CLOUD PLATFORMS FOR ACCOUNTS RECEIVABLE PROCESS OPTIMIZATION: HOW TO IMPROVE OUR BUSINESS WITH THE RIGHT SOFTWARE

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Introduction

Organizations across all sectors need visibility into the status of their business and to use data and **analytical information to make sound business and operational decisions**. We can therefore say that data has become the **center of gravity around which the rest of the organization revolves, not only from an information technology perspective, but also from a business standpoint.**

- To achieve **data intelligence**, we must be able to **synthesize information**; that is, be able to convert data into information and then into knowledge. In this process, the contextualization of data is particularly important. According to IDC data, **77% of organizations believe that contextualized data is essential for success.**

- **Calculating indicators** can be a challenge in the era of **data intelligence and artificial intelligence.** However, this combination of technologies can transform the way indicators are calculated and used. The data-driven approach allows **indicators** to be **calculated with a large amount of data**, increasing their accuracy and relevance. **AI**, on the other hand, enables the **automation** of the calculation **process**, making it more efficient and precise. In addition, the combination of these technologies also allows the identification of patterns and trends in the data that can be used to improve indicators in the future. Thus, calculating indicators with a data-driven vision and an AI foundation can result in more accurate and efficient solutions.

- As **technology** positions itself as an **enabler of digital business**, we see all sectors relying on the **development of digital ecosystems** both within their sector and interconnected with others, primarily through cloud architectures. These **ecosystems** are **blurring the barriers between different sectors, but above all, generating value among them.**

- Data cloud, as a holistic approach to increasing the organization's growth value, governing information in a secure, regulated, and seamless way. **Data cloud, executed in the cloud, provides agility and innovation, and helps transform the combination of data and software to build a custom data cloud for each organization.**

- It is therefore necessary to **work more closely with industry ecosystem partners to drive innovation and increase skills, capacity, and knowledge**, as working in "silo mode" will prevent organizations from benefiting from the expertise and technology of specialized companies. In fact, IDC predicts that by 2026, on average, 30% of large enterprises' revenue will be derived from industry ecosystem initiatives of shared operations, applications, and data with partners, industry entities, and business networks.

Accounts Receivable Software Market and Main Associated Technological Trends

In this context regarding the importance of data in the digital ecosystems of organizations, a good example of **value creation** is cross-departmental software. Within this scope, platforms to facilitate the management of **Accounts Receivable (AR)** stand out, complementing the vision and use in various areas:

- **Financial use:** such as commercial credit risk management and assessment applications.
- In the area of **customer experience**, optimization through agile and segmented processes.
- **Customer evaluation and communication** with both sales and financial areas to avoid silos within organizations.

In this way, data from the financial department regarding the historical behavior of the customer base would become an active part of the organization's business intelligence.

FIGURE 1

Cross-departmental Platforms for Accounts Receivable Management
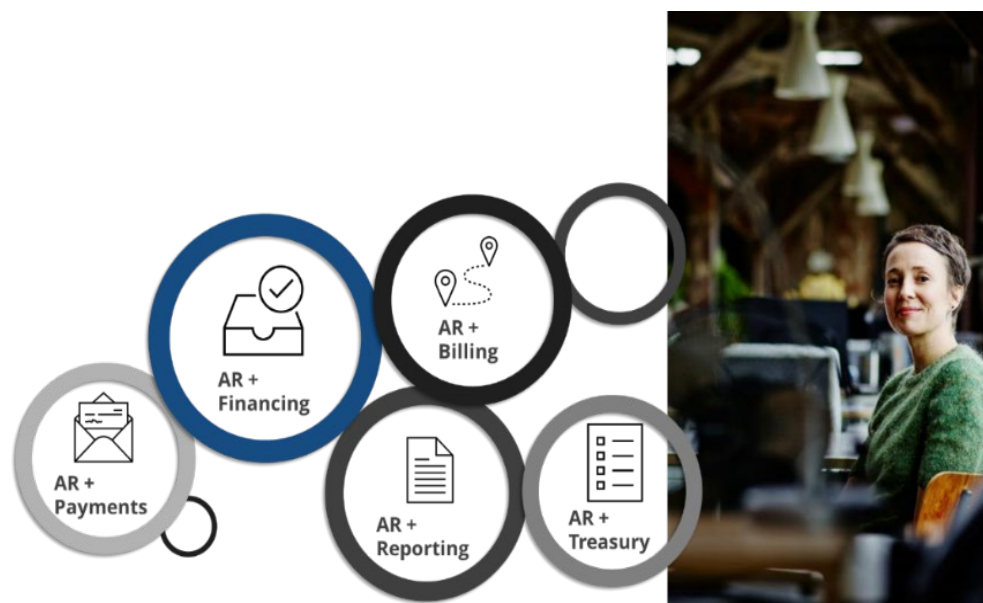
Source: IDC, 2023

