

A BETTER

INVOICE FINANCE

LIFECYCLE

How the intelligent use of automation
accelerates invoice finance

Is there a better way to



this?

Even at the best of times, invoice finance businesses are intensely complex operations.

But all too often, that complexity puts a stranglehold on profitability.

You're trying to deliver a better client experience to more and more clients - but you're also managing so much risk that your costs seem impossible to contain.

The first real casualty is the employee experience.

Client servicing teams have to hop between dozens of screens to complete even simple tasks. Sales teams have to spend hours typing and retyping basic information.

Eventually, this affects the client experience.

Turnaround times become longer, clients complain more often and even client onboarding costs start to escalate beyond reason.

All the while, the business' risk exposure grows so much that it becomes opaque to the company's leaders.

This doesn't have to be how invoice finance businesses operate

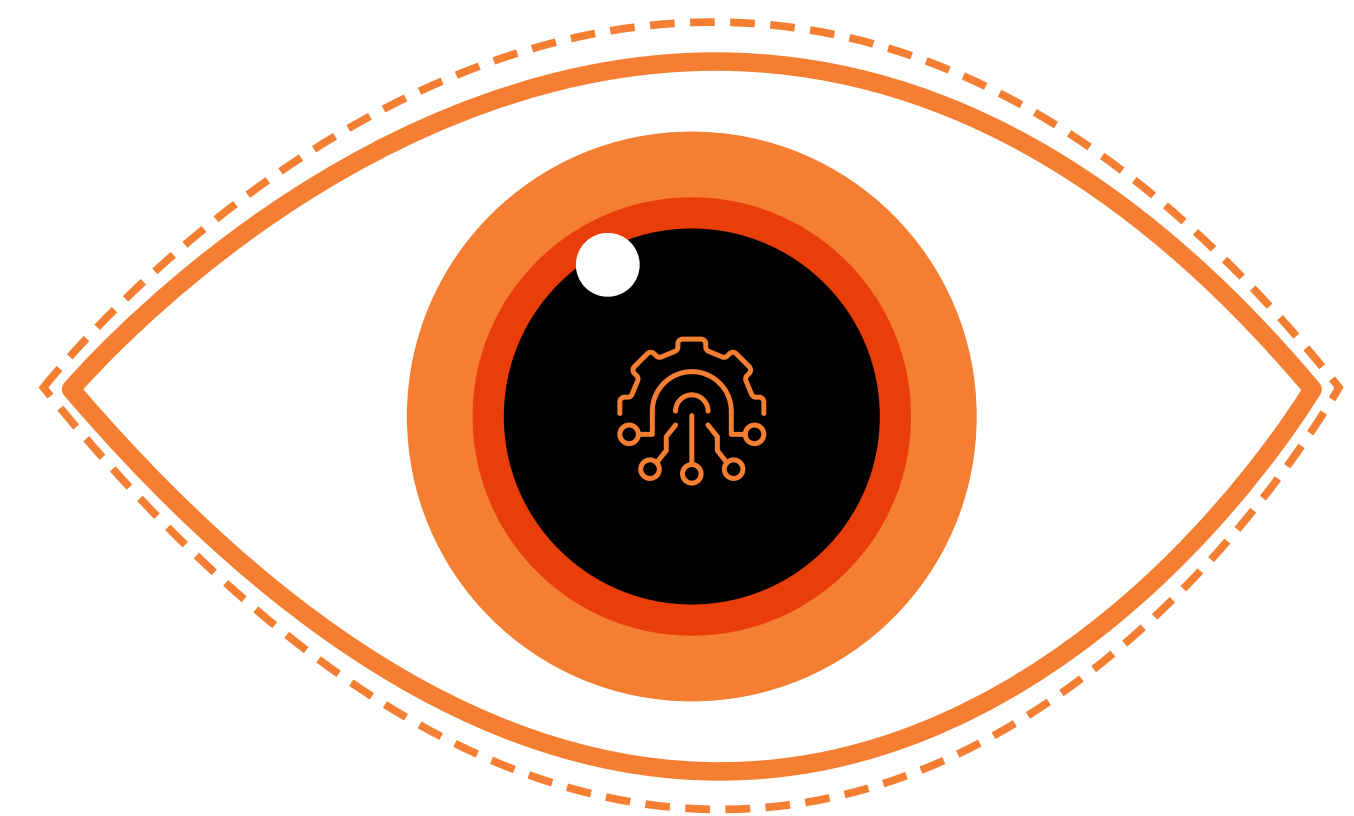
In this guide, we'll show you how some invoice finance businesses are changing the way they manage all this complexity so they can operate more profitably.

With the intelligent use of automation at specific stages of the client lifecycle, alongside systems and technologies already in place these businesses are able to:

- Make key parts of their client journey smoother, quicker and more predictable
- Simplify the employee experience so their people are more effective
- Shine a light on their business' true risk exposure in a lot less time
- Lower costs across the entire invoice finance lifecycle

The result is a measurable reduction in risk exposure, cost-to-serve and client complaints.

Let's take a closer look.



The three levers of Intelligent Automation

To run a more transparent, predictable and scalable invoice finance operation, you need to be smart about where specifically you apply automation.

You don't want to rip and replace critical technologies that would impact the firm's working capital or interrupt daily operations.

