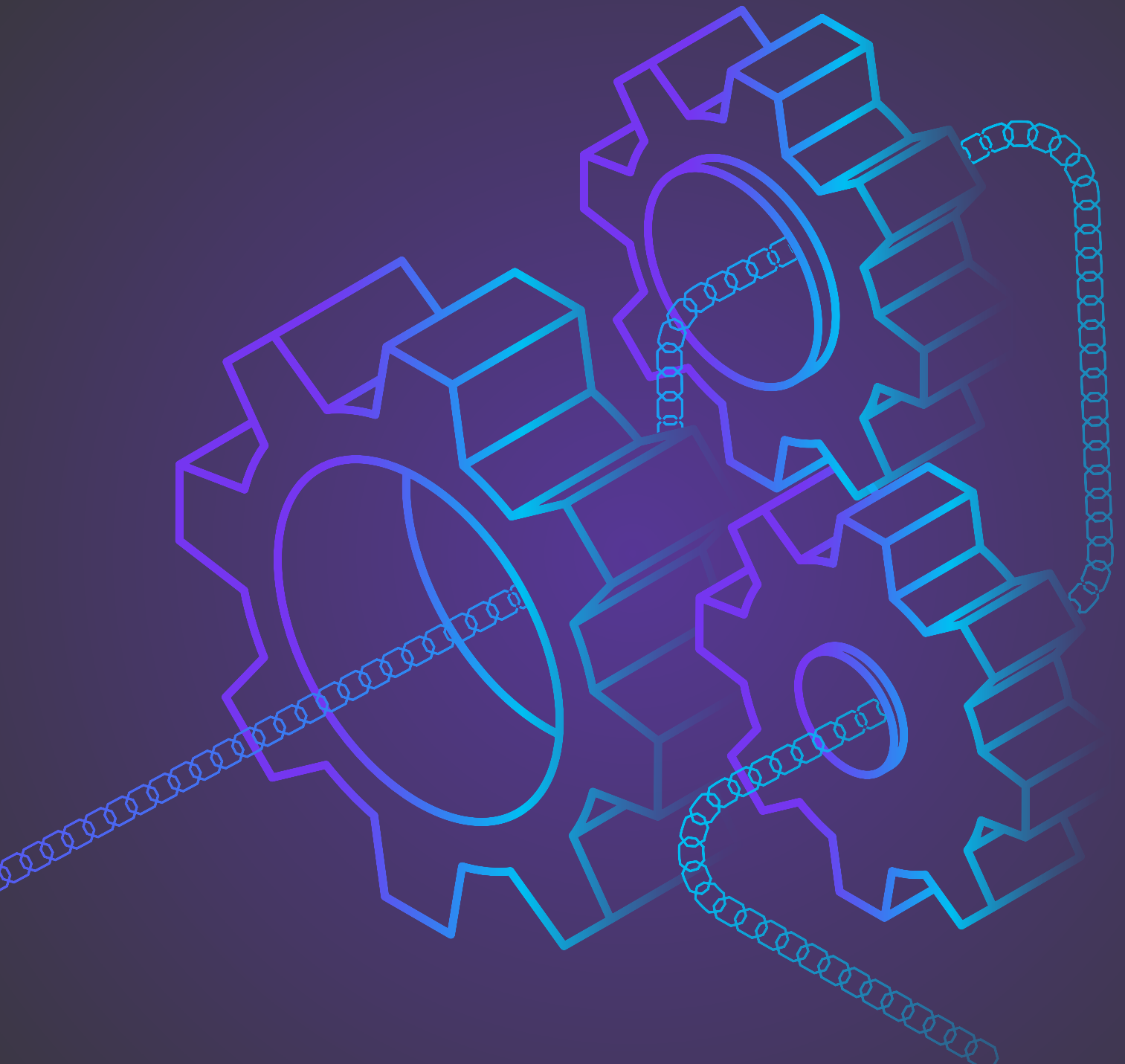


# 2025 AR Collections Best Practices



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# Introduction

The practice of accounts receivable is as old as the world of business, with the ability to purchase goods and pay for them later tracing all the way back to ancient Mesopotamia. While the general principles of AR have remained the same, how the industry operates is continually evolving.

Today, developments in technology and a perfect storm of external pressures, including supply chain challenges, inflation, and staff shortages, are motivating businesses to level up their collections management in a bid to sustain cash flow. Even as [economist](#) predict that the economy will continue to be resilient, they anticipate the growth will be slow.

This eBook will explore the **modern** best practices your team should embrace to accelerate collections **in 2025**.



For continuous cash flow, **businesses must level up collections management**



## Craft engaging customer communications

The accounts receivable department often has the most touchpoints with a customer, interacting with them from the moment a sale is made until payment is finally received. That means much of a customer's experience will be made or broken by their interactions with the AR team. Given that these encounters impact a customer's finances, they are often the most delicate aspects of their experience, and this raises the stakes further.

