Maximizing the Innovative Impact of Revenue & Receivables Management Software:

A COMPARATIVE ANALYSIS OF LEADING BEST OF BREED SOLUTIONS

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Introduction:
The Revenue and Receivables Management Challenge

The demands of enhanced revenue and receivables management, the imperative to improve key performance measures like days sales outstanding (DSO) and cash flow, and the requirement to free up working capital have brought a new class of enterprise software to the attention of chief financial officers, treasurers, and controllers, as well as credit and collections managers, and other financial managers. This new class of software – called revenue and receivables management, working capital management, and credit and collections management software, among other terms – is characterized by point solutions that companies in a wide variety of industries can use to better manage their invoice quality, cash flow, DSO, and other key financial performance indicators.

There are a number of companies that have begun to improve the automation of basic order-to-cash processes with an enterprise software solution, but only very few are attempting to provide a more comprehensive coverage of the overall order to cash process. Enterprise Applications Consulting (EAC) has found that one company– Aceva Technologies – has a solution that can not only automate the order-to-cash cycle, but add an additional level of proactive transaction monitoring that provides its customers with a significantly larger return on their working capital than other solutions can provide. This additional benefit, EAC believes, allows Aceva's solution to have an innovative impact on the order-to-cash process management in companies in a wide range of industries.

This report is divided into four sections. The first is a discussion of the overall issues in order-to-cash and revenue management, and will set the stage for understanding the existing capabilities of the main offerings in the market and how to judge which vendor or vendors can provide a next level of innovation to prospective customers. The second section looks specifically at Aceva Technologies' solutions – Aceva Collections Management and Aceva Transaction Reconciliation – in order to show how the company meets the needs for extensive automation and innovation for its customers. The third section discusses the relative merits of the three other leading solutions in this category, with the goal of showing how well they can or cannot provide broad automation and innovative impact to their customers. This report concludes with a discussion of the value of innovative impact and its relation to improving the order-to-cash cycle.

Order-to-cash, Revenue and Receivables Management, and Advanced Innovative Impact

The order-to-cash cycle (see Figure 1) encompasses the most critical processes in the management of the enterprise, many of which have been only sparingly automated. The benefits of an efficient and highly automated order-to-cash cycle are well-known to every financial manager, and the impact of inefficiency can be seen in the day to day internal workings of companies worldwide, and in the financial reports and newspaper headlines that chronicle the successes and failures, of businesses across every vertical industry.

Improved days sales outstanding is only one of the many direct impacts of a well-automated order-to-cash cycle. Better overall cash management, improved use of working capital, closer and more productive relations between customers, suppliers, and partners, and tighter regulatory compliance are among the many benefits of an efficient set of order-to-cash processes.

Figure 1. The Order to Cash Cycle
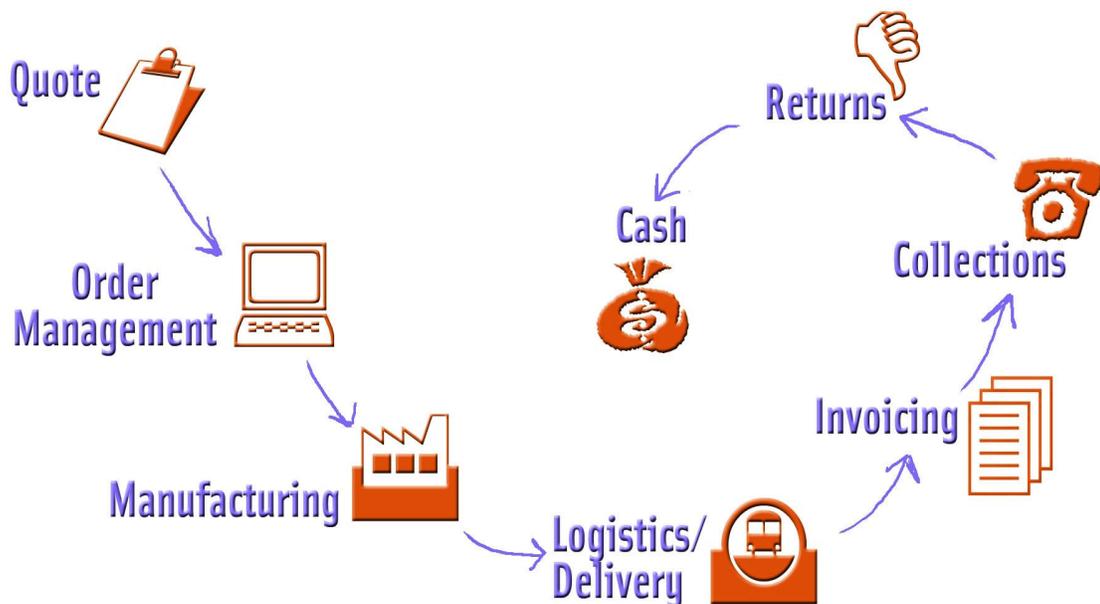
While the benefits are well-understood and well-documented, achieving these improvements can be elusive for large and medium-sized enterprises alike. The problems span both technological and business process issues.

