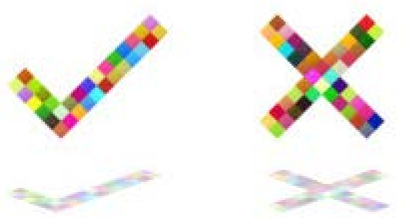
All Matching is Not Created Equal

MAY 21, 2014 ANNIK STAHL

You use a bank lockbox and you're pretty happy with it. Sure, there are data keying fees that are associated with it but you can't get away from those, can you? (Or can you? More on that later.)



Your bank keys in the data from the images of the checks your customers send you and then sends you a file in a format that your ERP can ingest. That's called autopost which implies that the data is keyed in and then ***poof*** everything matches up.

But let's face it, that isn't really the case. On a good day perhaps 65 percent of the data matches. You don't want to complain because at least *some* of it matches and 65 percent is a pretty good number. But you know what happens to the remaining 35 percent, don't you? That's right: It's kicked back to you or someone you work with (and maybe both of you plus a few others) to resolve as an exception.

using your ERP's interface.

It's tedious, it takes a long time, and it tends to make people cranky. And we all know It's probably not the best use of anyone's time.

Apples and oranges

Let's take a step back and peer into the details of these percentages. You know your envelope matching level (which some call the "kill rate") is around 65 percent. Let's widen that a bit and say the average is 50 to 70 percent, meaning the rest of the data — 30 to 50 percent — has to be gone over with a fine tooth comb by a finely-trained employee with good eyesight and fast fingers.

Now, if you're using, or have considered using, a company that provides matching technology, you may or may not be aware that this sort of matching relies on one-to-one matching which, by its binary nature, is only able to match absolute values. In other words this attempt at matching tries to find a whole or entire piece of information such as an invoice or account number to match to a payment and if it can't, kicks it back to you to work with it as an exception. Basically, you're on your own again to search for the needle in the haystack of remittances.

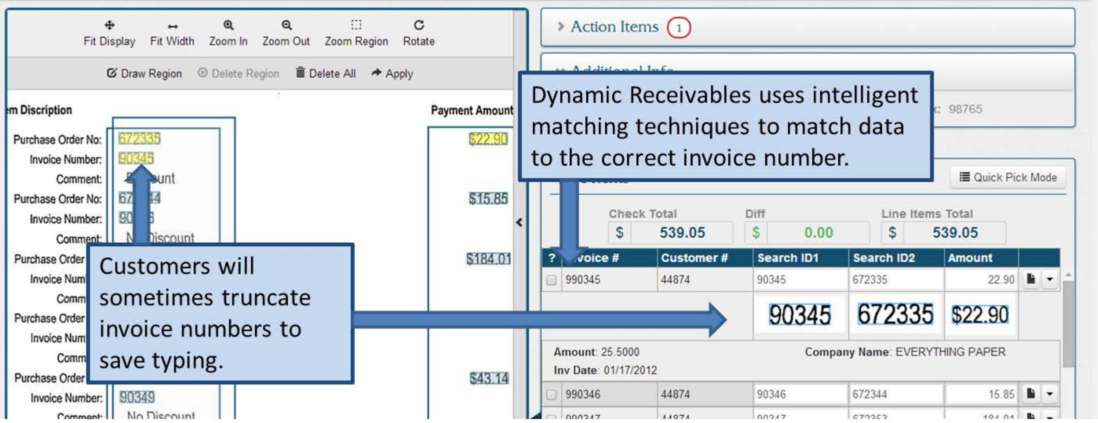
Binary matching is so last century

When you employ matching technology that uses weighted scoring, transaction history, and particular algorithms to find the best match based on tolerances, you're going to see your match rate soar. One of the reasons for this is that there's nothing binary about it. And because it works so well, it reduces exception handling by 70 percent.

Let‘s take a look at a few examples.

Example 1: Truncation

Sometimes a payer will truncate the dollar amount or invoice number, whether intentional or not. In a one-to-one matching engine, this would make every line item an exception. Open Scan’s Dynamic Matching Engine solves this problem by taking the existing information combined with other data points and chooses a best candidate based on tolerances.



