



WHITE PAPER

Clear your cash pipeline

The benefits of unified AR for distribution companies





Navigating high stakes accounts receivable (AR) for distribution companies

20%+

of customers in the wholesale construction and mining equipment industry have invoices more than 30 days late.²

Source: Dun & Bradstreet

Distributors and suppliers across all industries run high-stakes accounts receivable (AR). In many cases, they're looking at high-dollar transactions on both sides of the payment, flowing from their customers and to their suppliers. That means cash flow depends on the right balance of funds—and getting paid quickly.

Yet, according to Dun & Bradstreet, distributors and suppliers often fall victim to high Days Sales Outstanding (DSO). For example, electrical equipment companies report that 6.5% of their invoices are more than 91 days late.¹ Delinquent payments drastically affect cash flow and application and can cost the company significantly.

To address DSO and other factors blocking the way to greater profitability, distributors and suppliers first must take a hard look at the challenges affecting their organizations and what can be done to remedy them. This requires a deeper dive into AR data to more precisely pinpoint where problems arise and deduce the most efficient path to resolving them.



65%

of organizations say they have at least partially automated collections

Source: [PYMNTS.com](https://www.pymnts.com)

7 AR challenges for distributors and suppliers

When it comes to AR processes, distributors and suppliers face major hurdles that make it difficult to maximize financial operations. In fact, finance teams are scrambling for AR solutions to:

1. **Reduce staff time and the associated costs with invoicing.** Organizations can spend up to \$6 per invoice on the soup-to-nuts process.³ Reducing that time and expense can greatly enhance a supplier's or distributor's bottom line.
2. **Support customer payment choice but mitigate internal costs.** Customers increasingly want choice in their payment options: A global study reported that 59% of customers abandon a shopping cart when their preferred payment option is not available.⁴ But distributors and suppliers must balance customer preference with the costs of payments, including interchange fees for card transactions.

3. **Manage cash forecasting and reduce time to cash application.** With 18 of 225 industry segments reporting 10% or more of their aging dollars are 91+ days past due, DSO creates a significant problem for distributors and suppliers, who often have large-dollar invoices in limbo.⁵ Add to that the sometimes-seasonal nature of certain distributor and supplier businesses, and managing cash flow during off-peak periods becomes even more vital to business operations.
4. **Strengthen collections processes.** Collections can be a staff time drain, which is why 65% of organizations report having at least partially automated collections.⁶
5. **Improve dispute resolution.** AR staff are now spending half their time on dispute resolution—an issue that takes time away from other responsibilities.⁷
6. **Enhance customer experience.** Customer experience in AR has never been more important. In fact, more than half (53%) of companies report wanting to improve the vendor and customer payment experiences to keep up with demands—and that’s only one part of the AR process.⁸
7. **Address inventory management.** According to *Make your working capital work for you: Strategies for optimizing your inventory management*, a Deloitte report, inventory “represents the most significant item on a balance sheet, and how the inventory process is managed can significantly influence a company’s working capital.”⁹ In addition, incorrect inventory levels can lead to invoicing errors, disputes, and delayed payments, thus expanding the time to payment.

“A company must balance the needs of the customer with the goals of the company in an integrated inventory management model where the right inventories are in the right place, at the right time... To maintain optimal inventory levels, you need robust systems to accurately track and maintain control of your inventory levels.”

Deloitte, *Make your working capital work for you: Strategies for optimizing your inventory management*¹⁰



Automated, integrated AR to the rescue

But with these challenges come opportunities. By introducing automated and integrated AR, distributor and supplier finance teams can strengthen their operations, enhancing cash flow in the process. In fact, 95% of those firms that have automated all processes report accurate, efficient, and streamlined processes, and 84% indicate they have increased savings, cash flow, and growth.¹¹

\$6.5B

The anticipated size of the accounts receivable automation market by 2027¹⁵

Source: Markets and Markets

And integration further extends the benefits of automation. No longer are systems operating in silos; cloud-based platforms and application programming interfaces (APIs) allow systems to communicate, streamlining operations. This means today's digital AR solutions can help in the full AR process. They can:

