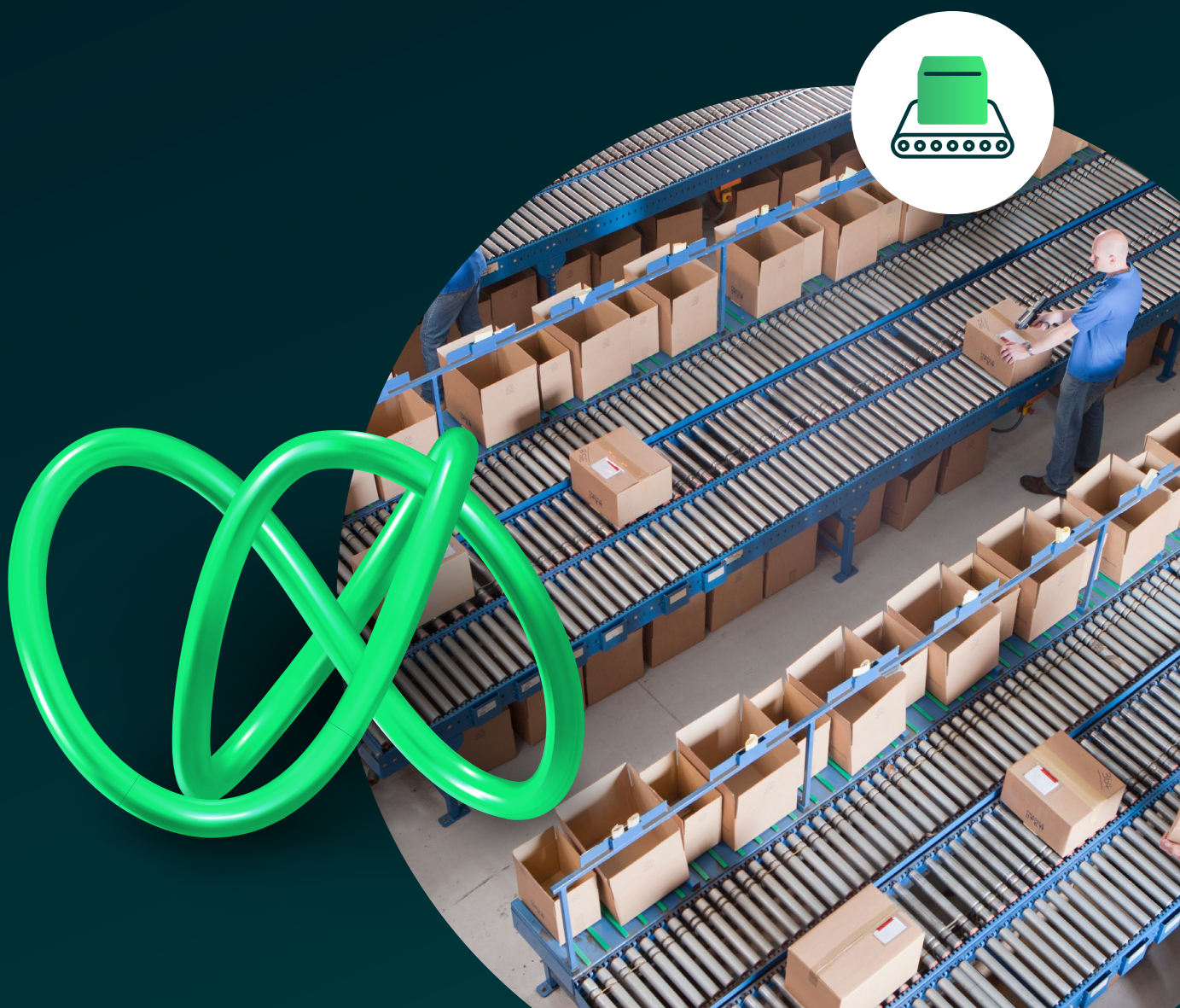


Weathering the perfect storm

How manufacturers and distributors can master complexity, beat disruption and protect margins by digitizing financial processes



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The need for digital financial processes

The manufacturing and distribution industry lies in the path of a perfect storm.

It's always been a complex sector and, as business volumes grow, companies are feeling the strain of that complexity even more. At the same time, costs are rising and competitors are putting margins under pressure.

The sector is battling severe disruption from digital giants and disintermediation by new entrants from the manufacturing and retail sectors. Many companies are responding by digitizing their e-commerce, warehouse and transportation operations.

The risk is that, if they do not also modernize their financial processes, such as the order-to-cash cycle which is so critical to a company's financial health,

they may fail to realize the full potential of their digital investments.

Manufacturers and distributors who digitize their financial processes will have a competitive advantage. They will be able to differentiate themselves on the basis of superior customer experience. Providing modern online options for ordering, billing and payment will help them retain and grow their customer base at this intensely competitive time.

This paper shows that only by digitizing and automating financial processes can distribution companies secure the competitive advantage they need to succeed in the era of digital distribution.



It's critical to digitize the entire order-to-cash cycle as an integrated process to unlock cash flow, simplify operations and deliver the best possible customer experience.

