Receivables Document Management:
Moving Toward a Paperless AR Organization

Q4 2012 Featuring Insights on ...

The Current AR Environment
AR Challenges
Drivers of AR Automation
The Convergence of ECM and AR Automation
The Benefits of RDM

Underwritten in part by:
perceptive software from Lexmark
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Executive Summary

When imaging solutions first entered the receivables universe, they were primarily focused on document capture. Archiving paper files with electronic images generated benefits centered on retention and easy access. As the use of imaging to support the order-to-cash process has matured, the distribution of e-documents has gained momentum. Today, a highly integral aspect of receivables document management is the associated workflow, which allows users to route documents to specified recipients for action. Likewise, collaboration, which allows internal and external partners to view existing documents, upload additional items, and register approvals, also provides process transparency.

Until recently, the biggest stumbling block to removing paper from the finance department was getting the project started. Today, however, finance managers struggle with a new problem: where to get started? Due to the explosion of options—from online credit application processing, electronic invoicing, automated collections and dispute workflow, remittance detail capture and matching—automation choices are far ranging making the decisions more complex. To make matters worse, new technology companies and solutions continue to enter into the receivable automation arena. PayStream’s research suggests that the explosion of options, together with a lack of clarity about solution choices, is slowing the adoption rate.

This report titled Receivables Document Management: Moving Toward a Paperless Receivables Organization is a PayStream Advisors Technology Insight Series report focused on AR solutions that leverage Imaging and E-document management capabilities. The report covers the following:

» Exploring document management solutions for the reduction of paper-based processes across the order-to-cash process.

» Understanding the business case for expanded use of imaging and e-documents to improve receivables management.

» Taking the next step toward receivables document management adoption.

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The State of Accounts Receivable Automation

One of the biggest challenges related to the order-to-cash process is paper handling. Because commercial trading partner relationships are complex with multiple points of interface, it is an environment ripe for generating documents. Paper often becomes the medium for connecting all the disparate elements internally and externally, and as such is both inefficient and costly. This is especially critical considering the tough economic times we are in, where credit and Accounts Receivable (AR) departments are being asked to continuously do more with the same limited staff resources.

Studies show that, despite the availability of electronic document solutions, paper remains pervasive within the AR function. The Credit Research Foundation (CRF) April 2011 study, “Process Automation: Streamlining the Order-to-Cash Function,” reports that only 33 percent of the 523 survey respondents claimed to be employing document management software. That is virtually the same penetration found nearly ten years ago in a much smaller CRF study, “Current Trends in the Practice of Imaging Technology for Credit and Accounts Receivable,” May, 2002.

Figure 1
Receivables Automation Technology Adoption Rates

Document Management holds a prominent place among AR automation technologies.

Source: Credit Research Foundation, “Process Automation: Streamlining the Order-to-Cash Function,” April 2011
Despite the hype, automation has not yet become standard practice in credit and AR operations and Document Management is actually a leader. As you can see in Figure 1, other than the use of credit scoring technologies, remittance processing, in the form of remote deposit capture (RDC) and auto-cash, has attracted the most investment in automation. Otherwise, document management leads all other technologies in its adoption.

Interestingly, both Auto-Cash and RDC technologies have document management components. That is true of many of the other AR technologies as well: specifically tax exemption certificate management, financial analysis, payment gateways, dispute management, collection management, and electronic invoice presentment and payment (EIPP). As a final note, the CRF study also tracked the use of EDI and EFT, which have been broadly adopted, 74 percent and 85 percent respectively. However, while many companies accept these protocols for payments and remittance advice, they are not typically standard practice with a majority of customers, leaving considerable room for other application of document management technologies to drive even higher automation rates.

Document management technologies manifest themselves in a number of different forms. The CRF study found that only 15 percent of the document solutions are part of the corporate ERP system. Of those that are not part of the ERP, 60 percent are freestanding document management systems that do not integrate with the AR software. The implication from this state of affairs is that most document management systems do not approach the full potential of RDM solutions that are fully integrated into the order-to-cash process.

**Figure 2**

*Increasing Concerns for 2012*

Concerns related to dispute management and new account processing, both areas that can be improved with RDM, appear to be sharply increasing.

Source: Credit Today 2012 Outlook Survey
On a positive note, the CRF study indicates that 34 percent plan to implement a document management solution in the next two years. This is backed up by research by Credit Today (2012 Outlook Survey) that indicates interest in implementing imaging and electronic document management solutions by credit managers has been growing exponentially over the last three years. That is consistent with the data reflecting increasing concerns related to deductions and disputes as well as with new account processing, both of which can be paper intensive activities and therefore ripe for an RDM solution.

