Improving Overall A/R Efficiency with Digital Transformation of Credit, Collections, and Cash Posting

Learn how Summit Electric managed to achieve 2.9 Days Reduction in DSO in just 1 year using automation.

About Summit Electric

Summit Electric Supply Co. Inc. is a privately held, independent wholesale distributor of industrial electrical equipment and supplies founded in 1977. With over 550 employees, it ranks #17 in the US among electrical distributors.

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> HighRadius has helped us focus on the areas that we needed to collect on. And we've become more efficient. The entire team works efficiently. Now that we've adopted HighRadius.
>
> Beth Petry
> Corporate Credit Manager

Challenges

The company overall had a very forward-thinking approach towards technology and fully embraced digital transformation. They strive to serve their customers by adding superior value with their industry expertise, innovative systems, and commitment to them.

However, they faced problems in credit as the leadership had limited visibility into the process and also lacked the technical experience to keep up with the changes.

INDUSTRY
Wholesale Distribution

HEADQUARTERS
Albuquerque, New Mexico, United States

REVENUE
$505 Million

PRODUCTS
- Cash Application Cloud
- Collections Cloud
- Credit Cloud

Benefits
- 98% Header Level Hit-Rate
- 80% Collector Effectiveness Index (CEI)
- 2.9 Day Reduction in DSO over 1 year

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Challenges in Credit

Manual and Inconsistent Data Gathering

The Summit Electric A/R team was facing an acute challenge in data aggregation. They lacked a process and had to manually gather data from multiple sources, multiple times. Manual paper documents were received via email, fax, and sometimes pictures from smartphones, which led to major inconsistencies in formatting.

Incomplete Data Received

The A/R team at Summit Electric often received incomplete data due to not-required fields, which led to extra manual work for the team. At times, they had to use SAP for account history - which again required a lot of manual intervention.

Lack of Real Time Risk Alerts Impacted Decision Making

The credit team did not have any vendor/data provider that could provide them real-time risk alerts. This directly impacted the decision making on a broader level due to lack of accurate information.

Longer Turnaround Time Due to Lack of Workflow

The manual paper process always fell short of collecting all the required information at one time. And the absence of a workflow directly affected the turnaround time for making important credit decisions thus creating a working capital impact in the long run.

Challenges in Collections

Lack of Customer Prioritization

The Summit Electric Collections team had no prioritization strategy for customers, which led to small balances being left uncollected. These small amounts from different accounts made up to a significant chunk.

Lack of Process Standardization

Collections team at Summit Electric faced a major issue of process standardization. which caused inconsistency among collectors and their efforts. The team worked in silos, every FTE had their own way of executing things, which impacted how the communication and documentation was being done.

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Challenges in Cash Application

Completely Manual Process

Cash Application at Summit Electric was completely manual, as in, the analysts had to manually find and post-money for the accounts for every invoice. They received checks and remittances in an image format. From there it was a manual process to post payments, tax adjustments, discounts, deductions, ACH into our ERP system.

Poor Lockbox Services

Summit Electric paid a hefty amount for lockbox services. However, even after using the lockbox service, A/R teams had to work manually on the files received because either the data was inconsistent or missing. Lockbox services were not able to support remittance handing for e-payments. FTEs had to manually scan missing remittance images and key-in the missing data.

Manual Deduction Coding

Analysts at Summit Electric had to manually code deductions by searching through various reason codes and then post cash in ERP manually. This led to a slow process with unnecessary hurdles which delayed the overall turnaround time.

How did HighRadius Help

Summit Electric needed a way to have better job visibility with less manual effort. They required a system that could help give them the ability to get a clearer picture of who was on the job, and a way for their team to attach necessary information, or rather, a central hub for information. Implementing a method for prioritizing customers based on value and risk was also required urgently to improve efficiency and customer experience.

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So we had specific needs within our industry that we asked HighRadius to step up to the challenge and find solutions for us.