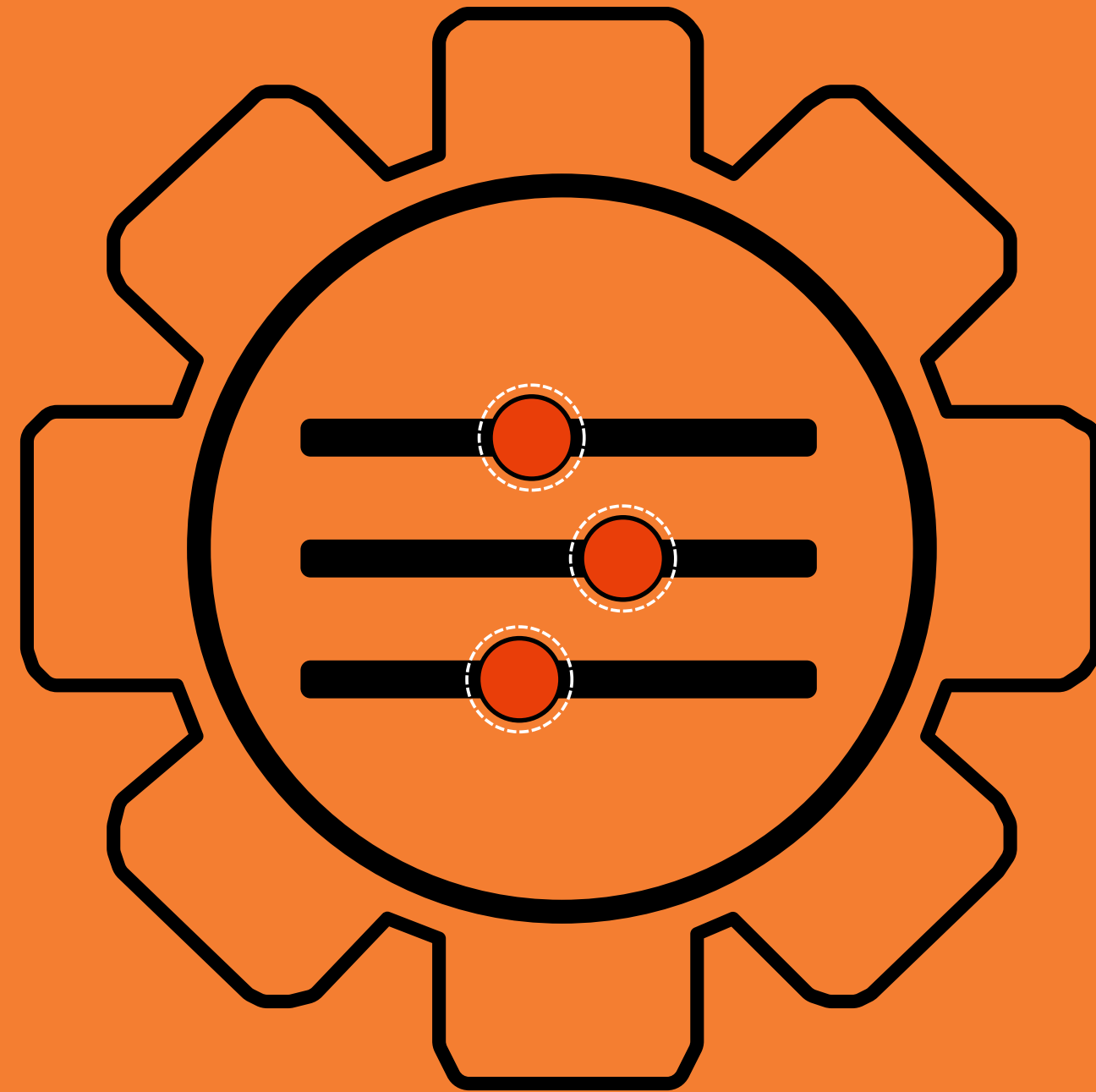
And you want to hit the ground running, making tangible improvements as soon as possible.

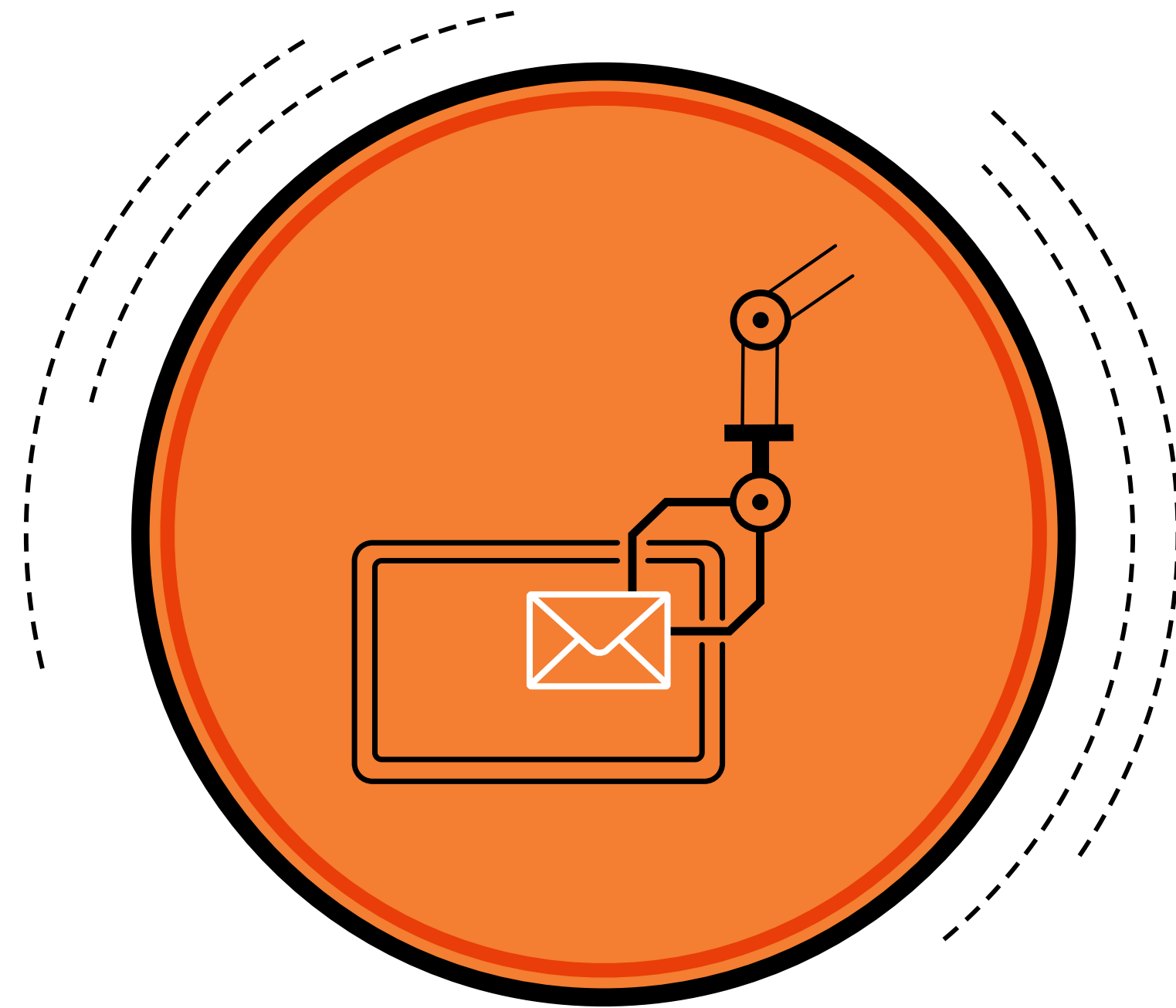
The rest of this guide will zoom into specific stages of the invoice finance lifecycle – covering both factoring and discounting – to show you where automation is already proving value.