In another Credit Today survey, the 2012 Credit Application Processing Survey (July, 2012), participants expressed considerable interest in implementing automated, online credit application processes. While 49 percent say they will never utilize online credit applications, 24 percent indicated an intention of doing so in the next two years and another 27 percent at some unspecified point in the future.

This is another example of the opportunity for processing solutions that take advantage of document management technologies to eliminate paper, reduce costs and drive better efficiency. RDM clearly plays a critical role in AR automation. Wherever there are paper documents or data that must be moved from one system to another or between trading partners, there is a role for RDM. To realize the full opportunity of RDM, however, it must be fully integrated into the order-to-cash process.
Receivables Document Management Defined

Although document imaging technologies have been utilized in receivables management for over 25 years, it is only in the last decade that they have been gaining traction as holistic solutions. The catalyst for this was the marriage of a workflow engine to imaging and e-document management technologies. The result is a solution set that is able to dramatically reduce both paper and manual processing, while at the same time providing much greater transactional transparency across the diverse elements of the order-to-cash cycle.

Historically, document imaging systems have been used by receivables staffs to archive the volumes of paper documents (e.g. purchase orders, invoices, statements, remittance advice) integral to every transaction. Today's document management environment has moved far beyond standard archival solutions by delivering automation protocols to replace disconnected, paper-based processes. Among other things, exception management is tremendously enhanced by the ability to deliver a complete set of e-documents related to a specific transaction. In the area of deduction and dispute management, this concurrent document access for all interested parties greatly speeds up resolution.

PayStream's analysts have been impressed with how the vendor community has expanded its understanding and offerings to deliver exceptional value to the receivables management community. The document imaging vendors have become experts in the complex nuances of the order-to-cash cycle and have adapted their solutions to serve the very specific needs of a diverse set of commercial enterprises. Likewise, providers of receivables and collection management (RCM) solutions are increasingly integrating document management capabilities into their systems. Over the last few years, these innovations have gelled into what PayStream's analysts call Receivables Document Management (RDM).

Lacking an imaging component, the myriad technology solutions currently addressing receivables management can only provide partial fixes. Consequently, RDM solutions should be at the forefront for organizations seeking to improve receivables performance due to their ability to deliver rapid process improvement and favorable return on investment. Due to its ability to automate workflow and deliver ubiquitous web-based access, RDM provides a compelling ROI for both small and large organizations that need to do more with less. Moreover, these solutions align information to give both managers and executives greater visibility via the imbedded reporting tools.
Figure 3

Defining Receivables Document Management

RDM is found at the conjunction of Electronic Content Management (ECM) and Receivables and Collection Management (RCM) automation.
Building a Case for RDM Automation

As previously stated, credit departments are swimming in paper. Computerizing receivables has resulted in not only more paper, but also more disconnected processes. For example, call notes are often recorded on an aged accounts receivables trial balance printout and then transferred to either a computerized notepad or the next aging that is printed. Moreover, if there is a dispute, invoice copies are often re-printed and held in a suspense file along with related order documents until the matter is resolved. Applying workflow tools in conjunction with imaging technologies can raise receivables management efficiency to a much higher level.

Manual processes benefit from being automated:

» Eliminating manual tasks boosts productivity
» Automated workflow streamlines accounts receivable administration, eliminating the errors and loss of valuable time associated with re-keying data
» E-documents cost less to handle than paper documents (purchasing paper in addition to printing and storage costs can add up quickly)

Access to information boosts efficiency:

» Instant access to documents decreases employee time spent on retrieval
» Web-based access improves collaboration between internal and external partners
» Cycle times are reduced when information is highly visible and workflow is automated
» Automated data extraction on top of document capture can drive fully automated workflow activities that further boost efficiency and productivity
» Reporting tools allow management to reallocate workloads to ensure performance goals are achieved

Compliance is ensured:

» Information systems provide better security than manual/paper processes
» The automated logging (date and time stamp) of all actions taken and approvals made creates an audit trail that can provide evidence of control within the system
Key Drivers of Receivables Automation

The key obstacle to greater throughput in both accounts payable (AP) and accounts receivable (AR) operations is the exchange of documents between trading partners.

Back in the 60’s and 70’s the use of computers to track transactions followed by the explosion in fax usage combined to add even more paper to the already paper-intensive ordering, billing and collection functions. The proliferation of isolated, mostly manual routines to tie everything together contributes even more inefficiency. In this environment, and lacking close supervision, individual staff members (particularly collectors) tend to evolve their own manual routines to cope with their daily workload leading to inconsistent results.