Challenges and opportunities

Managing complexity and volume

Manufacturing and distribution is a complex industry with numerous suppliers and customers, varied pricing and rebate structures, and rising volumes of transactions. It's also being disrupted, not only by the likes of Amazon, but by

manufacturers and retailers setting up their own networks. Distributors must adopt integrated, scalable and automated financial processes to successfully meet these challenges.

CHALLENGE: MANAGING COMPLEXITY

'Wholesale manufacturing and distribution is a complex industry due to the high number of SKUs, the many customers and suppliers, and their pricing and rebate structures'¹

Transaction volumes are rising. 47% of distributors expected sales to grow between 5 and 10 percent in 2018²

'Manufacturers and retailers are investing in their own distribution networks – distributors are struggling to maintain their position in the market and sustain profitability'³

OPPORTUNITY: INTEGRATE AND AUTOMATE

As firms adopt digital warehouse and location tracking systems, they should integrate them with a digital financial system that automates the order-to-cash cycle

Integrated operational and financial systems enable analytics to help optimize pricing/rebate structures and accelerate cash flow

Digital financial systems will give distributors the capability to handle the growing volume and diversity of transactions and compete effectively with new entrants to the market

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1. Economic and Political Uncertainties May Affect Growth of Construction Industry', *OEM Off-Highway*, March 2019.
 2. Messe München, quoted in 'Construction Machinery Industry on a High in bauma Year', *OEM Off-Highway*, February 2019.
 3. Messe München, already quoted.

Combating margin pressure

Costs are rising across the board and, at the same time, prices are being held down by the operational efficiency of highly digitized competitors. Modern Distribution Management reports that

distribution managers intend to reduce pressure on margins by improving employee productivity (59%) and by automating processes (49%).

CHALLENGE: MAINTAINING MARGINS	OPPORTUNITY: ACCELERATING TIME TO CASH
Costs are going up across manufacturing and distribution businesses with wages, recruitment, labor, materials, logistics and freight all seeing rises ¹	Manufacturers and distributors can mitigate rising costs, improve productivity and automate processes by digitizing the order-to-cash cycle
The industry had 60,800 fewer drivers than it needed at the end of 2018 ² , forcing driver compensation up 15% since 2013 ³	Replacing time-consuming and costly manual processes with fast, automated ones reduces costs and eases pressure on margins
'Amazon (and other web companies) are picking off the high-margin, low-technical-expertise products and decimating our profitability' ⁴	Digitizing the order-to-cash cycle improves invoicing accuracy, reduces payment delays and releases cash to the business faster

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1. 'Seventy-five percent of construction firms plan to take on more headcount', Associated General Contractors of America (AGC), 2018, website agc.org.
 2. AGC report already cited.
 3. Based on participants at the International Trade Fair for Construction Machinery, Building Material Machines, Mining Machines, Construction Vehicles and Construction Equipment.
 4. Klaus Dittrich, Chairman and CEO of Messe München, 'Construction Machinery Industry on a High in bauma Year', *OEM Off-Highway*, February 2019

Becoming a digital manufacturer and distributor

There's a digital divide in manufacturing and distribution. The big players have advanced e-commerce portals, warehouse automation and transportation management systems. Meanwhile, small- and medium-sized firms lag behind the

digital curve. As companies digitize their operations, they must also digitize their financial processes, such as the order-to-cash cycle, if they are to reap the full benefit from their digital transformation.

CHALLENGE: DIGITAL DIVIDE

As the wholesale distribution industry evolves, many distributors are still operating with fragmented, legacy IT systems

The B2C eCommerce trend has hit the B2B industry. Distributors are scrambling to get online before their competitors

While 45% of the industry plans to introduce eCommerce systems, only 11% plan to improve finance and accounting software

OPPORTUNITY: TRANSFORM PROCATIVELY







Companies should digitize accounting processes ahead of the pack to secure a competitive advantage

It's essential to take a holistic approach to process modernization. The value of digital order placement is undermined if credit applications are still processed manually

Only by modernizing financial processes can companies secure the agility and scalability they need to succeed as a digital distributor

Digitize the whole order-to-cash cycle

An integrated platform delivers benefits to customers, employees and the business across the order-to-cash lifecycle.