> Figure 2.
>
> KEY BENEFITS OF REVENUE MANAGEMENT SOLUTIONS
>
> • Lower DSO
>
> • Improved Working Capital
>
> • Improved Financial Efficiencies
>
> • Better Customer and Supplier Relations
>
> • Improved Regulatory Compliance

The Technology Problem: The Tower of Babel

It is axiomatic that the larger and more dynamic an enterprise, the more disparate its financial and order management solutions. It's not uncommon for large companies to have literally dozens of different software solutions – custom-built applications, best of breed solutions, and large ERP suites – that all collect, and to a certain extent manage, key data in the order-to-cash cycle. Companies that have significant international operations have vastly different data and reporting environments for their operations, and those with multiple sales channels – direct, indirect, and Web-based – all have enormous problems with the integration of order, invoice, and other key data across their heterogeneous systems.

This technological Tower of Babel has traditionally frustrated many attempts at automation. Without the ability to have a unified view of the key data elements that drive order-to-cash, even those companies that have been able to measurably improve cash management have done so by the use of highly inefficient and people-centric processes. Regardless, the number of companies that lack anything resembling a well-automated and efficient order-to-cash cycle vastly outnumbers those who have begun to make a significant effort at change.

The Business Process Problem: Improving Collection Effectiveness and Efficiency

On the business process side, there are a number of key functions that need improvement in order for companies to reap the theoretical benefits of an improved order to cash cycle. EAC's research has shown that the enterprise software solutions from the leading best of breed vendors in this market – companies like Aceva, eCredit, Emagia, and Getpaid – and to a lesser extent leading ERP vendors like SAP and Oracle – have been able to automate four of these key functions in the order-to-cash cycle:

- **Invoice and Portfolio Management.** Managing the quality of the invoice and the customer's or partner's portfolio is a key starting point for the automation of the order-to-cash cycle. Data quality issues abound in invoice management, and are the cause of a large number of disputes, chargebacks, and other problems related to collections. The ability to manage individual invoices within the context of a customer's entire portfolio is essential to the quality issue: invoices need to reflect discounts, promotions, and other terms and conditions that are often hard to discern without looking at the context provided by a portfolio-level analysis.

- **Collections Management.** Automating collections management can provide tremendous efficiencies for financial departments. The ability to use a centralized applications environment to closely track receivables, understand the aging of specific invoices, and carefully manage interactions with customers based on accurate information can significantly lower overall personnel costs while improving customer relations and lowering DSO. In addition, the ability to manage customer contacts in well-designed and well-managed manner can ensure a greater degree of success in overall account management without unduly influencing the customer relationship.

- **Dispute Management.** Similarly, automating the management of disputes can provide significant savings both in terms of lower personnel costs, lower DSO, and improved customer relations. Being able to track and manage the customer interactions that lead up to resolution, and schedule the resolution process, can offer a significant improvement in efficiency while providing an important audit trail for management, regulatory, and other purposes. (Dispute management can be even further enhanced in a collaborative environment – see *Advanced Innovative Impact* below.)

