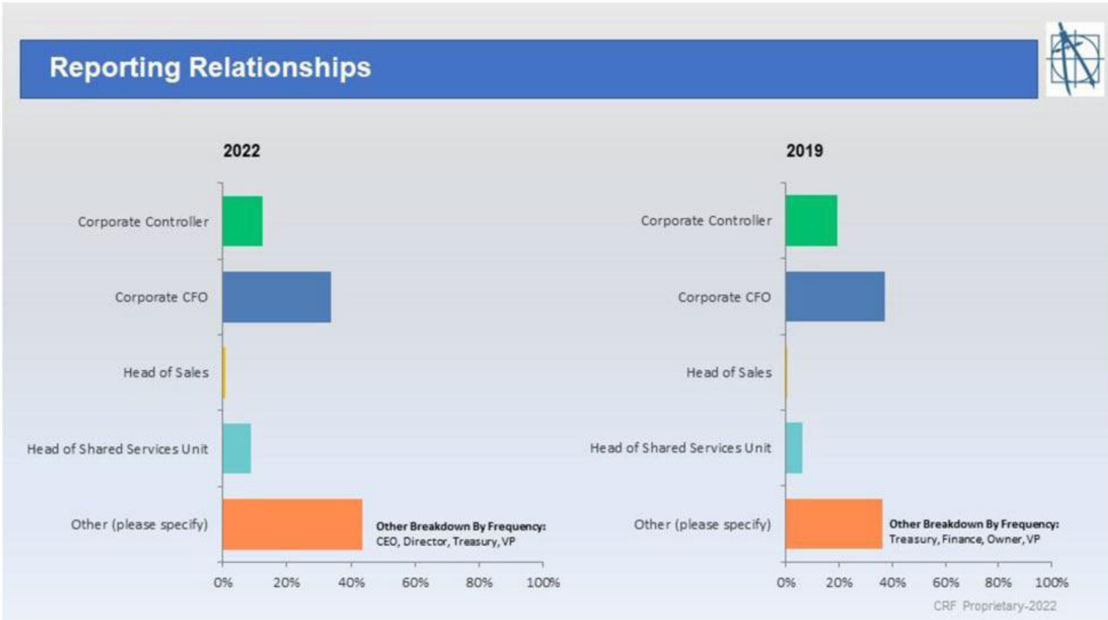
Second in the operational shift is how the tactical practices are positioned in the value chain, now referred to by many as "Revenue Cycle Management". Clearly a technology push is redirecting the transactional activity from manual processes to a systemic environment that includes Robotic Process Automation (RPA), Machine Learning (NL), and Artificial Intelligence (AI). These systems are now commonplace in many organizations, whether implemented in-house or through partner organizations that are integrated through their traditional order entry and e-commerce platforms. This shift is changing the mindset from a vertical discipline concept of credit, collections and cash application to a horizontal value chain as processes become more integrated and automated. Research indicates that over 50% of companies are adding automation to the order-to-cash business cycle.

The final element in operational movement is through the concept of outsourcing to a third party and how the value proposition has changed. Businesses now appear to be focused on "offshoring" verses outsourcing, creating captive environments (company owned) as opposed to third-party organizations being asked to perform transactional processes.



Behavioral Change

The events of the last three years have created a seismic shift in behavior. Among the many examples are work from home (WFH), reliance on technology, and new avenues to enhance employee and customer engagement. The most striking for the credit executive is the shift in reporting relationships. Today, more credit executives are reporting directly to the CEO than ever before. So, the question then becomes. . .why? The answer is simple - the importance of the discipline has been elevated by the strategic nature and significance of their new role as evidenced by the number of peers sitting at the c-level table to manage strategic initiatives. The old adage holds true – it takes a crisis for the credit executive to shine, and in recent years, this is truer than ever before.