The ability to electronically deliver diverse sources of information to an employee’s desktop and provide automated workflow routines to ensure systematic processing can dramatically improve AR performance. Visibility across the entire order-to-cash cycle and automated processes are therefore critical to doing more with less.

There are four key drivers of receivables automation. They are the growing demand for electronic settlement, the need for invoice accuracy, the pain of dispute resolution, and increased attention to compliance issues.

» Electronic Settlement: As electronic settlement gains in popularity, there is increasing pressure on receivables organizations to deliver invoices by electronic means that their customers’ systems can ‘read.’ Similarly, it is advantageous for vendors to electronically capture customer orders. Electronic settlement is greatly facilitated when the data contained in order and billing documents is exchanged electronically, even if only in the form of a document image that can be subsequently ‘read’ so that the data is extracted into the automated systems. Paper is very much an obstacle to progress.

» Invoice Accuracy: The benefits of electronic documentation is severely degraded if inaccurate data is passed from one system to another. Consequently, invoice accuracy is another driver of receivables automation, and it is greatly facilitated when both structured and unstructured data can be captured and extracted electronically. Moreover, there is a very high correlation between invoice accuracy and prompt payment.

» Dispute Resolution: Dispute resolution causes a great deal of pain in both AP and AR organizations. However, access to all transactional documents coupled with workflow tools minimizes the burden of dispute handling. Additionally, automated dispute resolution provides metrics that can be used to identify the root causes of disputes, and thus act as a catalyst for addressing the system weaknesses that are often the cause of disputes.

» Compliance: Visibility and workflow ensure an environment with clear audit trails. The combination of documentation and automated processing can be utilized to provide clear ‘evidence of control within the system,’ which is
critical to auditors and regulators. In addition, because of the sensitivity and confidentiality of credit data, greater security is facilitated in an electronic as compared to a paper-based environment.

<table>
<thead>
<tr>
<th>Paper Problems</th>
<th>Process Problems</th>
</tr>
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<tbody>
<tr>
<td>Storage Cost</td>
<td>Unproductive Time</td>
</tr>
<tr>
<td>Missing Documents</td>
<td>Duplication of Effort</td>
</tr>
<tr>
<td>Manual Processing</td>
<td>Deficient Process Controls</td>
</tr>
<tr>
<td></td>
<td>Access to Records</td>
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</table>
Elements of The RDM Universe

Receivables Document Management solutions are used throughout the order-to-cash cycle to capture credit, order, billing, shipping and remittance information; make all documents related to every transaction more accessible to authorized personnel; and expedite business process workflow by replacing paper with electronic images that are automatically routed to appropriate personnel. The solutions featured in this report offer document imaging and content management as an integrated system or outsourced service for not just the receivables area, but rather every function in the enterprise that is involved in the order-to-cash process. Besides the accounting and finance and credit and collections departments, order processing, customer service, and shipping areas can greatly benefit from the implementation of RDM technologies. We delineate the specific components of the RDM Universe as follows:

» Document Format & Delivery: Before you can transmit documents or post them to the web, you must first address formatting for invoices, statements and other order documents; access rights; and electronic storage.

» Remittance Data Capture & Transmittal: Having a lockbox image interface and/or remittance detail extraction tools enables automated invoice and remittance reconciliation, dispute identification and payment mechanisms.

» Credit Application Process: Online applications and workflow that includes reference requests, reference capture, credit report acquisition, and decision tools automate credit application processing. Everything is then stored in a virtual credit file with well-defined access rights.

» Collections & Dispute Workflow: Document capture, image linkage, image routing, task escalation and look-up capabilities facilitate both collections and dispute processing. All activities are then captured in a virtual collections file.

» Collaboration Engine: By providing order-to-cash visibility that includes a contact database and linkages to external documents within a secure, common user interface, internal and external partners can easily collaborate.

» Activity Monitoring & Reporting: User/contact activity tracking, status reporting, exception reporting, and query tools fill out the RDM universe.
Figure 5

The RDM Universe:

RDM solutions streamline and optimize the order-to-cash process. The use of sophisticated workflow and the capture of data from both paper and imaged documents give creditors the ability to drive efficiencies in a paperless environment.
The New Receivables Management Paradigm

The key differentiator between RDM solutions and Receivables and Collection Management (RCM) automation is that RCM is primarily workflow driven, whereas RDM is document and data driven. RDM is not synonymous with RCM, or even a subset of RCM.

