

The Benefits of Insourcing Accounts Receivable

For years, organizations have offshored the accounts receivable (A/R) function to cut labor costs and improve the bottom line. However, a new trend towards automating A/R functions and insourcing them to the U.S. may enhance the role of the A/R executive and create new jobs on American soil.

Brad Wentzel, business development director for [Cforia](#), a global company that provides order-to-cash automation software, believes that this insourcing trend is due to the realization in many organizations that A/R plays a key role in customer service.

“In the past, people have thought of A/R processes as a simple collection process that can be shipped offshore to decrease costs. However, companies are realizing that A/R is about more than collecting money efficiently. It is a customer-facing role and it is often the difference between customers who want to continue doing business with a company or start looking for other vendors,” said Wentzel.

For many organizations, offshoring has also presented its fair share of problems. For example, shipping these jobs overseas has decreased visibility into both the receivables and the customers. Further, many organizations are not realizing the cost benefits that they had initially hoped for.

“Say you save a million dollars a year on your labor costs [by offshoring], but then you end up taking a \$10 million hit on your A/R. People are seeing that the value that they are getting for the cost they are paying is not as great a difference as they were hoping to achieve,” said Wentzel.

Further, while the cost per full-time equivalent (FTE) in the U.S. is \$40,000 per year, the cost for the same labor has reached \$28,000 per year in India—a mere \$12,000 difference that can be more than made up by the increase in productivity found from utilizing A/R software solutions.

A/R Software Solutions

Software solutions, such as those available from Cforia, allow A/R departments to automate certain functions such as collections and deductions, online payments and cash application, and streamline the collections process to enhance customer relations and improve customer service.

“Quite often, outsourcers use systems that leverage batch updates, which are slow to recognize updates and can cause problems such as calling customers to notify them of their late payment after the payment has already been made,” said Wentzel. “However, proper automation and insourcing that leverages real-time data integration with corporate financial systems can avoid this problem and speed up the collections process.”

Another area where software can improve productivity is through the use of an online self-service portal. These portals allow customers to access invoices and other information that they previously contacted A/R departments to retrieve, reducing AR departmental labor by leveraging the customer’s free labor that they are happy to provide. Further, by providing customers with an image of their signed invoice, these portals shorten the discussion about whether goods have been received.

Software solutions can also send automated notices via mail, email, fax or SMS text to notify customers of upcoming or late payments. For another company, Club Car, utilizing A/R automation software allowed them to make contact with their customers before their payment was due and resolve any issues with their shipment before the payment deadline.

“By being more proactive and working with the customer to solve any problems, [Club Car](#) found that problems with their large orders are fixed quickly and their happier customers started paying them when the invoice was due,” said Wentzel. “For customers, this shows that the organization is their partner and someone who they would like to do business with.”

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page 2 of 2

Impact on the Workforce

Automation can also have a positive impact on the A/R department and team members. By automating certain processes, organizations can free up time and resources and charge A/R departments with more important tasks that directly impact customer relations.

“What we are seeing is that a number of companies are moving people away from the more mundane A/R tasks such as manual data entry and are having them do more customer-facing activities such as reviewing deductions with the client,” said Wentzel. “Now, A/R teams are concentrating more effort on deductions analysis and they are working with other internal groups to ensure that the same mistakes are not made repeatedly, thus improving the quality of their goods and services and the overall customer experience.”

This trend towards insourcing and automation will also move more jobs back to the U.S., as labor that leverages A/R Automation to increase productivity is now cost-comparable to offshoring and provides better customer services than the alternative.

“For those currently functioning in the A/R role, insourcing and automation allow them to do more meaningful work than traditional A/R executives,” said Wentzel. “If you are able to keep customers happy, then the organizations will be more profitable and that is a better job than keying in data all day.”