- Aid credit risk assessment
- Automate invoicing and collections processes
- Foster effective communication between departments
- Leverage technology solutions for efficient inventory management

Consider Cooper Electric Supply, an electrical distributor in the New Jersey, New York and Pennsylvania markets. By automating processes through robotic process automation (RPO) and smart integrations with major card issuers and business process outsourcing teams, they were able to move their manual virtual card payments into an efficient digital solution. The company also ultimately automated the delivery of digital invoices to 71% of their customers, saving the business time and money.¹²

Or look at plumbing, electrical, and HVAC distributor Eckart Supply Company who saved the equivalent of one full-time employee by integrating AR with inventory management (see case study on [page 8](#)).¹³

These benefits speak volumes, and as businesses embrace automated, integrated AR, they also seek additional efficiencies: 93% of mid-sized firms with some degree of automation report transitioning toward further AR automation.¹⁴

74%

of mid-sized firms reporting improved vendor satisfaction after full AP automation^{xvii}

Source: [PYMNTS.com](https://www.pymnts.com)

How to select the right connected AR partner

While benefits abound, distributors and suppliers need to select a partner that not only understands accounts receivable (AR) but also the unique aspects of their clients' business.

Companies should look for expertise in a wide range of distributor and supplier operations, so their accounts receivable (AR) partner can provide insights into what has worked before and what will uniquely work for them. They should seek a partner that provides:

- **A unified AR tool** that not only churns out data but offers the analytic insights necessary to support strategic action
- **A clear understanding** of where the company is today and the gap to getting to its desired future state
- **A concrete business case** to justify the resources to achieve the company's goals
- **A technical partner and expert** to understand the company's environment and the options available to achieve the best outcomes^{xvi}

Who a company partners with influences its bottom line. Having the right AR partner will ensure its high stakes become table stakes, freeing up its working capital to help it do what it does best—and grow its business in the process.



Case Study: Creating a better customer order experience

As a high-growth company, plumbing, electrical, and HVAC distributor Eckart Supply Company knew that to keep pace with orders, it had to evolve from phone-based sales to an eCommerce solution. But with complex pricing models that differed by client, creating an online portal would require a layered approach. Plus, to support internal efficiencies, any offering would need to integrate with its Enterprise Resource Planning (ERP) system, Epicor Eclipse.

"Customers love the ability to search for products by part number and create product groups to group frequently ordered products together for faster ordering!"

Sean Lawson
Director of Information Technology
Eckart Supply

The right partner

When Eckart Supply Company decided to make the leap to digital, they knew they needed to identify a partner who not only understood their industry but also would work to address their unique needs as a growing business with 15 locations. They were seeking an eCommerce solution with enough built-in industry knowledge to address inventory management and individualized sales—linked to their ERP—but also be intuitive enough to support ease of use for the customer.

They chose a B2B order-to-cash software and digital payments market leader, which got their digital store up and running in no time.

Reaping the rewards

Today, Eckart Supply Company has exceeded \$2 million in revenue from its eCommerce solution. In addition, with stronger support from its digital store, it has driven sales online, reducing customer calls and emails and saving 60 hours per week in staff time.

The company also benefits from an up-to-the-minute account of its available products with real-time inventory visibility, allowing for better inventory management. With the eCommerce solution firmly in place, product ordering and fulfillment has progressed to become much more strategic, enhancing the company's cash flow and streamlining its AR processes.

To-dos for increasing automation



Offer customers an online portal with multiple payment options



Choose digital solutions that have automated features for internal finance teams



Partner with a solutions provider that understands the accounts receivable (AR) landscape and has expertise in the high-stakes equipment space

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Finance leaders turn to Billtrust to get paid faster while controlling costs, accelerating cash flow and maximizing customer satisfaction. As a B2B order-to-cash software and digital payments market leader, we help the world's leading brands move finance forward with AI-powered solutions to transition from expensive paper invoicing and check acceptance to efficient electronic billing and payments. With more than \$1 trillion invoice dollars processed, Billtrust delivers business value through deep industry expertise and a culture relentlessly focused on delivering meaningful customer outcomes.

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