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7 Reasons Your Cash Application Process Needs Overhauling

 FEBRUARY 27, 2014  **ANNIK STAHL**

Time marches on and waits for no man — or cash application process, apparently. There are many symptoms of a sick and suffering cash application process. If you're managing that process the old fashioned way with many dedicated people scanning (and sometimes rescanning) remittances and then keying in data, it's time to consider a new toolbox of tricks.

So sit bolt up in that straight back chair and get ready for some difficult listening. If any one of the following reasons seems familiar to you, it could be an indication that you need to take a good hard look at your cash application process. But don't be scared because there is a way to fix it. You first need to admit you have a problem. Go ahead, say it: My cash application process needs an overhaul.



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your weight than your shoe size

Consider this: Even the man with the **largest feet in the world** would be happy with a Day Sales Outstanding number that's close to his shoe size. And a 50-pound eight-year-old-girl would be — OMG! — mortified to see her DSO creeping up to her weight (as if!).

Child labor laws aside, modifying your cash application process to be more automated will have the side effect of lowering your DSO. Why? When your match rate goes up, the time your team spends each week managing exceptions and applying cash customer invoices goes down. It's simple logic. Even a third grader can figure it out.

#2: Your collection team continues to hear “I already paid that...”

Maybe your customer paid...and maybe he didn't. You certainly can't tell — at least not very easily. Your accounting process is a mess and your DSO number is so out of whack that you're not even sure how money is getting into your bank account (let alone when).

Wouldn't it be great if you didn't even need collectors? That everything was running so smoothly and efficiently that your customers found paying your bills — electronically, even — a breeze and a pleasure?

You're definitely in need of a better system because it's a guarantee that your customers are — or soon will be — sick

of hearing from your collectors after they've paid. Spending all your time calming crabby clients is not a recommended business model.

#3: You're telling your customers to allow longer and longer times for their payment to post

This is related to reason #2 but even if you know someone has paid, having that payment take a long time to post to the bank is more than an inconvenience to your customers — it's impacting both parties' bottom lines.

Put yourself in your customers' shoes: If you made sure that you'd paid your creditors in full and on time and yet your accounting got all screwy because they took forever to deposit that check, you'd be downright annoyed. So don't be surprised to receive curt emails and maybe even incomplete remittances next time around; hell hath no fury like a customer scorned.

#4: Cash app team members are full time data keyers



Is this what you had in mind when you hired these folks? That they'd spend their time tapping numbers into a 10-key machine? Chances are you hired these people for their good brains; now might be a good time to let them use those noodles, do some critical thinking, and get some real work

done. Surely they can provide more value-added functions...

In the post [So Happy Together](#) I talked about how plucking someone from a mindless job (keying, for example) to repurpose her somewhere else, somewhere she can use her skills and abilities will ensure higher job satisfaction and better productivity. Free the data keyers!

#5: The cash app department is so paper-heavy, you're considering acquiring a paper supply company

The envelopes...the checks...the remittances...the invoices... In other words, ALL THAT PAPER.

(If a tree cries in the forest and there's no one there to hear it, does it make a sound?)

If you're getting electronic remittances, good for you — this is the way of the future! If you're printing those remits out and then re-keying them, stop that! You're needlessly wasting trees, time, and employee resources. Honestly, there is very little need for any paper at all when you automate your cash application process so please: Step away from the paper trail.

(Hello? [Dunder Mifflin](#) calling. Andy is wondering if you need more paper...)

#6: Lockbox data keying fees are the biggest dollar item on your

services budget

Face it: When you try to wrestle with your bank and its fees, it's not a fair fight; you're not even in its weight-class. It'll do what it can to take you down, put you in a headlock, and even [double grapevine](#) you. (Don't hold it against the bank—that's its job.)

So to keep your singlet on and your pride intact and don't neglect your A/R department, particular the cash application folks. You don't need to be beholden to the bank because you *don't need* its keying services. An automated workflow can save you big \$\$\$, even in the short term. You're wiry, you're scrappy, and you can move faster than any bank can. So shake hands and...wrestle!

#7: Cash app employees all move into the office during your three day month end close window

They feel threatened. They feel overburdened. Their families wonder who they are (when they even bother to go home), wandering around the house in a pasty-faced daze... Your employees want to do right by you, their job, and the company. But spending frantic, caffeine-and-pizza-fueled hours at the end of the month trying to match up remittances to payments, deal with exceptions and short pays, and who knows what else is a needless suck of everyone's time and your money.

Automation takes care of this so that you can have an end-of-month party instead. Send these people home, won't you?

Final thoughts

See a common thread running throughout the seven reasons above? Right: There's a better way. If you recognize any of those scenarios, consider automating your cash application process. Read more about how [some people are reducing the amount of resources that go into their processes, and how they're lowering their DSO at the same time.](#)

I have faith in you. When the going gets tough, the tough get going. And don't fret; remember that it's always darkest before the dawn. And oh yes: When you automate your cash application process, every [cloud has a silver lining...](#)

"There is nothing more deceptive than an obvious fact." —
Arthur Conan Doyle