Beth Petry
Corporate Credit Manager

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Credit Cloud

Automated Approval Workflow For Low-Risk Customers

HighRadius helped put Summit Electric's customers into different risk buckets depending on their capacity to meet their financial commitments and set the review hierarchy based on the bucketing. This bucketing enabled automated approvals for customers falling into the lower risk categories while redirecting only higher dollar value approvals to the senior management. With auto-approvals, the credit team was thus able to fast-track the periodic reviews for low-risk customers.

Auto-Aggregation of Credit Data from Global and Local Agencies

The solution ensured auto-extraction of credit reports, financials, and credit insurance information from all data sources. The credit teams could configure and include multiple agencies and, if data was missing from one, the credit cloud would auto-aggregate the reports from the next agency. It provided the ability to revise credit limits and rescore customers based on real-time credit risk alerts.

Online Credit Application for Ease of Use and Efficient Tracking

The Online Credit Application provided a clearer picture of who is on the job and lien rights position. The Quick Save/Edit Later Options enabled customers to fill the credit application as per their convenience without having to refill information already filled enhancing their user experience. The sales team or customers were able to directly attach the necessary documents (tax, PO, bond, joint check agreement, contract) to the online credit application.

Collections Cloud

Prioritized Worklist For Maximum Collector Effectiveness

With HighRadius Collections Cloud, Summit Electric team had access to a prioritized worklist based on pre-defined business rules to maximize collector effectiveness. Collectors were able to use the worklist instead of randomly or manually choosing from the collection list for the day. They were able to achieve a high level of precision in collections.

Automated Correspondence For Low-Risk Customers

Collections Cloud provided the ability to automatically send collection correspondence such as past-due letters and invoices via email and fax en-mass directly from SAP. They now had the ability to link an email remittance into the payment itself. This led to the elimination of high touch and repetitive work for the team. They also had at their disposal readily available and easy to create correspondence templates for collecting short payments & notifying customers about any probable legal actions.

Cash Application Cloud

100% Elimination of Lockbox Fees

Summit Electric now did not have to spend hefty amounts as lockbox fees. With the cash application cloud, the process was now faster, smoother and more efficient.

Elimination of Transactional Tasks using Automation

With Highradius Cash Application Cloud, Summit Electric did not have to work manually on cash posting anymore; the system auto-matched invoices to payments.

Auto-Identification and Submission of Remittance in No Remittance Scenario

Leveraging AI, Cash Application Cloud helped the team to predict invoices as potential remittances. They could now automatically link predicted remittances to payments based on a preconfigured threshold.

Automatic Conversion of Customer Reason-Codes to Internal Codes

The solution eliminated the need to manually convert reason codes to internal codes with the Automated Deductions and Discounts Coding features within Cash Application Cloud, thus saving time.

Auto-Invoice Matching

The team at Summit Electric was able to match invoices with payments automatically, even in exceptional scenarios like matching by non-reference numbers. It performs customer identification or payments through the MICR number, email domain, and alias.

Automated Remittance Data Capture

Cash Application Cloud enables Summit Electric to auto-capture remittances across email body attachments and auto-identify customers through email domains. All remittance formats Emails, PDFS, EDI, WEB were supported. Summit Electric could also deploy web bots to extract remittances through tokenized login credentials. This spared them the hassle of working manually on capturing remittances. This helped them save time which was previously spent on going through multiple portals and capturing remittance data.

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Results Achieved

98%

Header Level
Hit-Rate

80%

Collector
Effectiveness
Index (CEI)

**2.9
Day**

Reduction in
DSO over 1 year

About HighRadius

HighRadius is a Fintech enterprise Software-as-a-Service (SaaS) company that leverages Artificial Intelligence-based Autonomous Systems to help companies automate Accounts Receivable and Treasury processes. Our products provide value to a wide range of customers and are especially relevant to industries like consumer products, manufacturing, distribution, energy, and others that sell products or provide a service to other businesses.

Our customers range from some of the largest global corporations, including more than 200 Fortune 1000 companies. We also serve mid-size enterprises that don't have the IT resources to consolidate on an ERP platform but still want to automate and streamline their receivables and treasury processes.

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