Dynamic Receivables uses intelligent matching techniques to match data to the correct invoice number.

Customers will sometimes truncate invoice numbers to save typing.

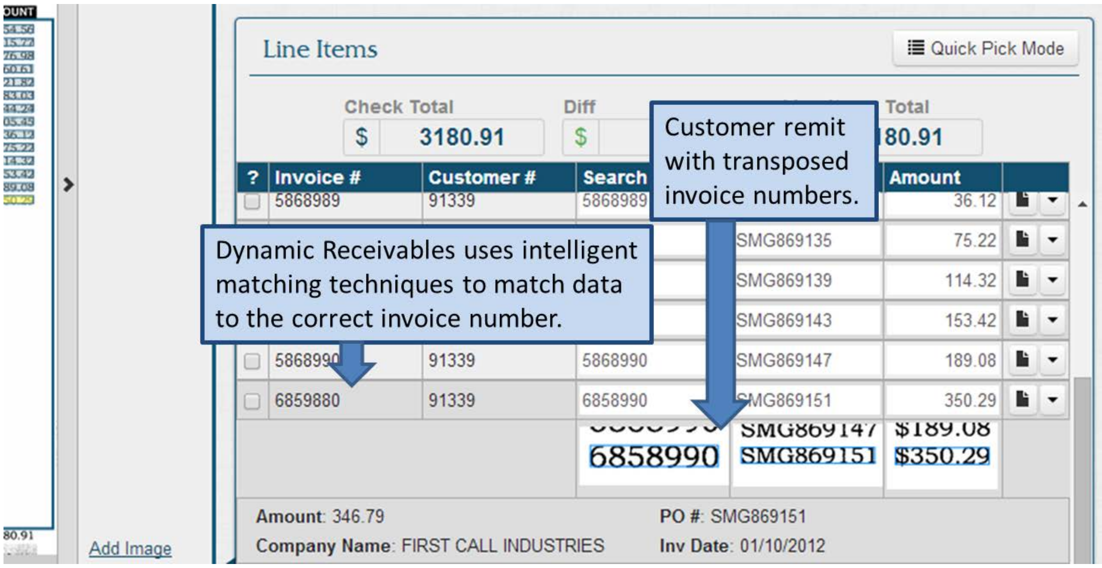
Check Total	Diff	Line Items Total
$ 539.05	$ 0.00	$ 539.05

?	voice #	Customer #	Search ID1	Search ID2	Amount
□	990345	44874	90345	672335	22.90
			90345	672335	$22.90
□	990346	44874	90346	672344	15.85

Amount: 25.5000 Company Name: EVERYTHING PAPER
Inv Date: 01/17/2012

Example 2: Transposition

When a payer transposes data within any of the payment data — including invoice number or amount — it can cause an exception, requiring manual intervention. By employing algorithms and logic, Dynamic Matching can locate matches for these invoices. In the image below, the correct invoice number is 6859880 ; the customer transposed some of the numbers so that it read 6858990 .



Line Items

Quick Pick Mode

Check Total	Diff	Total
$ 3180.91	$	80.91

?	Invoice #	Customer #	Search		Amount
□	5868989	91339	5868989		36.12
				SMG869135	75.22
				SMG869139	114.32
				SMG869143	153.42
□	5868990	91339	5868990	SMG869147	189.08
□	6859880	91339	6858990	SMG869151	350.29