The **global Accounts Receivable management SW market** is expanding rapidly, with expected compound annual growth rates of more than **11% until 2026**. This growth is set to be even higher in Europe, Middle East, and Africa (EMEA) with rates of over 13%. Expansion is being driven particularly by **cloud-based** applications, which are set to grow by more than 14% a year to account for almost 90% of the market by 2026, as shown in Figure 2.

FIGURE 2
Accounts Receivable Applications Market ($M)
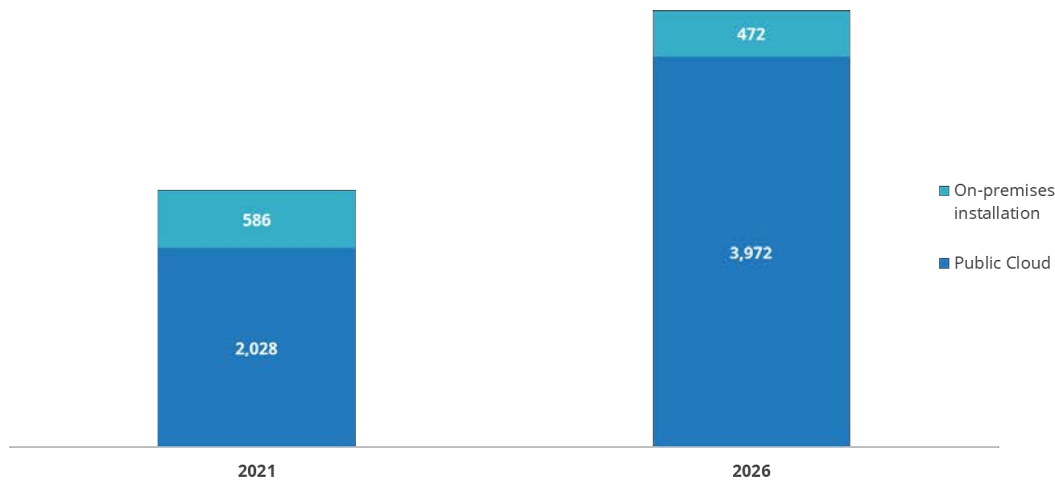
Source: IDC, 2023

This evolution towards the use of cloud architectures is confirmed by the global surveys conducted by IDC, in which **38%** of the organizations surveyed confirm that they will **switch to using SW for AR management in software as a service** (SaaS) **mode in the next 36 months**, as shown in Figure 3. This evolution makes sense if you consider that data security issues are becoming very important, and only leading cloud service providers have the investment capacity to meet the current challenges in terms of cybersecurity.

FIGURE 3
Type of SW for AR Management
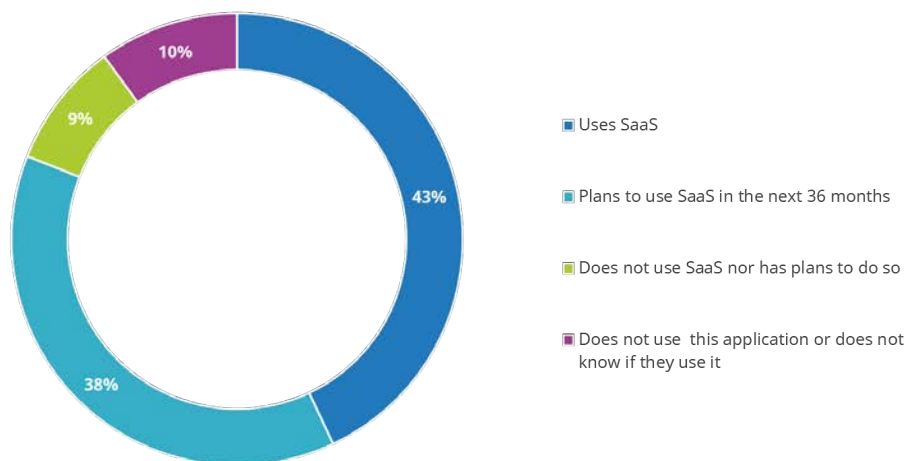
Source: IDC, 2023