Tactical Changes

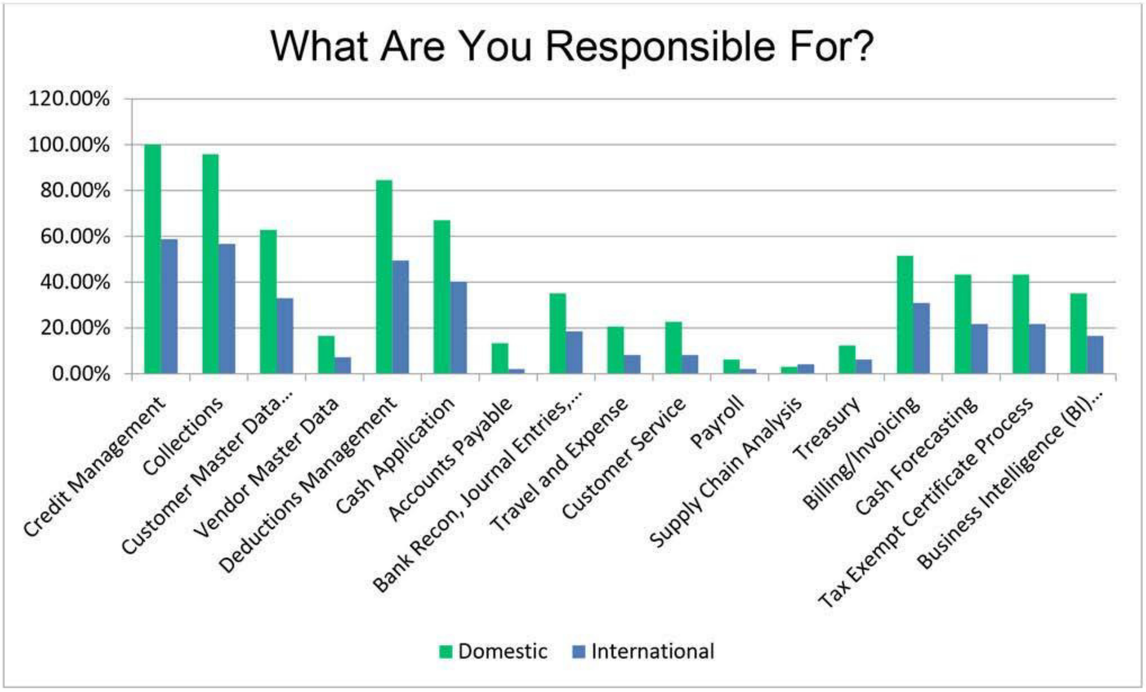
Finally, let's explore some of the tactical changes that have taken place:

- Supply Chain Analytics
- Business Intelligence
- Growth In Related Functions

New on the scene and driven by the supply chain crisis is the credit department's expanded responsibility of supply chain risk review. The same skillset required for credit reviews has become a valuable resource when evaluating supply chain risk for an organization. While the lens in which risk is evaluated is slightly different, the skills required to accomplish the task resides within the credit department, and they are stepping up to fulfil the need.

Business Intelligence is not a new concept, but the application and toolsets have now made their way into many aspects of a business, with credit being no exception. Today we are seeing many credit departments redefining specific roles around this function, while maintaining their own informational sources through data ponds and data lakes. What is extremely interesting is that many director-level job descriptions now include this as a core competency and/or requirement.

Lastly, there has been growth in the functions related to the "Revenue Cycle Management" value chain, with direct ownership by the traditional credit leader. It is not uncommon today to see "Director/VP of Revenue Cycle Management" as a job title, but which also includes the traditional primary responsibilities for Accounts Receivable, Risk Management, Accounts Payable, Data Management, Billing, Tax Certificate, etc. The span of control and responsibilities are increasing, and the associated compensation is following suite.



Final Thoughts

The changes that have taken place over the past several years emphasize the critical role of the credit function and it is even more evident today in the current economic climate as managing risk, healthy cash flow and business insights are required for success. These Behavioral, Operational and Tactical changes, as reported by the Credit Research Foundation, have seen advancement from their historical vertical positioning to a more lateral value chain known as Revenue Cycle Management. Today's credit executives are keeping pace with these changes and offering additional value across the Revenue Cycle landscape.

About the Author

Matt Skudera is Chief Content Officer for the Foundation. Prior to CRF, Matt spent over 25 years in positions of increasing responsibility in Credit and Financial Shared Services. Matt is the incoming President and COO effective January 2023.

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The Placement of Delinquent Accounts with Certified Commercial Collection Agencies Year-To-Date 2022 As Compared to 2021 and 2022

By: Annette Waggonner, Executive Director, Commercial Collection Agencies of America

Research reports produced by Commercial Collection Agencies of America, including account placement trend analyses, routinely provides credit practitioners with valuable insight into the impact of bad debt on sales and operations.