- **Customer Management.** The efficient management of customer relations is a key element in the automation of the order-to-cash cycle. The improvements that financial

managers are looking for in DSO and other measures cannot come at the expense of relations with valuable customers. This means that customer management – with the goal of supporting the successful resolution of disputes – has to be a key goal in the deployment of an advanced enterprise software solution.

- **Metrics and Key Performance Indicators.** The automation of the above four functions and the data associated with these processes provides a wealth of information that can be used at multiple levels for the management of individual customers, lines of business, and the entire enterprise. This makes the presence of a robust analytical framework essential for customer management, DSO and overall cash management, regulatory compliance, as well as other functions.

These approaches have brought considerable benefit to the companies that have implemented these standard best practices. Previous attempts at process improvement failed to recognize the need for flexibility in the deployment of these solutions in order to fit the specific needs of both internal and external customers and stakeholders. This "one size fits all" mentality often resulted in manual, people-intensive work-arounds that significantly reduced the expected gains in efficiency.

Advanced Innovative Impact:
Greater Quality Control and Improved Customer Management

Enterprise Applications Consulting believes that the above best practices can be further improved by adding two key technological improvements. The first, which is available to a certain extent from all of the leading vendors, adds automated workflow and business process management capabilities to the above four functions. Allowing companies to adapt the workflow of their revenue management system in order to accommodate their specific requirements is a key requirement in improving overall innovative impact. The ability to manage the use and flow of the underlying business processes themselves, using business process management tools, adds an additional customization capability, and therefore further enhances the innovative impact of the software. This is a significant improvement over previous solutions that relied on manual processes that were highly sensitive to data quality process as well as human error. In particular, by reacting to exceptions and other problems in a controlled, formalized fashion, best practices for dispute management can be implemented that meet the precise customer management and customer relations needs of an individual company.

The most important innovation that improves the capabilities of revenue management software, however, comes from adding an additional level of automation to the order-to-cash cycle that captures key inputs – primarily orders and invoices – from within the transaction environment, and tests them against customer-specific business rules for accuracy and feasibility. This in-line capability adds a significant level of efficiency to the order-to-cash cycle by preventing incoming orders and invoices from wreaking havoc in the rest of the financial, order management, and ERP systems, and/or by initiating analysis and corrective action quickly and before too much damage has been done. These kinds of in-line, proactive systems have been proven in the market by companies such as Edge Dynamics in the pharmaceutical industry, and OSIsoft in process manufacturing, among others.

As order-to-cash is an integrated process that spans multiple departments – finance, sales, and procurement – this next level of automation can have a broad impact across the enterprise, and can provide the technological basis for an important new level of enterprise-wide collaboration.

The essential ingredients for in-line automation are as follows:

- Automatically capture key data from order management, financial, or ERP systems.
- Test the invoice, order, or other document against business rules that define customer-specific parameters such as contracted quantity, price, ship-to address, etc.
- Notify or alert the key stakeholders that a problem has been encountered and a resolution is required.

This level of automation can significantly shorten time to resolution by short-circuiting problems before they get out of hand.

Figure 3.

CHARACTERISTICS OF NEXT-LEVEL ORDER-TO-CASH MANAGEMENT

- Comprehensive Data Quality Management
- In-line, Automated Data and Transaction Analysis
- Business Rule Driven Notification and Error Handling
- Actionable, Tactical Guidance for Immediate Resolution
- User-defined Process Automation
- Support for Collaborative Processes
- Comprehensive Application Integration

Without a significant in-line capability, if there are substantial problems with data quality or quantity, or if automated processes are unleashed without attention to the company's business rules or internal process requirements, then the value of automating the above processes is quickly outweighed by the cascading cost of runaway errors. EAC calls this the cascade effect, and, ironically, it is often exacerbated by the very automated processes that have been put in place in order to gain greater efficiencies. Errors in a single order can result in over-production, excessive supply procurements, logistics tie-ups and inventory gluts, as each automated system tries to fulfill the requirements of the faulty order. When in-line capabilities that can head-off this cascade effect are combined with the automation of existing revenue management processes, as defined above, a company can move its cash management operations from mere adequacy to an industry leadership position.