***97% of consumers say that customer service interactions impact whether they stay loyal to a brand.***

*Forbes*

Automated invoice delivery and collections workflows are the most effective means of communication in the credit-to-cash process. They ensure that your invoices are delivered immediately, and reminders are sent until payment is received. Using a solution with built-in escalations also helps ensure that the communications are received and acted on, with the ability to re-direct communications to an alternate contact if they remain unopened or the invoice remains unpaid.



## EFFECTIVE COMMUNICATION IS YOUR KEY DIFFERENTIATOR

When considering the best way to optimize your customer communications, think about your day-to-day life. Consider a time when you received great customer service and felt valued, and as a result, continued to use a company's services or even increased your spending with them.

- ✓ Perhaps the company personalized its approach with you, doing something as simple as using your name and addressing your personal needs.
- ✓ They may have made the buying process intuitive, providing all the information required for you to easily make a decision, without needing to ask questions.
- ✓ Or, maybe what started as a negative experience was flipped on its head, by a person listening to your feedback and addressing your concerns.

At the heart of these instances is effective communication. This is what creates a smooth, personalized, and enjoyable experience that makes people feel appreciated and lets them know that their time is valued.

These are key components of great customer service, and they are what keep customers coming back. In AR, they are the actions that accelerate payments, as they ensure customers remain engaged in the process and keep their payment obligations top-of-mind.

Using automation software to send customer communications enables this personalized experience. The technology auto-populates the customer's name and information using data from your ERP and CRM, and customized workflows ensure that messages are received via the customer's preferred channel, be that email or physical mail. They can also be scheduled to deliver on the days and times that work best for your customer, increasing the likelihood of the communication being read and acted upon.

**Personalized  
customer experience**





Generative AI could improve productivity by

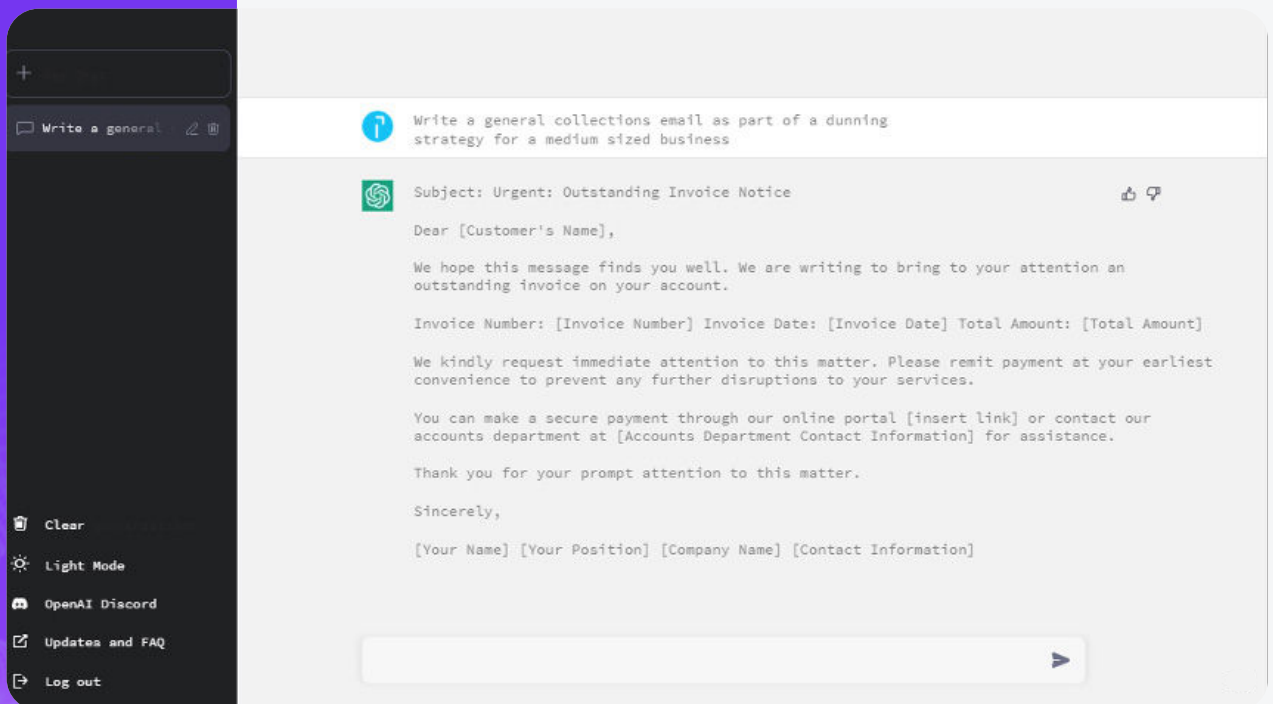
**30-50%**

Boston Consulting Group

## GENERATIVE AI AND CUSTOMER COMMUNICATIONS

Generative AI tools such as [ChatGPT](#) have become one of the most talked about tech developments in decades, and finance departments are beginning to leverage it for customer communications.