Instead, RDM seeks to solve distinct issues that afflict the order-to-cash process. It is therefore no surprise that organizations are turning to RDM solutions to bridge the gaps between the paper-intensive, legacy processes that define traditional receivables management: credit, billing, collections, account reconciliation and remittance processing. While facilitating the transition from pen-to-paper and filing cabinets to electronic processes and archives, RDM can maintain the same familiar forms that facilitate transaction processing or provide a launching point for comprehensive order-to-cash data capture and automation.

<table>
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<tr>
<th>Good</th>
<th>Better</th>
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<tbody>
<tr>
<td>Document Capture</td>
<td>Data Extraction and Validation</td>
</tr>
<tr>
<td>Indexing and Archiving</td>
<td>Full Text and other Advanced Search</td>
</tr>
<tr>
<td>Prioritized Task Lists</td>
<td>Automated Email Notifications</td>
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<tr>
<td>Self-Service Portals</td>
<td>Online Collaboration Tools</td>
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<tr>
<td>Ad Hoc and Fixed Workflow</td>
<td>Advanced Workflow Routing Decisions</td>
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<tr>
<td>Decision Support Tools</td>
<td>Straight-Through-Processing</td>
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The RDM solution providers have adopted different approaches to the elimination of paper. Some vendors focus on specific costly functions such as invoice and statement distribution or remittance capture to provide in depth tools to deliver maximum return on investment. Other solutions are broader in scope, working to quickly move receivables management to an entirely paperless environment. The effectiveness of either methodology depends entirely on the user’s culture and adaptability to change.

Many RDM systems available in today’s market are a sub-set of full-featured, enterprise level, imaging and document management solutions. These solutions not only address RDM, but also the purchase-to-pay side of the financial supply chain. When best practice document management capabilities are applied to revenue cycle management, the benefits in regard to RDM include:

- End-to-end transactional transparency including clear audit trails
- Increased visibility into customer risk and performance assessment
- Enhanced document security based on user permissions
- Document distribution for action (e.g. workflow automation)
» Data extraction to drive automated straight-through processing (STP)
» Increased collaboration between trading partners to resolve discrepancies and reduce interactive system weaknesses

In concert with advances in electronic payment protocols, RDM promises to help transform the cash settlement process. Though receivables managers are just beginning to embrace the notion of a paperless environment, we believe that given the cost, complexity and variety of electronic data interchange (EDI) and other standards-based trading partner and banking protocols, RDM will continue to play a significant role in receivables management automation for the foreseeable future.

<table>
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<th>Key Benefits of RDM</th>
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<tbody>
<tr>
<td><strong>Document Imaging</strong></td>
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<tr>
<td>» Removes paper from the order-to-cash process</td>
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<tr>
<td>» Extracts and validates data from document images to eliminate manual re-keying, thereby reducing errors and facilitating automated processing</td>
</tr>
<tr>
<td>» Cuts costs associated with purchasing and storing paper</td>
</tr>
<tr>
<td>» Shifts to an electronic environment while maintaining familiar documentation conventions and forms</td>
</tr>
<tr>
<td>» Eliminates mail float</td>
</tr>
<tr>
<td><strong>Content Management</strong></td>
</tr>
<tr>
<td>» Ensures records are accessible throughout the organization</td>
</tr>
<tr>
<td>» Provides secure access to and allocation of documents based on user permissions and document types</td>
</tr>
<tr>
<td>» Distributes documents based on customized workflow processes</td>
</tr>
<tr>
<td>» Enables online collaboration to ensure compliance and resolve discrepancies</td>
</tr>
<tr>
<td>» Facilitates information consolidation, even for decentralized organizations</td>
</tr>
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Perceptive Software (Brainware)

Perceptive Software, a Lexmark company (NYSE: LXK), is a leading creator of enterprise content management (ECM) and business process management (BPM) software products and solutions—committed to superior engineering and unmatched customer focus. Following Lexmark’s acquisition of Brainware in 2012, the Brainware Distiller platform for intelligent data capture has been rebranded as Perceptive Intelligent Capture, powered by Brainware (referred to as simply “Brainware” in the following text), and can be implemented as a standalone intelligent data capture platform, or as an embedded technology in other solution providers’ offerings. Brainware was built from the ground up to process unstructured documents without templates, keywords, exact definitions, taxonomies or indexing.

Brainware automatically classifies documents based on their content, extracts field-level and line-item data from documents, verifies the accuracy of the extracted data, identifies discrepancies, and then exports data into any number of enterprise systems such as enterprise resource planning (ERP), enterprise content management (ECM), and many others. The typical results are that 90% or more of data entry keystrokes are eliminated thereby improving productivity by 3 to 5 times or more. Errors are reduced or even eliminated, and input cycle times are improved measurably, enabling better working capital visibility and financial control. This allows AR departments to redeploy data entry personnel to other, more value-added activities within the organization, such as developing continuous process improvement strategies.