But first, it's worth noting precisely how automation can help.

There are three crucial 'levers' that businesses can pull when they use Intelligent Automation:

- 1. Better systems of exception management**
- 2. Better communication between systems**
- 3. Better process design**





1. Better systems of exception management

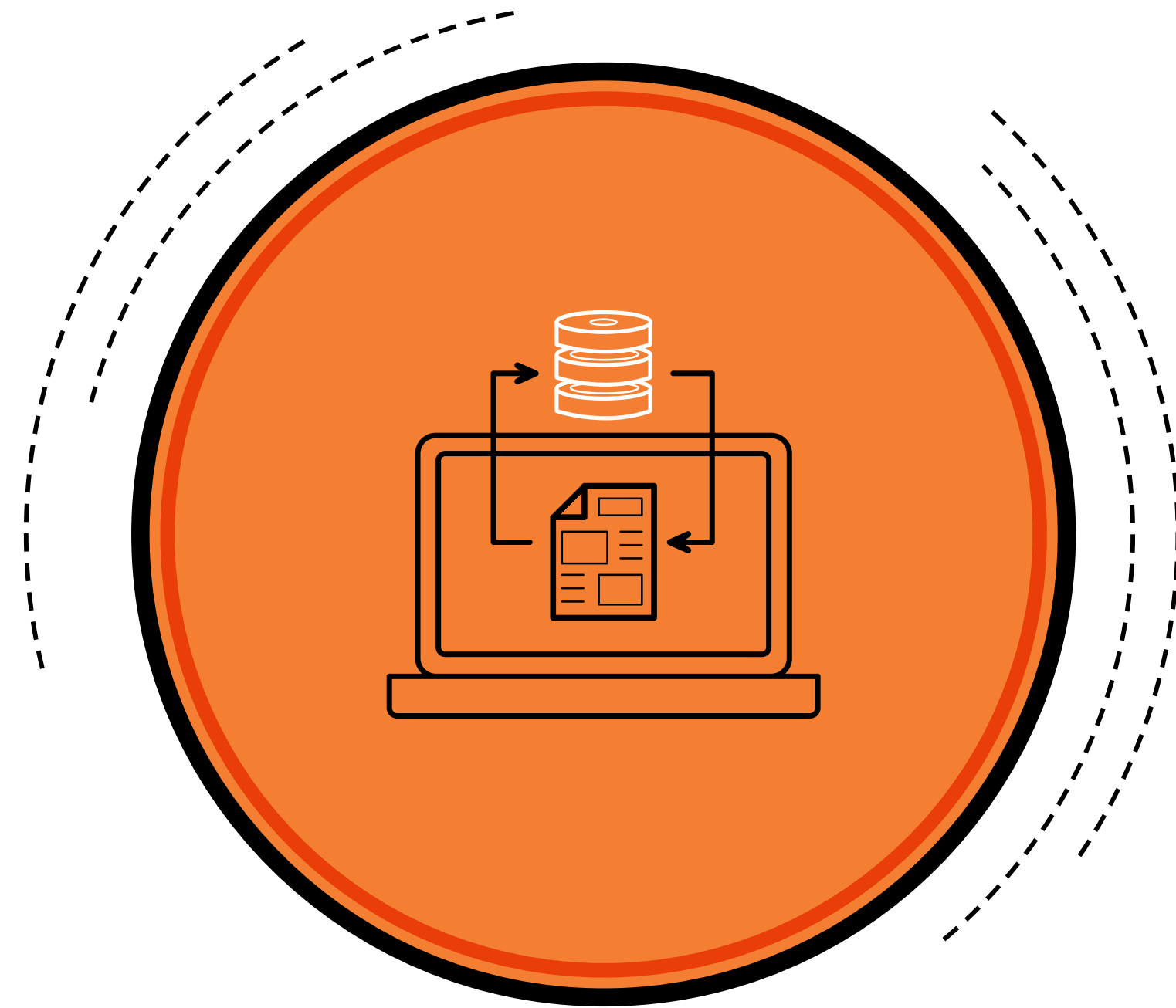
When you look closely at the activities your people spend the most time on, you'll often find a lot of repetitive, manual tasks to verify and cross check data.

