



EXPERT OPINION:

Understand the enterprise customer's paying process

Billing isn't always just 'billing', especially when it comes to business-to-business accounts. So assuming one size fits all when it comes to billing system functionality could be little more than a recipe for alienating the most valuable customers of all, says MetraTech's chief technology officer, Doug Zone.



The author, Doug Zone says Billing can control the payables process.

An enterprising way to pay their bills?

I know that billing is strategic. It's the primary communications channel to customers. And unlike a mailshot – there is a good chance that recipients will actually read their invoices. Thus, billing is the only proven way for the service provider to communicate value to the customer – what they get for what they are charged. In fact, there's even more: Billing allows creative ways of packaging, bundling and charging that gives customers the best 'value for money'. Isn't that great?

Well, yes it is. On the other hand, who cares? Perhaps billing is really about paying

- Getting paid – from a service provider's point of view.
- Paying up – from a customer's point of view.

And paying is not so simple

The reality is that even the simplest paying process has at least four steps: (1) Read the bill, (2) Find that damn cheque book and sign a cheque, (3) Fill in a remittance slip and stuff an envelope, and (4) Find a stamp, and almost forgot, (5) Mail it. Electronic banking and IVR just remove the physical signature and the trip to the Post Office. If this paying process takes 15 minutes (25% of an hour) – it is costing the economy approximately €6. Even prepaid vouchers use up customer time.... The only real saviour is Direct Debit. Unfortunately, there are people like me who refuse to give anybody a 'mandate' over their money.

So here's a question: Can't billing support a process like:

Ring, ring! – "Hello, Mr. Zone your bill is due in a couple of days.... Can I help you pay? ...

The credit card you used last month? ...

Grand! ... Thanks! Speak to you next month! Cheers, bye!"?

Now, all that would take no more than two minutes, saving me – and the economy – somewhere in the neighborhood of €4.00. Friendly CSRs are not cheap (or abundant, or friendly, for that matter) so this does not make business sense for consumer billing. But for enterprise billing, it's another matter.

Enterprise 'paying' adds a few twists:

- Business Accounts Payable is based on invoices, not accumulated debt. Payments are never approved on the basis "We owe Acme Dynamite €12,233". Rather, payments are approved on a "We will pay Invoice 12300098. We recognise the services as delivered" basis. Payment approval is a process – a very important process in any business where managing cash is critical. Any billing anomaly is therefore an excuse to save cash.
- Businesses do not cut cheques or remit funds on any schedule but their own. And, although payments are authorised on an invoice-by-invoice basis, businesses pay them on criteria that are completely alien. They may just as easily make one payment for one invoice - as - make one payment for one account - as - make one payment for many accounts - as - pay one account with another accounts credit note. Or something else. You get the picture (or, more likely, when it comes to payments you don't.)

It all boils down to the fact that a customer's Accounts Payable process is NOT just the ►



provider's Accounts Receivable process in reverse.

Which means Enterprise Billing takes a lot more than consumer billing to be a success:

- Successful Enterprise Billing depends on managing contractual issues involved with complex products, Service Level Agreements and customer specific terms.
- Successful Enterprise Billing helps providers to resell or white label, incorporate professional services, unify billing of services from diverse service platforms and their respective billing systems, and more.

After everything is said and done, successful Enterprise Billing boils down to Receivables, Days Sales Outstanding – in other words getting paid! Successful Accounts Payable does not. The job of billing is to work with a customer's payment process and make it easy for them to let go of their cash.

So, what should billing do to control the payables process? Here are a few hints.

- Give no excuse to the customer not to pay. Accurate billing is good – fiscal correctness is critical. One little slip on tax and any decent payables group will have a good justification to turn your 45 day terms to “when you get it right” terms.
- Make it easy for a customer to pay however he or she pleases. If they want to partial pay, full pay, pay many invoices or accounts in one go, pay with a credit note from an invoice on another account, leave the money on account, pre-pay, anything else you can imagine (because someone probably will imagine it) – billing should make the payment application process easy and intuitive for banking and account services teams.
- Recognise that payables groups have no real incentive to make their intentions clear when they cut cheques or make money transfers. They may intend to pay invoice

2000056, 2000899 and 2007890 but they won't put it on the remittance advice. Billing has to make it easy for the receivables team to allocate this amount from the little information that is often given.

- Though the payments may be left ambiguous, payables teams need to see how their money has been allocated. Account statement showing fully or partially open invoices, unassigned credits and unallocated payments – as part of an invoice, on demand or on a special mid-cycle print run – make it easier for payable teams to cut the next check.
- Recognise that payables teams do care about ageing. They do like to preserve cash but they also have KPIs that keep them from being abusive payers. A clear line on the statement that €112,456 is in the 90 to 120 days bucket provides a friendly way to get customers to pay.
- Make disputes easy. Let customers dispute charges while it remains unnecessary to dispute whole invoices. Account statements should clearly split out disputes so that customers can make appropriate partial payments.
- Finally, recognise that collections for enterprise bills are all about getting a receivables organisation to negotiate with a payables organisation. Automated dunning is great but it is subsidiary to the relationship between the collector and the payables team: follow ups, call backs, notes, next actions must be managed within receivables. Enterprise collections require collectors to intuitively understand the history of how a customer has paid and not paid: billing must make payment allocations, de-allocations, transfers, refunds, and credits obvious and intuitive.

It all comes down to getting bills paid. In sales, people talk about understanding the customer's “buying process”. In billing we should do the same about understanding the customers “paying process”. ■