<table>
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<tr>
<th>Website</th>
<th><a href="http://www.perceptivesoftware.com">www.perceptivesoftware.com</a></th>
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<tbody>
<tr>
<td>Founded</td>
<td>2006 (acquired by Lexmark International in 2012)</td>
</tr>
<tr>
<td>Headquarters</td>
<td>Perceptive Software based in Shawnee, KS, with Brainware executive offices in Ashburn, VA</td>
</tr>
<tr>
<td>Other Locations</td>
<td>Maidenhead, UK; Nottingham, UK; Neuchatel, CH; Freiburg, DE; Miami, FL</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>More than 1200 within the Perceptive Software Division</td>
</tr>
<tr>
<td>Number of Customers</td>
<td>There are more than 400 implementations of Brainware technologies worldwide</td>
</tr>
<tr>
<td>Number of End Users</td>
<td>Multiple end users for each customer</td>
</tr>
<tr>
<td>Key Clients</td>
<td>Mayo Clinic, Cleveland Clinic, Sun Chemical, Clear Channel, Shell, Halliburton, BB&amp;T, Old Dominion Freight Lines, United Airlines, Philip Morris International, Bechtel, British Sky Broadcasting, NEC</td>
</tr>
<tr>
<td>Target Verticals</td>
<td>Healthcare, Manufacturing, Technology &amp; Communications, Oil &amp; Energy, Banking &amp; Finance, Government, Retail, Freight, BPOs, Travel &amp; Recreation</td>
</tr>
</tbody>
</table>
Partners / Resellers | In March 2012, Brainware was acquired by Lexmark International and became a unit within Lexmark’s Perceptive Software division. Other valued partners and resellers include Microsoft, Dolphin, CSC, Oracle, and Concur

Transactions Processed Annually | Billions of document pages

Awards | A number of clients have been recognized for results they have largely been able to achieve through Brainware’s technology, including Walt Disney Company, Mayo Clinic, Old Dominion Freight Line, Shell, Gardner Denver, JohnsonDiversey, Her Majesty’s Prison Service

Solution Name | Perceptive Intelligent Capture, powered by Brainware (previously “Brainware Distiller”)

Current Version | V5.4
Year Introduced | V5.4 in May 2012
Frequency of Upgrades | Major release every 12-18 months with minor releases typically at 6-9 month intervals

Solution Overview

With a broad market reach, Perceptive’s content and process platform—complemented by the Brainware intelligent data capture technology—creates robust automation solutions for remittance processing and other AR activities. This includes automated data collection processes for AR offered in a packaged solution that consists of typical data fields and business rules used by most AR organizations. Perceptive will continue to evolve its offerings based on customer feedback and needs. Functional capabilities will extend to Check 21 services for deposit, billing production and distribution, advanced cash application algorithms, integrated pricing and catalog databases, as well as tighter integration with specific ERP modules.

Solution Functionality Overview

Perceptive is offered as a licensed, hosted service and SaaS solution. It includes a baseline application for receivables document management (RDM) primarily centered on intelligent data capture services. The intelligent data capture technology is extremely scalable and is capable of processing more than 5,000,000 pages of documents per day. User access to data and documents is password-protected with standard OS and networking environments leveraged for firewall protection and supported through single sign-on credentials. Integrations with a variety of ERP systems have been certified to provide ease of use by customers.
**Target Market Verticals**

Perceptive reaches clients across a wide cross-section of market verticals including financial institutions, lockbox providers, distribution and logistics companies, healthcare organizations, and many others. Within healthcare in the US, Explanation of Benefits (EOB) requirements are a derivative of remittance with unique requirements that align well to offerings in the Perceptive product line. One of the largest lockbox providers in the world uses the data capture solution for data capture, supporting over 1 million remittance transactions per day.

**Marketing the Solution**

Perceptive conducts business globally and has partnered with a number of IT resellers to maintain a global reach for its data capture technology, including certification as a Microsoft Managed ISV Partner. Brainware technology provides value by optimizing return on investment (ROI) while minimizing the total cost of ownership (TCO) with products geared to provide the highest degree of performance and functionality while easing the traditional burdens of integration and customization. ROI is typically 12-18 months; although customers are often recouping their investment in less time. Key functionality in regards to ease of integration capabilities and intelligent data capture set Perceptive’s portfolio of offerings above its competitors.