Behind this inline capability are three further requirements that are in place in most point solutions today. The first is a comprehensive application integration capability. This is essential for capturing inputs from disparate enterprise systems and matching their contents to existing business rules. This leads to a second key requirement: business rule specifications must be easy enough for business analysts to define and robust enough to reliably drive the in-line management function. The third requirement, which can be seen as part of the business capability, is a comprehensive data quality component to the software. This capability helps ensure that simple data errors don't initiate a cascade effect within what can be a highly automated system.

There is a fourth requirement as well, one that is less available in the market today. This is support for collaborative process management – the ability to allow external stakeholders, both customers and partners, to participate in processes such as dispute management in a collaborative fashion that significantly improves time to resolution and therefore improves overall stakeholder satisfaction. The availability of features such as automated transaction analysis and business rule-driven notification makes collaboration not only more powerful, but more automated as well.

As we shall see in the following sections, all of the best of breed vendors in this space have some of these capabilities in their products today, but only one – Aceva – has been able to deliver all five capabilities to their customers today.

The Aceva Solution: Taking Order-to-cash to the Next Level

Enterprise Applications Consulting's review of the existing best of breed solutions shows that one vendor, Aceva Technologies, has both understood the challenge of order-to-cash management and been able to provide the additional automation and efficiency that allows its customers to achieve a higher level of innovation than competing products. This is accomplished through the delivery of a comprehensive suite of order-to-cash solutions that includes the necessary in-line automation that supports a highly innovative and cost-effective order-to-cash process. Aceva's two products are highlighted below.

Aceva Collections Management provides comprehensive invoice and portfolio management, and allows dispute management to be managed as a set of well-defined and well-documented processes that help organize collections and dispute processes, track their progress, assign tasks as needed, and provide visibility into customer-level information as well as key documents and transactions. This allows Aceva customers to automate the identification, assignment, tracking, monitoring, and resolution of disputes in a highly functional, easy-to use environment.

Through interviews with Aceva's customers, the ability to gather information, generate reports, and conduct ad-hoc analysis provided an invaluable solution that allows revenue and receivables managers to target and refine their collections processes. This not only provides an enormous efficiency gain, but the business intelligence functionality that Aceva provides enables these managers to implement, manage, and improve upon their performance on an on-going basis.

Customer account-level information can be filtered by dispute type, due date and other factors, streamlining the account manager's day-to-day functioning. Disputed invoices can be attached to internal and external communications in order to speed up resolution, and actions taken by managers and customers can be logged and tracked in the system. In addition, Aceva provides a wide range of reports for customer and portfolio analysis as well as support for a robust ad-hoc query function. Both Aceva Collections Management, and Aceva Transaction Reconciliation (see below) are highly scalable, as reported by Aceva's customers, and can fit well into a Global 500 enterprise with thousands of concurrent users managing millions of invoices per month.

Aceva Transaction Reconciliation is an additional component in Aceva's overall approach to improving revenue and receivables best practices. Aceva Transaction Reconciliation allows a

customer to use a comprehensive business rule and workflow environment to build an in-line transaction "testing" capability that can catch errors and questionable transactions such as orders, invoices, and shipments, and initiate corrective action. The product is designed to allow a business manager to build the rules for testing the transaction and design the workflow that initiates alerts, notifications and reports based on the potential errors. While Transaction Reconciliation does not stop incoming transactions as they come into the enterprise, it can flag potential problems at the time of entry and begin analysis and corrective action immediately.

The power of these capabilities was evident in conversations EAC had with Aceva customers. One such customer in particular has built over 200 business rules into their Transaction Reconciliation system, and has been able to trap complex problems in their incoming invoices without user intervention, which has resulted in not only significantly better cash flow, but significantly lower personnel costs as well.

Aceva Transaction Reconciliation provides Aceva and its customers with what EAC believes to be an additional degree of automation and innovation in the order-to-cash cycle without an additional burden in terms of complexity or cost. EAC believes that this in-line transaction "testing" capability should be an important requirement for any revenue management solution, and that customers should carefully evaluate other point solutions in this space with the goal of understanding how well they can support this kind of functionality.