You can implement a system of exception management that automates most of the repetitive work, leaving only the exceptional and urgent cases to your people.

If your client administrators are spending an inordinate amount of time on debtor verification, you can, for instance, automate email contact with debtors.

Many debt verification tasks (like cross-checking delivery receipts and invoices) can be automated. And only the few cases that can't be handled automatically can reach your people.

You get a faster turnaround time on a recurring process - and your client administrators will thank you for it.



2. Better communication between systems

You don't need to rip and replace your IT systems to smoothen your operation. But you do need to improve how they work together.

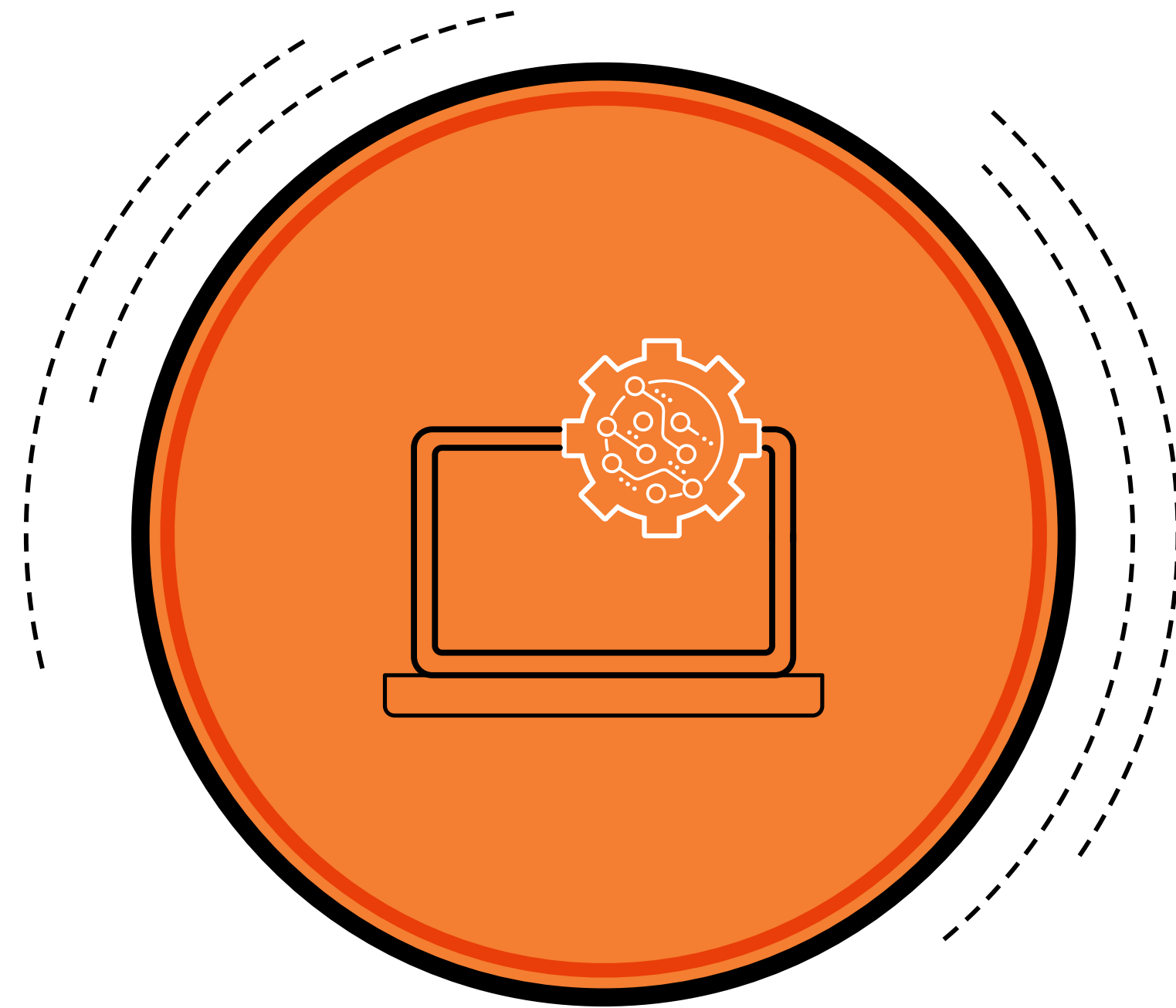
Key applications need to be able to exchange the right data, in the right format at the right times. Automation can be built to take data from one system and convert it into a format required by the other.

The result is a much faster turnaround time on critical processes and a far clearer understanding of your true risk exposure.

Certain activities like credit note assignment and sales ledger reconciliation can move dramatically faster when disparate IT systems are integrated with Intelligent Automation in mind.

We've seen companies go from needing 20 days to conduct monthly risk analyses to needing just three.

Similarly, smart integration work in combination with simple automation has helped lenders spend as much as 40% less time on sales ledger reconciliations alone.



3. Better process design

Intelligent Automation gives lenders the opportunity to redesign their processes so they're better equipped for scale.

The goal is to ensure the business can operate at high speed while simultaneously making risk easier to manage and costs easier to contain.

For instance, you might apply automation to relatively small tasks like the raising of worksheets.

While this would lead to a marginal reduction in costs the real upshot is that it becomes easier for business leaders to track risk as well.