**Pricing and Implementation**

Perceptive utilizes a phased implementation approach whereby projects are broken down into 1/3rd each for design, development and testing. The breadth of the solution a customer requires affects time frames. Some implementations are finished in less than 30 days while others require longer. Training is included in all implementation projects. Perceptive provides support services via phone, email, FTP and online meetings in accordance with customer support preferences. A customer support portal allows certified system administrators to open, review and close support tickets. Product updates and upgrades typically do not require additional training. Pricing is based on a perpetual license with an upfront license fee and ongoing maintenance, or on a per-page basis with maintenance fees based on term and service coverage options.

**Document Format and Delivery Functionality**

The technology’s data extraction performance, scalability, and inherent “fuzzy search” means that widely diverse and highly complex receivables documents can be captured, validated and posted with little or no human intervention. The solution is capable of handling not only remittances, but virtually any other document type and file format including paper (scanned), HTML forms, EDI feed, XML, etc. The solution integrates with a multitude of external document sources and standard security options are applied for any external users for which access is generally granted via a portal-style interface.
**Document and Data Capture Functionality**

Perceptive offers a host of scanning and import utilities. All inbound documents are automatically classified and indexed via Brainware’s leading Intelligent Data Capture (IDC) solution that “learns” key document attributes and eliminates the need for templates. Centralized batch processing, remote scanning, and uploading from a third party are all supported. A suite of image enhancement tools is also included. Using algorithms, invoices identified in the remittance advice are automatically matched to open invoices in the AR database. The solution also supports e-forms for collection of credit applications via the internet, which are then routed according to workflow rules. Data from 3rd party reporting vehicles can also be plugged into the workflow, all according to business rules. The data capture application provides automated indexing and validation of extracted data from AR documents, eliminating 90 percent or more of manual data entry.

**Content Storage and Management**

Perceptive offers storage and archival functionality through their Retention Manager product. As either a standalone technology or an embedded component of the larger ECM suite, Perceptive Search is a leading enterprise search application that goes beyond indexing to mine for metadata, revisions or annotations, embedded documents and other hidden content that many other search functions miss. Content management is offered in the form of process mining and mapping, thus allowing users and administrators to analyze their existing processes to find bottlenecks or other hold-ups in the workflow.

**Workflow Management**

Perceptive offers fully configurable workflows that can be as simple or as robust as user need demands. Individual users can be assigned to groups and given permissions and access rights at any level. Documents can be annotated and visible from one user to the next. Integration with ERP hierarchies, active directory or custom business rules are all supported within the Perceptive solution. Tasks are routed within the workflow according to these business rules. Escalation reminders and out-of-office notifications are all configurable as well. Process monitoring is achievable through multiple options including a complete process review solution, Perceptive Reflect.

**Reporting and Analysis**

Standard and custom reports allow users to query any captured document data. This includes custom reports for analyzing the complete order-to-cash workflow, order processing times, exception handling delays, etc. Workflows can be monitored based on user or group security roles. The vendor portal allows vendors to submit documents and view document status within the workflow. This feature is customizable and can allow the vendor to see only the workflow queues to which the client wishes to provide access. A complete audit trail logs every action and workflow routing including retrieval data, annotations, approval hierarchy and complete history are to aid customers in their Sarbanes-Oxley compliance efforts. Perceptive is currently developing a more ambitious internal audit feature to assist with quarterly, yearly and/or remediation audits and certification.
Perceptive Software Case Study

Old Dominion Freight Line (ODFL)

Old Dominion Freight Line (ODFL), a leading less-than-truckload (LTL) super regional carrier, had already spent a great amount of time streamlining remittance processing. Customers mailed checks to several regional lockboxes, which scanned and processed the payments. They were also achieving significant levels of throughput with a team of eight skilled workers who processed over 400 remittances per hour. But being an industry leader, they continued searching for ways to improve this operation. ODFL had set a lofty goal of doubling their productivity in remittance processing, which would achieve considerable savings by halving their staffing requirements. To accomplish this, they needed a powerful software solution.

Upon implementing Brainware for remittance processing, ODFL not only achieved their productivity goal, but far surpassed it by regularly processing more than 2,000 remittances per hour. They were able to accomplish this because Brainware can intelligently read images of the check and remittance details, and having extracted that data then apply the payments against the open receivables file. The remittance processing team can now concentrate exclusively on the exceptions Brainware is not able to process automatically. With this efficiency boost ODFL was able to reallocate more of their employees to value-added areas of the business. In addition, the usual Monday morning flood of remittances is now processed completely by close of business rather than spilling over into Tuesday’s workload.