The **most important benefits after incorporating AR management solutions** include:

- **Efficiency**, mainly related to the automation of transversal processes in the organization.
- **Transparency**, related to the standardization of processes in different geographies or organizational units.
- Improved **credit risk management**, which translates into improved financial and cash flow KPIs.
- Improved **knowledge of our market** by analyzing the behavior of our customers and debtors.

Recently, companies have turned to **Artificial Intelligence** and machine learning to **accelerate and optimize key processes in credit assessment**, **reconciliation, collections, cash management and deductions**. AR vendors are rapidly embedding intelligence within workflows from order to collection to unleash the full power of AI among corporate users.

56% of organizations rate AR workflow automation as a high priority; this percentage rises to **69% for companies with more than 10,000 employees**.

Larger organizations often have greater problems balancing productivity and employee experience. That makes them prioritize AR automation even more.

> *"The first thing we must do for our employees is to make their job easier, so that they only have to worry about the customer. If in addition to worrying about the customer they have to deal with problems with the systems, we will generate frustration for them."*
> CIO of a financial institution

Keys to Choosing the Right Solution

What are the main keys to choosing an RA solution that will make a differential improvement in your organization?

- Provide **seamless integration**. Data must flow between all relevant finance functions, including treasury, AP, accounts receivable, trade credit risk management, order management, and purchasing. In addition, data must flow to all other departments beyond the finance teams. Only then will managers be able to obtain a holistic view of the organization's current cash/liquidity position.
  This integration, in the context of AR, will enable proactive management of accounts receivable, anticipating actions that will allow us to reduce our live risk with debtors who present complications prior to the maturity of a debt.
- Make **Cloud Native** a core element. A cloud-native architecture provides the flexibility/agility needed to meet the demands of a highly dynamic market landscape. Data from the most recent IDC SaaS Path Survey reveals that more than 70% of finance leaders would be willing to pay more for a cloud native architecture with microservices and containers.
- **Increase the focus on the people in the process**. Finance is a series of activities where data and people come together to complete a task. Often, IT solutions have a lot of focus on the data side, giving less importance to the user experience. A better user experience in daily AR

workflows means an improved employee experience and usually translates to a better end-customer experience.

- **Bridging the gap between sales, IT and finance**. Finance and commercial departments need agility-oriented tools and features to enable them to respond quicker to rapid market changes. Solutions must have the features to enable tools to adapt quickly. In this regard, technologies such as open APIs and low code help close product differentiation and bridge this gap.

- Use the **ecosystem as a differentiator**. For many customers, the first stop when selecting additional tools to extend functionality are their financial application ecosystems. This choice can cause us to miss out on added functionality from other vendors.

- **Data cloud** as a key element of the ecosystem to enhance advanced data exploitation, make informed business decisions, and drive innovation with up-to-date data-driven information.

- **Homogenization of processes** in the territories or organizational units of business groups. Corporations are increasingly demanding a single view of their company's overall financial situation. AR applications host data that may be relevant to multiple back-office processes where data from multiple applications must be collected from different business units and territories. This operational modality places greater importance on the smooth flow of data between systems. A set of unified AR rules and procedures will comply better with corporate standards and present equivalent performance ratios that allow the assessment of each organization and its execution capacity.

- Build **trust** with end users. Vital ways for enterprise applications to build trust in the SaaS economy include being more transparent, delivering on commitments, supporting the success of end customers throughout the relationship, and helping them achieve their business outcomes.

What Atlax 360 Offers in this Context

Atlax 360 optimizes global accounts receivable management processes in proactive mode, using AI to control the admissions of new orders first and then their evolution, allowing substantial improvement **ratios** in the collections operation.

Its SaaS platform, Yndika, **automates and standardizes transversal Order-to-Cash processes**, and improves management control in companies of any size, with multi-ERP connection and a start-up in less than 8 weeks, requiring hardly any IT effort from the client or its collaborators.