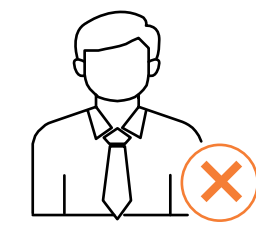
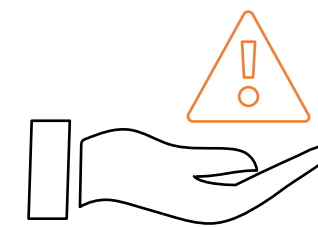
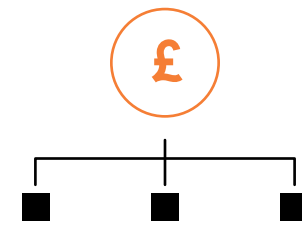
The goal: incremental gains across the client lifecycle

Instead of ripping and replacing all your systems and processes, Intelligent

Automation is about keeping the vast majority of what you have intact.

By augmenting specific points in the lifecycle where automation can help, you can make the overall operation significantly more transparent, scalable and efficient.

Invoice Finance Lifecycle



Onboarding Clients >

- Checking legal documents
- Underwriting
- Setting clients up
- Verifying debts
- Processing loans
- Training clients

Servicing Clients >

- Invoicing
- Assigning sales ledgers
- Assigning invoices and credit notes

Maintaining Accounts >

- Maintaining entity details
- Responding to queries
- Managing currencies
- Managing fees and charges
- Payment processing
- Payment tracing and repair
- Reviewing approvals limits
- Schedule processing

Cash Allocation >

- BACS and cheques allocation
- General suspense posting
- Client suspense posting
- Refunds
- Credit card payments
- Ex-client payments
- Cash sweeps

Risk Management >

- Portfolio risk monitoring
- Collateral audit
- Aged and over credit limit check
- Invoice verification
- Schedule trigger checks
- Contra checks
- Sales ledger reconciliation
- Credit risk monitoring

Treasury >

- Financial A/C reporting
- Tax accounting
- Working capital reporting
- Capital management reporting

Terminations

- Client termination
- Inter factor transfers

So where can automation make a difference?

Onboarding clients

Intelligent Automation can make a big difference across a client's first few steps with a lender.



Checking legal documents

The documents required to verify a new client tend to follow standardised formats with clearly defined checkpoints for 3rd party handoffs.

For instance, when running KYC checks on drivers' licenses or looking up Companies House records.

This predictability makes a large percentage of these tasks ideal for automation. Additionally, software like DocuSign is already helping lenders refine these workflows so they're less painful for clients and less taxing on sales teams.

Underwriting

Giving potential clients credit scores requires your people to collect basic insights and do lots of simple verification tasks that can be automated.

Similarly, lenders can frequently use the receipt of collateral as the basis for demonstrating real receivables -

another workflow that can be automated at a certain scale.

Crucially, you can roll these optimisations out gradually, first demonstrating their reliability with lower-risk clients and then deciding how to progress.

Setting clients up

When you're setting clients up on your platform, there can often be unnecessary double work if your sales teams is first collecting data on paper and in-person.

If instead this part of the process can be conducted online, through a website, all this data becomes much easier to collect and you get fewer input errors.

This saves your sales team a lot of unrewarding effort. And more reliable records mean a more reliable handoff between teams and systems later in the process too.

Onboarding clients

Verifying debts

When reviewing a client's outstanding invoices, the specific set of verification activities that need to be followed are ideal candidates for Intelligent Automation.

In both invoice factoring and discounting, it's possible to validate a large percentage of the sales ledger by automating contact between the client's key customers.

By including a step where clients sign and confirm these findings, you can make sure only a small percentage of cases require human intervention.

Processing loans

Lenders still ask their people to confirm everything is in order before making payments, especially in the case of the first payment.

And indeed, until you're certain you can trust the accuracy of your previous steps, it isn't worth the risk to automate this stage.

But it is worth noting that if the earlier stages of client onboarding are automated to reduce errors and increase confidence in sales, automating loan processing can also reduce risk for lenders.

Training clients

Clients have a higher degree of contact with client service teams when they don't quite know how to operate your system.

Rather than any complex bots or AI, at this stage the best thing lenders can do is improve the self-service training options available to clients.

It may not lead to the most technologically astounding developments, but a better user flow that answers key questions at the right times can go a long way to improving operations.



Results we've seen:

- 25% reduction in full-time employees needed for debt verification tasks.

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Automation Highlights

Servicing clients

Intelligent Automation can help make the transition from sales teams to client administrators a lot smoother and lot less fraught with error.



Invoicing

With shrewd integration work, you can make sure the data you've already collected from sales ledgers is made available for automated analysis. Then, your automated system can determine the most efficient next step. If, for instance, more information like proof of delivery is needed, it can automatically issue that request.

Or equally, if there is an issue that requires the attention of one of your client administrators, the system can notify them.

Assigning sales ledgers, invoices and credit notes

By automating predictable sequences of triggered activities, lenders have reduced time it takes to process a sales ledger by 25%.

Similarly invoicing and credit note assignments can adopt a system of exception management where the majority of activities occur automatically.

Client administrators will be needed for a number of exceptions, anomalies and issues but automation can help reduce the burden significantly.



Results we've seen:

- 25% reduction in time needed to process sales ledger assignments
- 60% of sales ledgers assignments processed automatically.
- One firm reduced the number of people required to process payments by 50%.

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- Servicing Clients
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Maintaining accounts

Account maintenance activities can often take a lot longer because earlier parts of your process rely on paper-based data entry and a lot of manual hand-offs.



All three levers of Intelligent Automation make a big difference here.

Maintaining entity details

You could certainly benefit from automaton for tracking and optimizing the quality of your data over time.