Accuracy and accountability are critical in the trucking industry because a customer’s shipment may be flagged and delayed due to late payments. Because Brainware is able to capture remittance and payment information at the point of receipt, delinquent accounts can be cleared at the earliest possible moment, freeing any pending shipment from being held up and ensuring another carrier is not called in to make the pick-up. ODFL also now has unparalleled control of their working capital by gaining real-time visibility of their cash inflow. This helps the organization better manage their cash position, as well as improving their customer service.

“Eighty percent of our remittances are handled before they’ve even walked in the door,” said Ken Erdner, Vice President of Information Technology at Old Dominion Freight Line. “As a result of all the automation that we’ve deployed, we’re using the same number of staff members in Accounts Receivable today as a $1.5 billion company (approximate 2010 revenues), as we did as a $200 million company, so it really has performed well.”
“Our continuous improvement in this area is obviously driven by several initiatives, but Brainware is a key element of keeping our AR staff at an effective and efficient level. When you're handling four or five times the volume that you did previously with a good process, it really makes a big difference to the company because it’s allowing us to grow without having to add to our monthly overhead.”

ODFL cited their Brainware implementation as being key to their winning a 2011 Quest for Quality Award from Logistics Management magazine. In early 2012, ODFL contracted with Brainware to expand their intelligent data capture platform to also encompass the processing of shipping documents.
Selecting a Solution

While the benefits of RDM are readily apparent, getting maximum benefit from your automation initiative requires selecting a vendor that is a good fit for your organization. A thorough, critical analysis of the various technology solutions and the functionality they offer in light of your organization’s business needs is essential. To help you with your due diligence, this section outlines the issues you need to understand and the questions you should ask.

Where’s the Software Going to Reside?

If your order-to-cash applications are on-premise, your company manages everything from the application to the hardware, software and upgrades. As you know, this can be a big investment in IT time along with commitment of capital. On the opposite end of the spectrum with cloud-based solutions, the vendor manages everything, allowing your company to focus on the core business of making the software deliver business value. Somewhere in between traditional in-house and cloud based solutions lie hosted services where your company and your vendor share responsibilities.

The benefits of cloud computing are widely promoted and include the ability to have access to the most current services, improved configurability, reduced costs and access to new services and applications that are constantly updated. The Cloud provider is willing to offer a much lower upfront cost with confidence that they will continue to win your business by continually improving the application.

In order to see the true cost and payoff of on-premise versus cloud-based solutions, buyers must carefully evaluate the immediate and long-term costs of acquiring and maintaining the technology. This includes identifying the cost drivers for procurement automation – both the on-premise costs and the cloud costs. These costs include:

- Software
- Hardware and Infrastructure
- Management of the supplier network
- Configuration and Implementation
- Data Migration
- User Training
- Annual Maintenance

The attractiveness of Cloud-based solutions is undeniable; however, without a detailed comparison of the costs, projects can’t get started. Once you have the figures, the next step is to develop a plan of attack to obtaining executive sponsorship. PayStream has worked with innovative companies from around the
world to develop successful project launches. In our 12 years of advising clients we’ve identified five key success factors worth sharing:

1. Develop a compelling vision
2. Calculate the total cost of ownership
3. Build a bullet-proof business case
4. Build a realistic roadmap
5. Have a risk mitigation plan

Questions to Ask a Solution Provider

In addition to the features of the solutions offered, it is critical to gauge each vendor’s level of expertise and product scope. Along those lines you will want to find out if receivables automation is a core application or a peripheral product. You also need to understand the growth plans and vision for the future of the vendors you evaluate. Asking the following questions will help you make an informed decision:

Company Overview

» How long has the vendor been in business? When did they begin offering receivables automation solutions?
» Do they have experience integrating with your ERP software? Do they have an interface for your ERP? How tightly does their solution integrate with your ERP system? Are they certified by your ERP provider?
» How many customers does the company have and who are they? What is their experience in your industry?
» How is the vendor funded? If it is a public company, read their prospectus.
» How does the company intend to grow, and are there any mergers or acquisitions on the horizon?

Solution Scope

» What features of your ERP will the solution use, and what features does it replace?
» How does the vendor handle integration with multiple instances of your ERP? What if they are not all the same version? Can the vendor also integrate with other unrelated ERP solutions?
» Does the solution provider partner with any other vendors to provide elements of their overall solution?
» How does the solution integrate with your ERP and other financial systems to post approved transactions?
» What information is going to be captured and entered into your RDM system? How extensive are the indexing capabilities? Will you be using OCR or IDR to extract data from documents?

» What security measures are incorporated in the solution?

» Is the solution provider including any additional features and functionality in forthcoming versions of the solution?

» How long is the average implementation? What are the main factors that define the length of your implementations?