This analysis, completed by Commercial Collection Agencies of America on a quarterly basis, includes a review and compilation of the account placement data submitted by member agencies in accordance with a certification requirement mandated by an Independent Standards Board.

The Association encourages the proper administration of delinquent receivables, which includes the placement of accounts with certified third party commercial collection agencies on a prompt basis. Our research shows the probability of full collection on a delinquent account drops drastically in accordance with the length of the delinquency.

This resulting report serves as an aggregate and comprehensive examination of the placement of accounts year-to-date 2022 and how those numbers compare to all quarters of 2021 and 2020.

It should be noted that since membership changes over the years, adjustments are made to previous reports to reflect such additions and deletions of members to give an accurate comparison. Further, when historical numbers are quoted, only current members' historical statistics are utilized when analyzing placements.

For this study, the Association analyzed the following indices:

- √ ***The number of accounts placed for collection***
- √ ***The dollar amount of accounts placed for collection***
- √ ***The resulting average-sized account***

NUMBER OF ACCOUNTS PLACED FOR COLLECTION

FIRST QUARTER

The ***number of accounts placed for collection*** in the first quarter of 2022 was compared to the ***number of accounts placed for collection*** in the first quarter of 2021 and 2020, as well as compared to the ***number of accounts placed for collection*** in the fourth quarter of 2021 (the previous quarter).

The ***number of accounts placed for collection*** in the first quarter of 2022 is **29.38% higher** when compared to the first quarter of 2021.

The ***number of accounts placed for collection*** in the first quarter of 2021 is **6.85% higher** when compared to the first quarter of 2020.

The ***number of accounts placed for collection*** in the first quarter of 2022 is **38.23% higher** when compared to the first quarter of 2020. The pull-back in placing accounts in the beginning of the pandemic, as well as the rebuild after, is at play with this considerable statistic.

PERIOD	INCREASE (DECREASE)
1Q 2022 to 1Q 2021	29.38%
1Q 2021 to 1Q 2020	6.85%
1Q 2022 to 1Q 2020	38.23%

The ***number of accounts placed for collection*** in the first quarter of 2022 is **15.79% higher** when compared to the fourth quarter of 2021.

PERIOD	INCREASE (DECREASE)
1Q 2022 to 4Q 2021	15.79%

Another interesting, potential trend, when placements from 2016-present were examined is that 1Q 2022 has the second largest ***number of accounts placed for collection***. Which quarter has the largest? Continue reading....

NUMBER OF ACCOUNTS PLACED FOR COLLECTION

SECOND QUARTER

The ***number of accounts placed for collection*** in the second quarter of 2022 was compared to the ***number of accounts placed for collection*** in the second quarter of 2021 and 2020, as well as the ***number of accounts placed for collection*** in the first quarter of 2022 (the previous quarter).

The ***number of accounts placed for collection*** in the second quarter of 2022 was **32.27% higher** than those in the second quarter of 2021.

The ***number of accounts placed for collection*** in the second quarter of 2021was **19.67% higher** than those in the second quarter of 2020.

The ***number of accounts placed for collection*** in the second quarter of 2022 was **58.28% higher** than those the second quarter of 2020. As stated in the first quarter analysis, the impact of the pandemic on placements, as well as the road back, is exhibited here.

PERIOD	INCREASE (DECREASE)
2Q 2022 to 2Q 2021	32.27%
2Q 2021 to 2Q 2020	19.67%
2Q 2022 to 2Q 2020	58.28%

The ***number of accounts placed for collection*** in the second quarter of 2022 was slightly higher than those placed in the first quarter of 2022 - **3.07% higher**.

PERIOD	INCREASE (DECREASE)
2Q 2022 to 1Q 2022	3.07%

The second quarter of 2022 registered the largest n***umber of accounts placed for collection*** in the study of the period 2016-YTD 2022.

DOLLAR AMOUNT OF ACCOUNTS PLACED FOR COLLECTION

FIRST QUARTER

The ***dollar amount of accounts placed for collection*** in the first quarter of 2022 was compared to the ***dollar amount of accounts placed for collection*** in the first quarter of 2021 and 2020, as well as compared to the fourth quarter of 2021.