STAGE	WHY DIGITIZE?	OPERATIONAL EFFICIENCY
Credit 	Putting credit applications online gets you off to a good start: <ul style="list-style-type: none"> — Improve risk management decisions — Reduce friction between sales and finance — Help things work better down the line 	<ul style="list-style-type: none"> — Process credit applications and references automatically — Credit data stays accessible for later stages — Real-time portfolio monitoring and alerts — Combine third-party data with industry and peer information
Order 	Offering a web store lets customers order online if they want to: <ul style="list-style-type: none"> — Speed up purchasing — Improve customer experience — Get data right from the start 	<ul style="list-style-type: none"> — Build your own web store — Add your branding — Link data across the lifecycle
Invoicing 	Automated invoicing cuts out time-consuming, error-prone manual work: <ul style="list-style-type: none"> — More accurate invoices — Fewer queries and disputes — Faster payments — Easier reconciliation 	Offer your customers every invoicing format, through a single unique supplier: <ul style="list-style-type: none"> — Print and mail — Email or fax — Electronic invoice presentment and payment (EIPP) — Deliver invoices straight into accounts payable portals
Payments 	Allow your customers to pay by whatever means they like: <ul style="list-style-type: none"> — Offer credit card payment without prohibitive costs — Match payment methods to customer preferences — Reduce effort and labor through automation — Ensure secure and compliant payments — Offer an online payments portal 	<ul style="list-style-type: none"> — Reduce interchange fees for credit card payments — Take credit card payments from Visa, American Express and other major brands easily and at affordable rates — Capture virtual card numbers and apply the cash automatically — Integrate with ERP systems — Run campaigns to encourage your customers to adopt electronic payment methods
Cash Application 	Digitizing cash application improves a business's liquidity: <ul style="list-style-type: none"> — Improve the accuracy and speed of reconciliation — Get access to cash more quickly — Eliminate bank lockbox and data entry fees 	Speed up the cash application process by: <ul style="list-style-type: none"> — Cutting data entry and keying costs — Assisting with matching — Investigating and researching exceptions — Posting to your ERP
Collections 	Replacing spreadsheets with a digital collections solution helps you: <ul style="list-style-type: none"> — Prioritize more effectively — Improve success rates — Reduce manual effort through automation 	<ul style="list-style-type: none"> — Automate contact management — Prioritize accounts strategically and increase account coverage — Reduce the average age of debt — Provide a consistent customer experience

Case study: Acushnet

Manufacturer sees continued electronic payments growth

The challenge

Acushnet Company is one of the largest manufacturers of golf equipment in the world. They produce the No. 1 ball, shoe and glove in professional golf, as well as in shops under their well-known brand names, Titleist and FootJoy.

Acushnet relied on an outdated Automated Clearing House (ACH) process involving their bank lockbox. They had also developed an online payment portal that gave customers a way to signal what invoices were paid by check. This was prone to issues that led to discrepancies when applying cash. Correcting errors and reversing transactions was extremely time consuming. Due to the influx of errors, Acushnet began steering customers away from the portal, resulting in poor customer satisfaction.

The solution

As more customers sought electronic invoice options, Acushnet turned to Billtrust's Cash Application solution to provide an alternative to their outdated lockbox processes, while solving for high costs, low customer adoption rates and incoming corrupted lockbox files.

The results

Billtrust Cash Application helped mitigate these issues right away. Acushnet's payment match rates exponentially grew, bringing credit card payment match rates up to 100%, ACH match rates up to an average of 99.5% and optical character recognition (OCR) match rates up to an average of 85%. Cash Application also helped reduce the amount of time previously needed to manually process open cash bins by an estimated 20 hours per day – eliminating the need to pay employees overtime to process open payments.

"We were steering customers from our portal to try and keep up, but when Billtrust offered an integrated payments solution, we jumped."

MARK STOREY
SENIOR DIRECTOR, CREDIT MANAGEMENT
ACUSHNET

ACUSHNET

20 hours

decrease in daily cash application

99.5%

match rate achieved for ACH

20%+

annual growth in electronic payments

Recommendations

1. Manufacturers and distributors must invest in digital financial processes to cope with the growing scale and complexity of transactions.
2. They should ensure that, as they digitize e-commerce, warehouse and transport operations, they also digitize the financial processes that turn these activities into cash.
3. In the face of rising costs, companies should automate financial processes to reduce manual labor and ease pressure on margins.
4. Firms can realize immediate improvements in efficiency with digital financial systems which produce accurate invoices, reduce delays in payment and accelerate time to cash.
5. It's important, particularly for small- to medium-sized enterprises, to move quickly in order to secure relative competitive advantage.
6. Manufacturers and distributors should take a holistic approach to digitizing financial operations, transforming the order-to-cash cycle in its entirety.
7. When selecting a payments services partner they should choose on who understands, not just accounting processes, but the unpredictability of the rapidly-digitizing manufacturing and distribution sector.

Working with Billtrust, golf equipment manufacturer Acushnet grew payment match rates exponentially, bringing credit card payment match rates up to 100%.

Technical equipment distributor Behler-Young cut payment application time by 15 minutes, improved customer satisfaction and automated their invoice printing.



Learn more

If you'd like to learn more about how Billtrust could help boost your competitiveness by digitizing your order-to-cash cycle, please [get in touch](#) with one of our distribution specialists or learn more at [billtrust.com](#).

ABOUT BILLTRUST

Billtrust is a leading provider of cloud-based software and integrated payment processing solutions that simplify and automate B2B commerce. Accounts receivable is broken and relies on conventional processes that are outdated, inefficient, manual and largely paper based. Billtrust is at the forefront of the digital transformation of AR, providing mission-critical solutions that span credit decisioning and monitoring, online ordering, invoice delivery, payments and remittance capture, invoicing, cash application and collections.



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