But often, better entity maintenance is consequence of better processes upstream. For instance, if clients enter information through web forms, there are fewer errors.

Equally, when clients have the means of updating their own data and are required to do so before transacting further, you can take away a lot of the burden falling on your people.

Responding to queries

One way in which lenders improve the client experience is by adding new interactive channels and technologies to help clients out.

In some cases this may entail live chat bots or even more complex re-routing of IVR (Interactive Voice Response) channels.

But often, you can make a big improvement in both the client's experience and your costs by making a simple but highly effective FAQs centre.

Intelligent Automation is about understanding the scale of the problem so you can know when to make big changes and when small improvements can get the ball rolling.

Managing currencies, fees and charges

Depending on the size of your operation, you may be interfacing with different teams to manage an updated view of currencies, fees and charges.

All that's needed here is better communication between different applications and files that are storing this data.

Maintaining accounts

If the data is set up to flow to all the people who need it, the people managing this data can spend more time collecting it and less time repetitively updating multiple screens.

Payment processing, tracing and repair

Payment control and reconciliation processes are necessarily repetitive and predictable. This makes them ideal for automation.

First, because you can enforce controls and cross-checks with certainty and take a lot of repetitive work away from client administrators. More important, because an automated system ensures a much faster turnaround time for approved clients this eliminates a lot of complaints.

Reviewing approval limits

Approval limit reviews will necessarily involve in-person conversations between the client and the client manager.

But there are two ways lenders can optimize this part of their process.

For starters, it helps to simplify the process of amending static data in platforms so changes are documented, validated and pushed using basic automation.

Secondly, you can automate external credit agency checks on new debtors so that client managers can be more rapidly informed of the appropriate approval limits for them.

Indeed, with straightforward automation, it's not unreasonable for lenders to aim for a model where they review approval limits after each transaction, even in near-real time.

Schedule processing

When lenders rely on paper-based processes and manual data re-entry between systems, they develop a fundamental lag in schedule processing.

By changing the way data is collected upstream and ensuring there are integrations between key systems, you can ensure the core schedule at the heart of the business moves faster.



Results we've seen:

- In discounting, one firm automated **45%** of its invoice schedules.
- If the schedule complies with certain risk-based business rules, then it goes straight through, automatically.

Cash allocation

There is a necessarily long-winded process for BACS and cheques allocation, particularly for clients in invoice discounting.



Intelligent Automation helps by taking a holistic view of the process and ensuring:

- Reference data such as client IDs and transaction numbers are more accurate throughout the process and therefore primed for automated validation along the way
- Sales ledger data is updated faster so there is a more accurate view of both ledgers whenever reconciliation and cross-checks are needed

General and client suspense posting

A failure to sync up sales ledgers can force a transaction to go all the way through the process of general and client suspense posting before it can be approved.

To make sure clients don't have to experience this, a better flow of data upstream is vital.

More broadly, automation can significantly speed up the process of general and client suspense posting while also helping to identify debtors and the source of funds.

Refunds, credit card payments, ex-client payments and cash sweeps

When the logic of the controls is rigorously defined and the data required to process these payments is set up for automated review, Intelligent Automation can greatly accelerate the processing of a wide range of payments.

Once again, the goal is to set up a system of exception management with a much tighter filter on what really needs to go through to client administrators and administrators.



Results we've seen:

- up to 99.99% payment accuracy
- up to 99.6% cash allocation accuracy

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Automation Highlights

Risk management

Intelligent Automation has helped lenders reduce their risk exposure by hundreds of millions of dollars while simultaneously reducing their cost-to-serve. How?



By implementing better systems of exception management, automation reduces the time it takes to complete the vast majority of checks.

By simplifying your employees' workflow, you give them more time and space to deal with exceptions appropriately.

And by relying on automated analyses, you reduce errors of judgment and thereby increase the validity of all your checks.

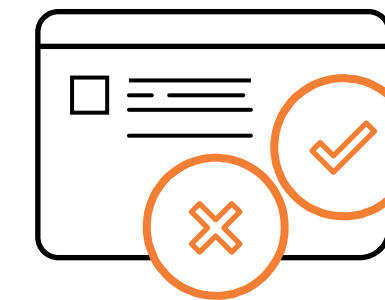
Intelligent Automation has helped lenders complete more checks with greater accuracy, more rapidly than they did before. This includes:



- Aged and over credit limit checks



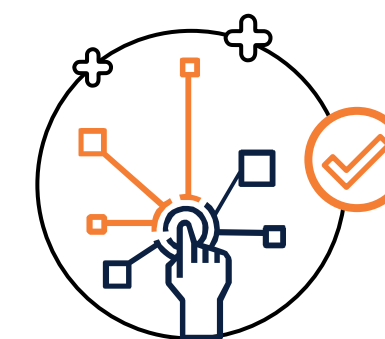
- Invoice verification



- Contra checks



- Collateral audits



- Scheduling trigger checks

Risk management

Sales ledger reconciliation

Intelligent Automation enables lenders to reconcile sales ledgers in days rather than weeks.

The result is both a dramatically faster route to accurate ledger checks and a more accurate view of lender's risk exposure, a lot closer to when the risk has been absorbed.

Credit and portfolio risk monitoring

One area of potential differentiation for lenders is to leverage Machine Learning and analytics for the purposes of better risk management.

With data between various systems set up to flow in a way that maintains a higher degree of accuracy, lenders can make far more educated decisions about the degree of credit risk they're dealing with.

Similarly, analytics can be used to detect patterns in client portfolios that couldn't otherwise be detected.