The ***dollar amount of accounts placed for collection*** in the first quarter of 2022 is **8.68% higher** when compared to the first quarter of 2021.

The ***dollar amount of accounts placed for collection*** in the first quarter of 2021 is **3.29% higher** when compared to the first quarter of 2020.

The ***dollar amount of accounts placed for collection*** in the first quarter of 2022 is **12.25% higher** when compared to the first quarter of 2020.

PERIOD	INCREASE (DECREASE)
1Q 2022 to 1Q 2021	8.68%
1Q 2021 to 1Q 2020	3.29%
1Q 2022 to 1Q 2020	12.25%

MOVEMENT BETWEEN QUARTERS

The ***dollar amount of accounts placed for collection*** in the first quarter of 2022 ***decreased by 6.70%*** when compared to the fourth quarter of 2021.

PERIOD	INCREASE (DECREASE)
1Q 2022 to 4Q 2021	(6.70%)

While not encouraging, this decrease was short-lived. Read on to see how placements rallied back in 2Q 2022.

DOLLAR AMOUNT OF ACCOUNTS PLACED FOR COLLECTION

SECOND QUARTER

The ***dollar amount of accounts placed for collection*** in the second quarter of 2022 was compared to the ***dollar amount of accounts placed for collection*** in the second quarter of 2021 and 2020, as well as the ***dollar amount of accounts placed for collection*** in the first quarter of 2022.

The ***dollar amount of accounts placed for collection*** in the second quarter of 2022 was **28.13% higher** than the dollar amount in the second quarter of 2021.

The ***dollar amount of accounts placed for collection*** in the second quarter of 2021 was **8.27% higher** than the dollar amount in the second quarter of 2020.

The ***dollar amount of accounts placed for collection*** in the second quarter of 2022 was **17.54% higher** than the dollar amount when compared to the second quarter of 2020.

PERIOD	INCREASE (DECREASE)
2Q 2022 to 2Q 2021	28.13%
2Q 2021 to 2Q 2020	8.27%
2Q 2022 to 2Q 2020	17.54%

MOVEMENT BETWEEN QUARTERS

The ***dollar amount of accounts placed for collection*** in the second quarter of 2022 was **11.39% higher** than the dollar amount in the first quarter of 2022.

The ***dollar amount of accounts placed for collection*** in the second quarter of 2022 was **3.93% higher** than the dollar amount in the fourth quarter of 2021.

PERIOD	INCREASE (DECREASE)
2Q 2022 to 1Q 2022	11.39%
2Q 2022 to 4Q 2021	3.93%

AVERAGE-SIZED ACCOUNT

An analysis was made of the ***average-sized dollar amount*** of a delinquent receivable placed with a certified commercial collection agency during the last ten (10) quarters (1Q 2020 to 2Q 2022). The results showed that it ranged from a high of $4,456 (2Q 2020) to a low of $3,062 (1Q 2022).

The ***average-sized account*** during FY 2020 was $4,071, while during FY 2021, the ***average-sized account*** was $3,651-a notable **10.32% lower** than 2020.

In 1Q 2022, the ***average-sized account*** was $3,062, which is **16.13% lower** than the FY 2021 average and a considerable **24.78% lower** than the FY 2020 average.

In 2Q 2022, the ***average-sized account*** was $3,309, which is **9.36% less** than the FYI 2021 average and **18.71% lower** than the FY 2020 average.

YEAR TO YEAR COMPARISON

2020	2021	2Q 2022	1Q 2022
$4,071	$3,651	$3,309	$3,062

QUARTER TO QUARTER COMPARISON

The following exhibits how the first and second quarters of 2022, 2021 and 2020 compared to one another:

FIRST QUARTER

The ***average-sized account*** in 1Q 2022 was **19.03% lower** than the ***average-sized account*** in 1Q 2021. The ***average-sized account*** in 1Q 2021 was **3.34% lower** than the ***average-sized account*** in 1Q 2020.

SECOND QUARTER

The ***average-sized account*** in 2Q 2022 was **3.13% lower** than the ***average-sized account*** in 2Q 2021. The ***average-sized account*** in 2Q 2021 was **23.33% lower** than the ***average-sized account*** in 1Q 2020.

The downward trend of ***average-sized account*** is evident from the study.