» What level of customer support is provided after implementation?

Solution Overview

» How does the solution capture customer order documents and other transaction documents into the system? Does it provide for distributed capture?

» How does the solution capture remittance documents? How does it extract the remittance advice and post it to the receivables? What auto-cash capabilities are included?

» What new customer credit application functions are available? Is there integration with credit information sources and approval workflows? How are customer signatures captured on any credit agreements and other required documents such as guarantees and tax exemption certificates?

» How are paper documents converted to digital formats? How is scanning performed?

» What invoice formats or data standards (EDIFACT, ANSI, XML) is the solution able to process electronically?

» What OCR, ICR or IDR functionality is available? Is it template based or free form? What accuracy rates are attained?

» How is validation and indexing handled? Can the user configure the business rules for validation?

» How does the solution handle storage and archival functions for captured images and data? What search and retrieval capabilities are offered?

» What receivables workflow features are available as part of the solution? Are automated escalation, reminder, alerts and back-up chain features included?

» How does it route tasks to internal approvers and reviewers? What options do administrators have to control individual user access rights?

» Does the solution have the flexibility to support the customer's existing organizational structure, role hierarchies, and business rules?

» Does the solution deliver a network or portal where customers can retrieve invoices? If so, how many customers are currently enrolled and active on
the network and is there any concentration of customers to your industry?

» How does the system notify customers of exceptions? Does it force them to correct any exceptions? How?

» Does the solution include a reporting module? How many standard reports are available? What reports are bundled with the solution? Can users generate custom reports and save the queries for later use?

» Can data from the solution be downloaded into third-party reporting tools for further analysis?

» What out-of-the-box payables-related metrics/KPI’s does the solution provide?

» Does the system provide comprehensive audit trails? What tools/features are available to facilitate Sarbanes-Oxley compliance?
Final Thoughts

The AR automation landscape, particularly in regard to automated processing is constantly evolving. At the same time, this technology is approaching maturity with regard to RDM. We believe the following factors will continue to shape this marketplace, and organizations contemplating an RDM solution will need to take them into account:

Organizations are increasingly seeking straight-through-processing solutions. Organizations are seeking to leverage their ERP systems so that the AR and credit staffs can focus on strategically improving cash flow as well as other value-added tasks. Demand is increasing for solutions that facilitate STP by delivering strong functionality around automated routines to manage exceptions and dispute resolution in a collaborative manner. In addition, there is an increased focus on data extraction to drive automated, touch-less processes.

Advanced data capture will be a catalyst for adoption. Solutions that rely on template based OCR to find and extract data from invoices have experienced mixed success. OCR templates are sufficient for an AR department that receive remittances in just a handful of formats, but are inadequate for high volume operations or global organizations that see a myriad of formats every day ranging from purchase orders to shipping confirmations to tax exemption certificates. As a
result, the application of OCR for data extraction has until recently been limited in AR environments. However, recent strides in advanced data capture technologies such as ICR and IDR and the emergence of industrial strength solutions that can extract data accurately without having to rely on templates are the key drivers that are unlocking adoption of front-end imaging and data extraction solutions.

AR automation is impacting working capital management. Until recently, automation efforts in AR were focused on the operational benefits of technology. Increasingly, savvy finance managers are considering the strategic impact of AR automation on the financial supply chain and the working capital improvements it can deliver. Innovative solutions are emerging to meet an organizations’ strategic objectives by offering solutions that unlock significant value from the financial supply chain through advanced features like trading partner networks and invoice financing.

Multiple RDM solution models will co-exist. There is not a single model for RDM, especially given the complexity of the order-to-cash process. There will always be considerable variability in terms of solution focus. Some vendors focus tightly on specific aspects of the invoice distribution or remittance capture processes, while others strive to provide RDM automation functionality as part of a larger order-to-cash offering. Industry consolidation notwithstanding, this diversity will continue.
About PayStream Advisors, Inc.

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the web at www.paystreamadvisors.com.

About the Lead Analyst

An industry analyst and receivables management thought leader, David Schmidt has served as a senior analyst with PayStream Advisors since 2005. Prior to that he spent over 25 years working in corporate finance and consulting. David is co-author of the seminal text on automating collections, “Power Collecting: Automation for Effective Asset Management,” (1998, John Wiley & Sons, NYC), and has published over 250 articles in a variety of trade and business publications primarily on receivables and payables management topics. An experienced workshop leader, he has also served as the lead analyst for several PayStream Advisors reports and white papers covering payables and receivables automation, collection technologies, workflow, imaging, and EIPP as well as sales tax and freight bill automation.