The Competitive Landscape Today: How Aceva Stacks Up

Aceva sells into a highly competitive market that has three other well-established best-of-breed vendors: eCredit, Emagia, and Getpaid. While each of these vendors has built out its standard automation functionality relatively well, EAC's analysis of the market is that Aceva's competitors fail to deliver the same degree of next-level automation and scalability, particularly with regard to the critical in-line functionality that EAC believes can deliver an industry-leading level of innovation to Aceva's customers.

EAC evaluated each of the four vendors in this category according to two sets of criteria: standard automation and innovative impact. Standard automation factors, based on what EAC considers the current state of best practices in the industry, include the following criteria:

- Order-to-cash Process Coverage
- Level of Functional Integration
- ERP and Legacy Connectivity
- Flexible Deployment Strategies, including ASP/Hosted Solutions
- Role-based User Experience
- Comprehensive Analytics
- Verticalized Solution
- Scalability

EAC also evaluated each vendor according to their ability to support a next-level of automation i.e. innovative impact, above and beyond what are standard industry best practices today. The key criteria for evaluating the four vendors include:

- In-line Transaction Capture and Evaluation
- Flexible Workflow-driven Processes
- Business Rules-driven Automation
- Business Processes Management Capabilities

The following ratings are based on briefings, available research, and customer interviews. EAC believes that this comparative rating can provide prospective customers with guidelines for further evaluation, based on how extensive and innovative a solution the customer is interested in implementing. (See Figure 4 below.)

A note on verticalized solutions. EAC believes this is an important capability that could extend the usability and return on investment potential for all software in this category. To date, none of the vendors provide specific vertical functionality, though most of them acknowledge that this could be a future requirement for their products. EAC expects that as the competitive environment in this software category heats up, vendors will be driven to produce vertical industry-specific functionality on top of their existing horizontal products. As such, this capability is included as a reference point for future analysis.

eCredit

eCredit is perhaps the most focused of the four companies EAC looked at, as its product focus is on credit and collections only. This limits its ability to provide a comprehensive, integrated

solution, and makes it much less competitive than its competitors in this area. Its ability to access multiple heterogeneous systems is well-established, and it offers both hosted and in-house versions.

eCredit's ability to provide next-level automation is limited, however, particularly when compared to Aceva. The product does provide a flexible workflow, and provides a fair degree of process automation, but it has no ability to capture in-line transactions and help its customers proactively manage out-of-specification invoices and orders.

Overall, EAC believes that eCredit's lack of a broad-based solution and its lack of in-line capabilities places it behind its competitors in terms of both overall automation and innovative impact.

Getpaid

Getpaid has a well-integrated product that provides a broad range of capabilities for automating the order-to-cash cycle. Getpaid has a large degree of experience with integrating disparate systems and can provide role-based functionality and a flexible deployment model. While its analytics are well-defined, the company, like all others in this category, fails to provide specific vertical-industry functionality.

The Getpaid offering also falls short in providing next-level automation. There is no concept of support for business process management in Getpaid, and the products do not support the in-line analysis of key transactions. While Getpaid does provide some automated collections dispute functions, and supports EIPP, or electronic invoice presentment and payment, the company does not emphasize these functions, and is more focused on delivering standard automation functionality.

As with eCredit, the lack of a comprehensive in-line capability limits the company's ability to provide a strong degree of innovative impact. The product's broad coverage does help it rank relatively high in overall automation, but not as high as Aceva and Emagia.

Emagia

Emagia is the closest to Aceva in its ability to cover standard automation functions, but it too fails to provide the same degree of next-level automation that Aceva offers. Emagia has a

comprehensive solution with good support for heterogeneous environments, and a strong understanding of credit and collections management, portfolio management, and other standard best practices. Emagia also provides a well-defined set of reports and other analytics for tracking key performance indicators and exceptions.

The Emagia products also support some of the key Getpaid features, notably workflow and business process management. Like eCredit and Getpaid, however, Emagia does not have the capability for trapping in-line transactions and acting on them before the cascade effect takes over. These capabilities help place Emagia relatively high in overall automation and innovative impact, but not as high as Aceva.