Using simple prompts, AR representatives can employ generative AI to quickly build out communication templates for every step of the collections process. Teams can create emails that are as formal or light-hearted as the occasion calls for, and can quickly build an entire library of communications.



Quadient AR leverages AI to help you become even more efficient. Using the software, communications can be created instantly and relevant customer information — such as name, invoice number, and more — is automatically added to the email from your CRM and ERP, eliminating the need for manual input. These emails can then be added to your automated collections workflows to ensure consistent delivery to customers.

## THE IMPORTANCE OF A COMPREHENSIVE DUNNING STRATEGY

Even with the very best accounts receivable team and practices, late payments are inevitable. In fact, a staggering [93%](#) of businesses report them. That's why it's essential for AR departments to have a comprehensive dunning strategy in place.

**Late payments cost small businesses an average of \$29,000 a year.**

- [PYMNTS.com](https://pymnts.com)

## FEATURED RESOURCE: THE DEFINITIVE DUNNING LETTER TOOLKIT



Looking for tips on how to craft effective dunning letters?  
[Download our Definitive Dunning Letter Toolkit!](#)

## WHAT TO INCLUDE IN YOUR DUNNING LETTERS

There is standard information that should be included in every dunning letter. This includes:

A copy of the invoice

Info on any late fees or penalties incurred

An explanation of how to resolve the issue

If the issue remains unresolved, you may wish to inform the customer that a formal collections process will begin. If legal action is to be pursued — typically at the 120-day point — this should be clearly stated in the text.

### Your standard dunning letter

Dear **[Customer Name]**,

We hope this letter finds you well. We appreciate your business and the trust you have placed in **[Your Company Name]**. Unfortunately, our records indicate that Invoice #**[Invoice Number]**, dated **[Invoice Date]**, remains unpaid.

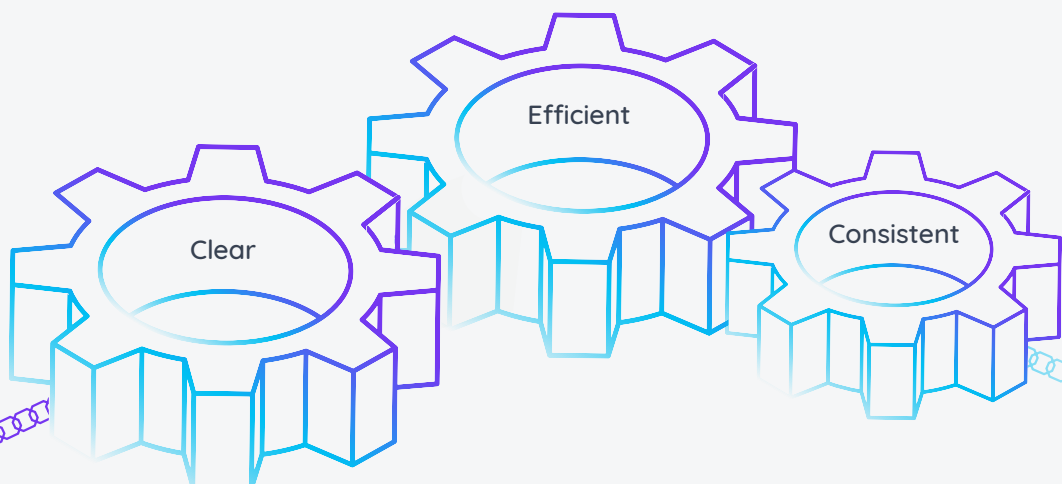
Please find attached a copy of the invoice for your reference.

Invoice Details: Invoice Number: **[Invoice Number]** Invoice Date: **[Invoice Date]** Due Date: **[Due Date]** Amount Due: **[Total Amount]**

Late Payment Information: As of **[Current Date]**, your payment is **[Number of Days]** days overdue. In accordance with our payment terms, a late fee of **[Late Fee Amount]** has been applied to your outstanding balance.

Total Amount Due (including late fees): **[Total Amount with Late Fees]**

As best practice, you should use standardized templates. Not only will this reduce the amount of time spent creating dunning notices; it will also provide customers with a consistent experience. You should follow up with the customer by phone the day after the dunning message is sent to ensure that payment is put top of mind and that any questions regarding the invoice can be answered directly.





Automating the dunning process offers customers consistency, with notices being sent out on a predetermined schedule. As customers have varying preferences, automation allows your team to tailor the dunning notices to be delivered via their preferred method. For customers who prefer email communications, the software can inform your team on whether they are being seen and opened by recipients.