CONCLUSION

To date, 2022 has brought the world of account placement with certified commercial collection agencies, in aggregate, in a more “normal”, dare we say, “familiar” realm.

The number of accounts placed year-to-date is higher than any other first half of the year when examining 2016-2021.

The dollar amount of accounts placed year-to-date is also higher than any other first half; albeit only slightly (.3%) than pre-pandemic 2019.

As the report shows, agencies are receiving a smaller average-sized account than in previous years. When 2022's average-sized account is compared to the average-sized account in the span of 2016-2021, a 15% reduction is seen. Perhaps placements in the third and fourth quarters of 2022 will produce larger average-sized accounts. Stay tuned.

In 2022, agencies are experiencing less swings than in 2021, when the number of accounts placed for collection and the dollar amount of accounts placed for collection are examined. As the reader may recall, in 2021, agencies reported large increases and decreases-from quarter to quarter in both categories, citing various causes.

The second half of 2022 is critical on so many planes; placement of bad debts with certified, commercial collection agencies, being only one of them. Now more than ever, credit practitioners must be vigilant adhering to collection policies, measuring receivable performance, monitoring reserve levels, and most importantly, assuring timely placement of delinquent accounts.

Any questions regarding this report or the data herein, should be directed to:

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Are B2B Checks Finally Going Away?

By: Suneel Chirunomula, Viewpost EVP of Growth

Checks are frustratingly resilient, particularly for business-to-business (B2B) payments. Despite decades of investments, innovation, and efforts to eliminate the inefficiency of sending and receiving paper checks, nearly every middle-market and enterprise company still prints and mails substantial payments the old-fashion way. According to the 2022 AFP Digital Payments Survey, one-third of B2B payments in North America are still made by checks. Not surprisingly, the study confirms a desire by companies in the U.S. to increase the use of digital payments. So, will this decade finally bring the end of B2B check payments? If so, by when, why now, and how will it happen?

Why B2B Checks Persist

There are countless reasons B2B checks have lagged behind their consumer-to-business counterparts in transitioning to the digital world, and three themes stand out: complexity, cost, and confusion. These factors have arguably extended the life of paper checks by more than a decade. Here's how:

Complexity: B2B transactions are inherently more complex than consumer payments. Where the latter can occur in an instant between a retail cashier and a customer, B2B transactions can involve dozens of people and take 30-90 days (or more) throughout the purchasing life cycle. As a result, the industry never focused solely on eliminating checks. Instead, they developed comprehensive accounting solutions, ERP systems, integrated payables, AP automation, and a plethora of technologies that likely promised a transformation to digital payments as a component of a more comprehensive solution.

A problem with tackling a big, complex problem is that it often results in big, complex solutions. It goes without saying that technology has brought enormous efficiency to AR and AP organizations of all sizes, and there are fewer checks used to pay suppliers today than 20 years ago. However, the fact that one-third of U.S. payments, representing trillions of dollars, are still being sent as paper checks proves that the current systems have yet to be as effective at eliminating paper checks as most payment professionals had hoped.

Cost: While checks have always been costly and inefficient, change introduces a new set of expenses, disruptions, and frustrations. Over the past few decades, every company has already had systems and processes in place to handle sending and receiving checks. These systems often made it easier for companies to continue with the status quo rather than invest their time, human capital, and limited funds on technology upgrades. In addition, checks were so engrained in everyday business processes that it was easy for organizations to focus on other areas of inefficiency and thus further delay the inevitable end of B2B check payments.

Ironically, although payment innovations have become more accessible to small- and medium-sized businesses over the past decade, the pace at which companies are transitioning away from B2B check payments has actually slowed in the past decade. According to AFP Digital Payment Surveys, B2B payments made by check in the United States and Canada decreased by 3.4% per year between 2004 and 2013 while only dropping 1.9% per year between 2013 and 2022. At the current pace, it would take more than 15 years before B2B checks are entirely eliminated.

Confusion: It's common for significant industry transformations to experience delays brought on by uncertainty and confusion. Rapid innovation can be highly beneficial, except when it makes customers hesitant to invest in unproven solutions or choose one technology when a new and better one may be right around the corner. For many leaders, deciding which payment technologies to invest in and when can be career-making or breaking, especially when million-dollar budgets and months-long implementation timelines are involved. The evaluation process alone can take many months to years to achieve stakeholder alignment, receive budget approval, and allocate IT resources.