Figure 4.

Revenue and Receivables Management Market: Automation and Innovative Impact
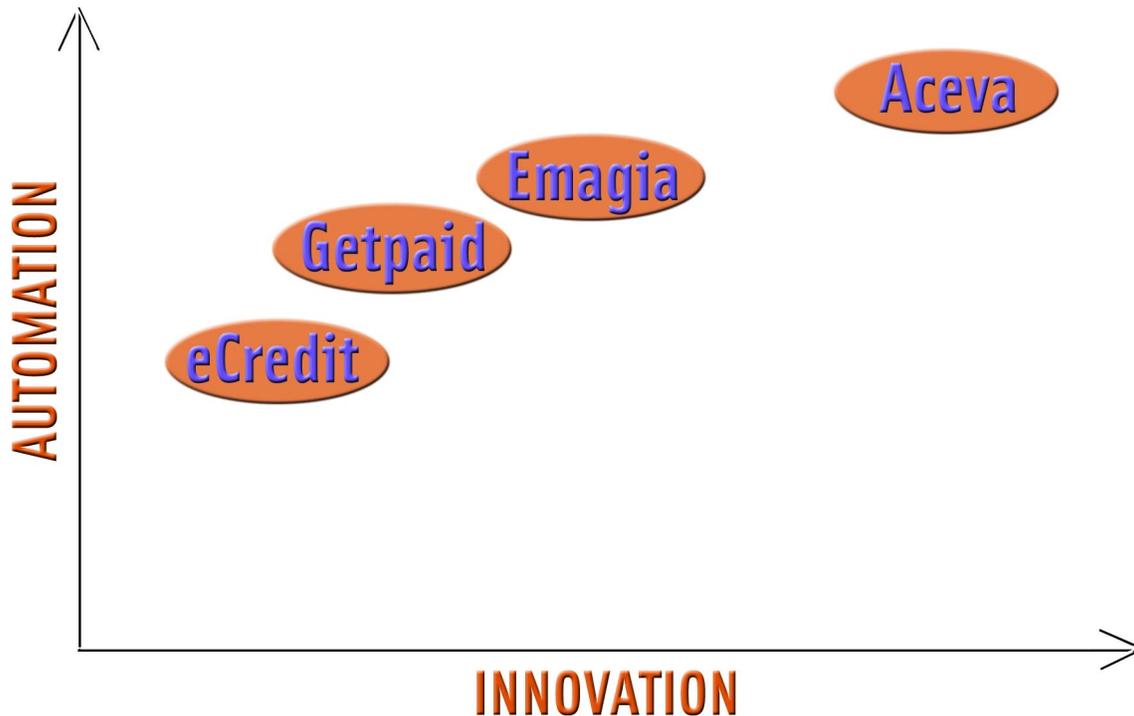
Conclusion: Quantifying the Value of Innovative Impact

EAC believes that the ability to provide a truly innovative and optimally efficient revenue management function is important for all industries. There is little doubt that simply moving from paper and people-centric processes to more automated processes driven by an enterprise software solution can deliver significant returns. The ability to audit, analyze, and improve these automated processes adds an additional benefit above and beyond the mere automation of previously unautomated revenue management functions. In this regard most of the solutions on the market today can provide a relatively similar value-add to their customers.

Going to the next level, by trapping incoming and existing orders, invoices, and other critical data objects, and then setting in place the means to automatically evaluate them and take corrective action as needed, provides a further level of automation and value-add that should not be ignored. The ability to short-circuit the cascading effects of bad data, and begin proactive resolution in a timely fashion can significantly improve the already considerable impact that revenue management software can have on DSO, working capital, customer and supplier relations, regulatory compliance, and overall efficiency of a company's financial operations.

To this end, EAC believes that companies would do well to consider Aceva's solutions as a leading offering in the quest to make good on the promise of revenue management software. The company's products not only meet the standard practice requirements of the industry, but go out ahead of the competition in providing this next level of innovation. For companies looking for the best possible return on their investment in the improvement of the order-to-cash cycle, Aceva can make an important contribution to the bottom line.