Results we've seen:

- Increases in contra-check completion up to **100%**
- Increased accuracy of sales ledger reconciliations up to **95%** (from as low as **74%**)
- Decreased time to reconcile ledgers by **40%**
- One firm now completes all risk management activities within **48** hours of its month-end ledger closure – it used to take them a week.

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Three more areas automation can help

Intelligent Automation is particularly valuable to lenders because it can simultaneously increase the completion rates, accuracy and efficiency of all sorts of processes.

While asset-based lenders are already deploying automation to grow more profitably, there are still green-field opportunities for lenders to consider.

Depending on how much of an operational challenge it is for your business, you may also consider how the intelligent use of automation could optimise the following processes.

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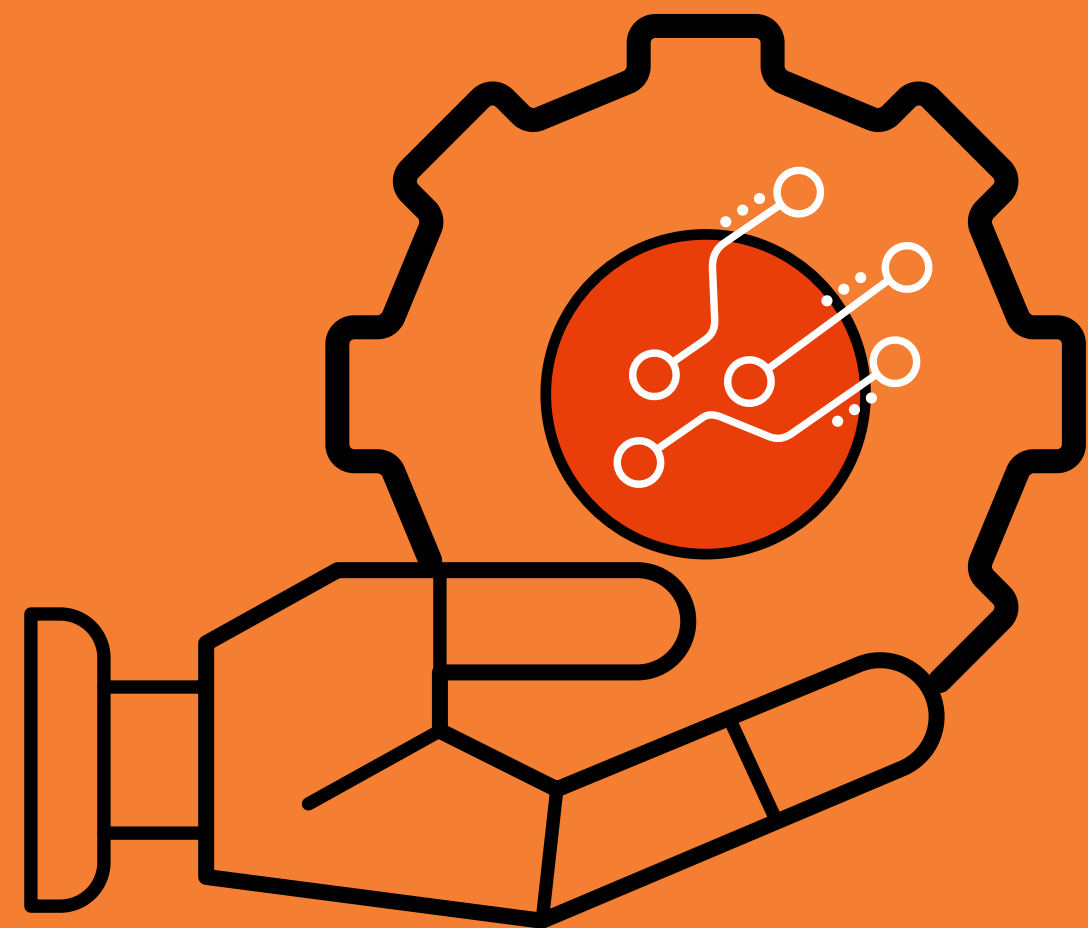
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Treasury

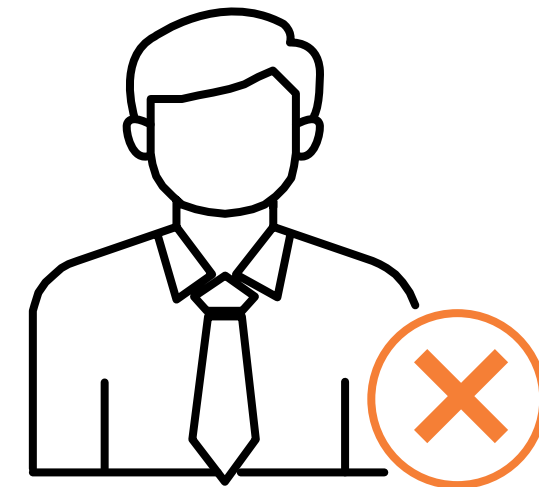


When treasury teams report on financial accounts, taxes, working capital or wider capital management, they often rely on sub-optimal flows of data.

Data isn't made available at the right times, in the right formats and changes to data aren't reliably updated anywhere near fast enough.

With better systems for data capture, faster communication between systems and easier data sharing, reporting can move a lot faster, at much lower costs.

Terminations



Client terminations and inter-factor transfers are a common part of invoice finance but these processes should take too long or cost too much.

By automating the majority of steps and setting up a system of alerting employees only if something exceptional is occurring, lenders can save a lot of time on these tangential processes.

Analysing your book



Finally, when you intelligently deploy automation to improve your processes and make more of your activities easier to record, you gain a latent form of leverage – an increased capacity to understand your customers.