Of all the reasons that B2B checks still exist, complexity may have played the most prominent part. The reason isn't just because eliminating checks is complex but because trying to solve the greater complexity and inefficiencies within the payment life cycle took away the focus and attention needed to eliminate checks sooner. However, it could have been different.

A Different Perspective on Checks

Consider, for a moment, that corporate America is still printing B2B check payments because the industry had it backward. From the beginning of the digital transformation, AP departments, payment providers, and bank partners have worked hard to move suppliers to digital payments. At a high level, some suppliers chose to accept virtual cards, others prefer ACH, and everyone else (broadly 33%, today) continues to receive paper checks. These checks are then either printed by the payor or outsourced to a third party to be printed and delivered on the payor's behalf. Curiously, the solutions that are supposed to eliminate paper checks, by default, leave their responsibility on the shoulders of the people who want to get rid of them.

Now, imagine it done differently. Suppose a company sent a check file to its bank or a payment partner. The payment provider could assume responsibility for enrolling suppliers for digital payments and delivering those payments electronically or as checks, depending on each supplier's preference. The payor would be immediately and forever done printing checks, and they would no longer need to manage multiple payment methods. Instead, the responsibility for these duties would be transferred to the organizations that are best equipped to handle this type of work and have the greatest incentive to find the most efficient way to deliver payments across all payors. While this approach sounds like consolidated payables, it wouldn't require payees to manage an ever-changing list of vendors and multiple payment methods. It would be more like how packages are delivered.

Today, when you send packages, you only need to tell the shipper where the boxes are going and when they need to arrive. You don't tell them how to ship them. The shippers are the experts, and it's up to them to determine the most efficient delivery method. What's essential is that packages arrive on time, recipients are happy, and hopefully, the shipper's increased efficiency saves you money. The same could be true for checks.

Had this path to digital payments been offered in 2002 or even 2007, it's conceivable that B2B checks would be nearly or entirely a thing of the past. Regardless, it would have relieved corporate America of its check printing responsibilities 15 or 20 years sooner.

While the industry can't go back and change its past, some payment partners are now offering this type of service to address the last mile of B2B check payments.

Payment Providers Focus on Check Optimization

The fastest and easiest way for companies to stop printing checks is to outsource the service to a third-party printer or bank that offers check printing. However, companies have not historically been incentivized to go this route. Plus, traditional outsourcing didn't eliminate the checks – it just took away the responsibility of printing them.

Recently, this has changed. Some companies that provide B2B check printing are augmenting their services by adding a check optimization process that converts checks into digital payment in real-time. The approach further increases the adoption of digital payments while generating incremental savings by creating more virtual card transactions from check payments missed by an existing card program. Check optimization can enable companies to earn rebates that can offset the cost of check printing and generate rebates many times greater, all without extra effort.

Why Now is Different

In the past, the industry relied heavily on rip-and-replace solutions that required significant investments to implement broad-scale solutions. However, increasing collaboration and interoperability between financial institutions, fintech companies, and industry solution providers has created a plug-and-play environment for solving

AR and AP challenges. This evolution enables companies to implement technology focused on solving specific issues without disrupting existing processes, and it’s why now is different for B2B checks.

It’s promising that, yes, the end of B2B checks is near. But, of course, exactly when it occurs depends on your perspective. For companies focused on eliminating the costs and overhead required to print checks, the time is now. There’s never been a better time or easier way to stop printing checks and increase savings.

Checks have supported American businesses for over a century. While it’s clear that their end is inevitable, they can go out on top, delivering an encore performance that generates substantial savings for payors at a time when every dollar counts.

About the Author

Suneel Chirunomula is a results-driven payments expert with more than a decade of experience leading B2B payment solutions and working capital strategies for American Express and C2FO. Currently leading B2B growth strategies at Viewpost, a leader in check optimization and electronic payment services, Suneel works closely with mid-market and enterprise organizations to eliminate and extract value from the last mile of B2B check printing. With a client-focused mindset, Suneel draws on a unique combination of card, B2B payments, and working capital experience that helps payment leaders solve problems, increase efficiency, and add value to their organizations.

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