Amount: 346.79 PO #: SMG869151

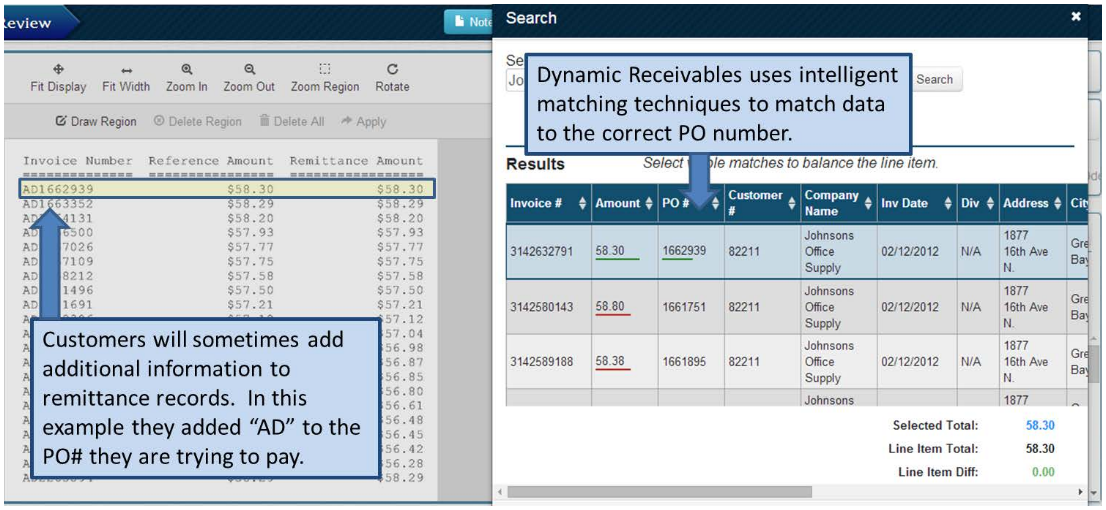
Company Name: FIRST CALL INDUSTRIES Inv Date: 01/10/2012

Customer remit with transposed invoice numbers.

Dynamic Receivables uses intelligent matching techniques to match data to the correct invoice number.

Example 3: Extra information

Often, payers will add information to invoice numbers for their own purposes. In the below image the payer uses the prefix "AD" in its invoice numbers; for example, the highlighted number "AD1662939." Dynamic Receivables employs logic that finds the correct invoice in the Open A/R and matches it automatically.



```
Invoice Number   Reference Amount   Remittance Amount
==============   ================   =================
AD1662939                  $58.30              $58.30
AD1663352                  $58.29              $58.29
AD   4131                  $58.20              $58.20
AD   6500                  $57.93              $57.93
AD   7026                  $57.77              $57.77
AD   7109                  $57.75              $57.75
AD   8212                  $57.58              $57.58
AD   1496                  $57.50              $57.50
AD   1691                  $57.21              $57.21
```

Customers will sometimes add additional information to remittance records. In this example they added “AD” to the PO# they are trying to pay.

Dynamic Receivables uses intelligent matching techniques to match data to the correct PO number.

Results *Select ple matches to balance the line item.*

Invoice #	Amount	PO #	Customer #	Company Name	Inv Date	Div	Address	City
3142632791	58.30	1662939	82211	Johnsons Office Supply	02/12/2012	N/A	1877 16th Ave N.	Gre Bay
3142580143	58.80	1661751	82211	Johnsons Office Supply	02/12/2012	N/A	1877 16th Ave N.	Gre Bay
3142589188	58.38	1661895	82211	Johnsons Office Supply	02/12/2012	N/A	1877 16th Ave N.	Gre Bay

Selected Total: 58.30

Line Item Total: 58.30

Line Item Diff: 0.00

See it in action

Below is an example of Open Scan’s Dynamic Matching Engine works.

Your next step

It’s an intriguing scenario, isn’t it? If you find that you or your employees (or maybe all of you) are spending caffeine-fueled hours at the end of each month playing catch-up to ensure all receivables are properly accounted for, consider what Open Scan CFO John Hanssler called out in his blog post, The Perks of Automating:

“Envision obliterating the bank fees associated with lockbox data entry and reducing your teams’ countless hours spent managing cash application exceptions and mismatched payments. All of that data can be electronically transmitted, paired with remittance documents, and matched to your open invoice file…all by 9:00 a.m. each morning. “

Visit us at www.openscan.com or give us a call at 303.333.7444 and schedule your demo today.

"Since we cannot match it let us take our revenge by abusing it.” — Michel de Montaigne (French philosopher, 1533-1592)