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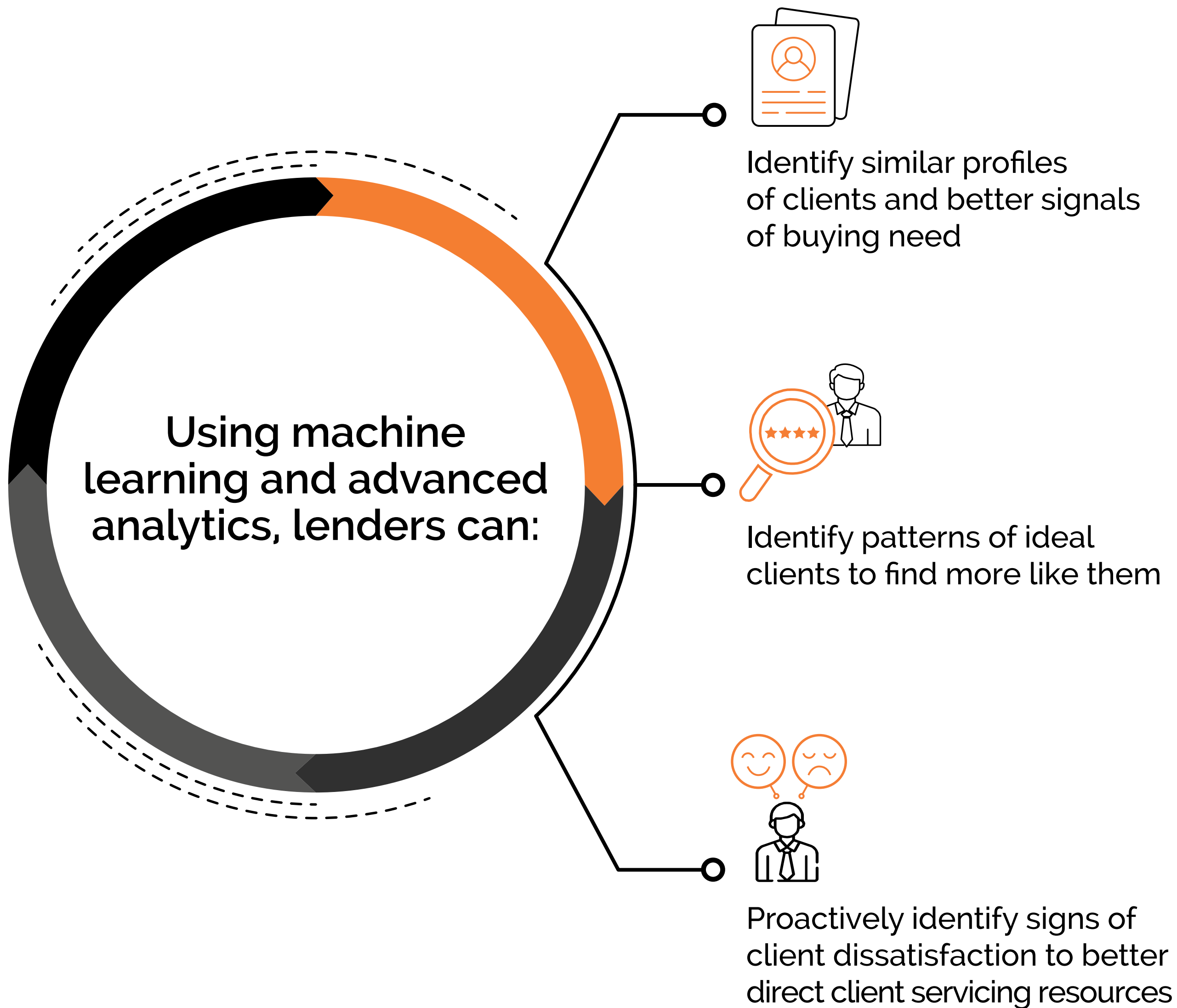
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Automation Highlights



It's never advisable to run before you can walk with automation.

But it's worth thinking about just how much more efficient and dynamic invoice finance businesses could be if they implemented the right amount of automation in just the right places.

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Automation Highlights

A better kind of lifecycle.

In invoice finance, automation only helps when it makes your people more productive, your risk more transparent and your client experience a lot simpler.

In fact, a number of lenders in the UK have already demonstrated that automation can do all of this and lower the cost of an invoice finance operation significantly.



Automation case study

One large UK bank in the fifth year of its Intelligent Automation journey decided to automate the process of migrating clients from one platform to another.

Naturally, an initiative like this is fraught with risk not only to the lender but to its client's ability to trade as well.

The migration involved thousands of data fields that needed to be migrated per client so the scale was significant too.

By doing static data migrations during the week and migrating sales ledgers over the weekend, the bank managed to automate 80% of the migration.

At 66% less cost than it had budgeted.

Invoice finance businesses have to maintain a very delicate balance between costs, risk and the quality of their service.

Ripping and replacing isn't an option. But automation can help in specific, demonstrable ways.

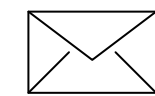
And with an intelligent approach to how and where you deploy it, you can hit the ground running, solving the operational challenges that burden your people the most.

There is, indeed, a better way for invoice finance businesses to operate.

We're Firstsource.

We are business process experts who partner with you to understand your systems, process, decision trees and access your data — we fit our automation solution to your needs.

We help invoice finance businesses deploy Intelligent Automation to reduce repetitive, manual tasks so they can grow better, smarter and cost efficiently.



To arrange a call with our automations experts email Marketing@firstsource.com



To find out what's right for your business [talk to us](#).



Learn how our Intelligent Automation solution helped [one of the UK's largest banks reduce its annual risk exposure by £130 M.](#)



To explore our automation solutions for invoice factoring and discounting check out our [invoice finance hub](#).

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