The out-of-the-box platform adapts, after an easy configuration, to the reality of each company, business unit, or geography, with multiple users, languages, and currencies.

Yndika's key features are:

- **Atlax Data Cloud**: Consolidates the daily transactional information (AR) of each client with information from public sources in each country, and the payment behavior of its debtors and potential debtors with other providers, extending the client's digital ecosystem in a secure and reliable way, and allowing the use of financial data in the natural progression of the business as a whole.

- **Security**: Modular architecture based on cloud-native API, with a robust data governance policy adhering to global standards, including ISO27001, Zero Trust security model, and periodic ethical hacking.

- **Tailored credit risk indicators:** In-house Data Science team using machine learning (XGBoots) to predict 90-day commercial default risk individually for each customer-debtor binomial, with a predictive capacity of 88% AUROC. A homogeneous and reliable measurement across the organization.

- **Capacity to automate key processes**: Decision rules engine, workflows for escalation and review of operations, granting of credit limits in real time, generation of alerts, design of automatic and massive flows of debt recovery in a segmented way for the portfolio, integration of communications (email/SMS), etc.

- **Global scalability**: Integration of different geographies, business units, and/or ERPs in a single environment with unified rules and processes. Agile access to the different functionalities of the order-to-cash process, either directly from the platform or from the client's internal applications (ERP/CRM) via web services.

- **Personalized reporting**: Advanced business intelligence with consolidated and individual-level information that, in addition to operating on Atlax Data Cloud, allows for analysis of activities executed from the platform itself, facilitating reporting at all user levels.

The expected benefits after adopting Yndika are:

- **Standardization of corporate policies**: Implementation of procedures globally and homogeneously, but considering the specificities at both geographical and business unit levels, allowing control in their execution and traceability of operations.

- **Elimination of silos with a single vision of the client:** Having a transversal system in the organization that aligns and avoids frictions in the financial/risk/credit and commercial departments, gaining transparency and objectivity in decision making, and efficiency, by reducing credit evaluation times.

- **Automatic management with a minimum number of manual tasks:** Digitalizing the collections department allows to organize the tasks to be performed in a clearer and more controlled way, with a more effective prioritization. Defining preventive collection strategies based on your own segmentation also results in a more satisfactory customer experience.

- **Optimization of working capital**: Automatic projections of expected loss, better credit quality of the AR portfolio, and achievement of financial savings by improving KPIs, among others, the reduction of DSO, delinquent and defaulted debt, or the increase in credit sales.

- **Measurement of the return:** Knowing the actual usage and efficiency gains achieved in the organization by freeing up team management time to focus on key tasks.

- Additionally, Atlax 360 has developed a **Supply Chain Finance** offering embedded in its Yndika platform, launching credit insurance and financing services, bringing more visibility to its clients' cash flow forecasts. Atlax 360's integration capabilities and predictive models allow the calculation of credit and fraud risk automatically and upfront, at a more competitive price for its clients.

To sum up:

Yndika provides a comprehensive solution to these challenges, common to all companies seeking to be more efficient by **automating and homogenizing processes** for several subsidiaries of the group, managed on a day-to-day basis by different teams.

Converting internal ERP information into knowledge, materialized in risk indicators made with machine learning, will allow all company departments to clearly see the real risk of the customer and, ultimately, sell more safely, improve collection indicators, and have certain information to assume more risks of credit sales.

About the Analyst

Ignacio Cobisa, Consulting Manager

Ignacio Cobisa is a Consulting Manager at IDC, responsible for conducting research, providing analysis and consulting services to major technology companies and end users on their digital journey.

With over 20 years' experience in the IT and telecommunications market, Cobisa has extensive market and industry knowledge and is frequently involved in conversations with IT and business managers. He is a frequent speaker at conferences and events, chairs round table discussions, and contributes to industry publications and interviews.

Before joining IDC, he worked in different positions at Telefónica Group, latterly as an internal consultant at the office of the Telefónica Chairman. Previously, he was in charge of customer relationships at Ya.com (the Spanish ISP of Deutsche Telekom Group).

Cobisa holds a degree in economics from Complutense (Madrid) and a Finance Diploma from the University of Berkeley.