A key element of perfecting customer communication is finding the right cadence — determining how often to send communications or make calls. Striking the right balance can be tricky. You want to be persistent and to keep the issue top-of-mind, without drifting into harassment. The below timeline shows an effective dunning cadence for your typical customer.





## BEST PRACTICE 2

# Build a customer-centric payment experience

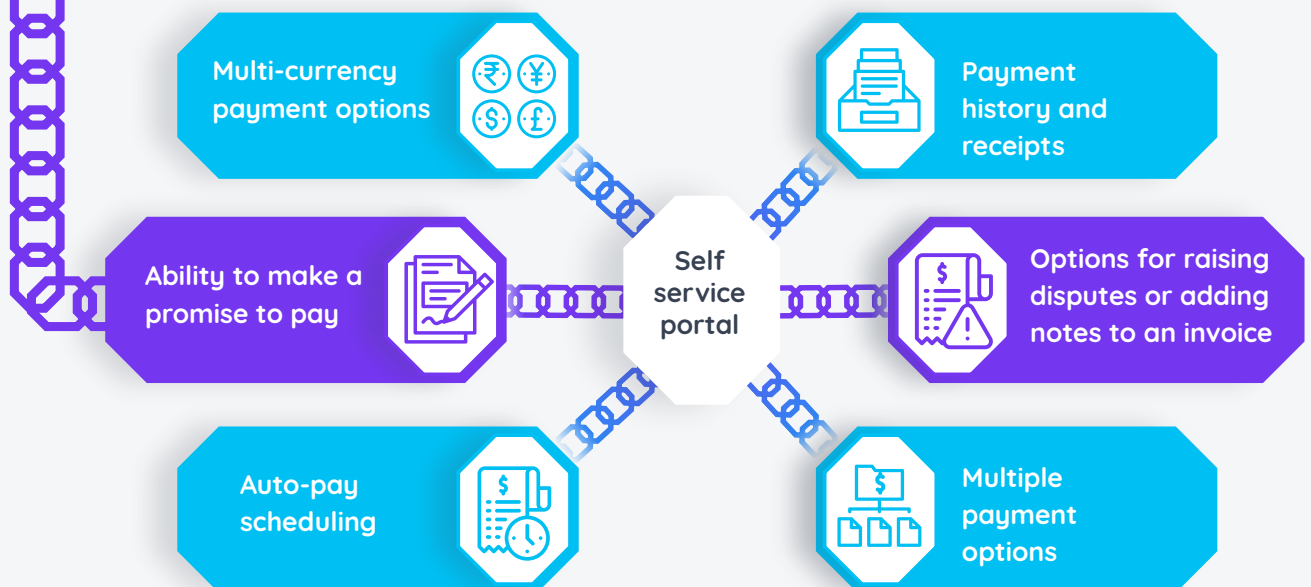
It's a simple truth that the easier a company makes it for their customers to pay, the more likely those customers are to pay on time, or even early. What's less obvious is your customers' expectation for improved self-service capabilities.

**67% of customers state that they prefer self-service options when given the choice.**

*NICE*

Providing self-service options not only makes sense as they facilitate faster payments. They also drive long-term value by enhancing your customers' experiences.

For your team, this means adopting AR automation software that allows customers to make payments through a self-service portal. Here is a list of features that the portal should include to make the payment experience seamless:



In addition, the portal should provide access to vital account information, such as open invoices, payment history, and account credits. It should also allow customers to raise invoice disputes and questions about their accounts, as this will provide them with greater autonomy and decrease your team's workload.

## Control AR risk with a prioritization strategy

In the world of finance, it can often feel that there are more tasks than there is time to complete them, which means that teams need prioritization strategies to ensure critical accounts are managed first.

The first step in prioritising your accounts receivable process is to make use of standard documents like an [AR Aging Report](#).

***AR Aging Report – an accounting document that gives a business an overview of its outstanding payments from customers and how long they are past due.***

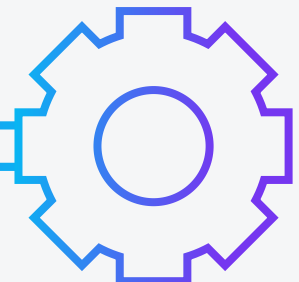
By using an AR Aging Report, your AR team can quickly identify the accounts that are the most seriously delinquent and focus their efforts on resolving them.

Another vital report for your team is the Customer Receivables Report, which breaks down your accounts receivable balance by customer. It allows your AR representatives to quickly identify which accounts represent the bulk of your receivables, and those that will make the most significant dent on your organization's cash flow if left unresolved.



Delinquent accounts

AR Aging Report



Focus efforts to resolve them



## PUTTING BUSINESS INTELLIGENCE TO WORK FOR YOU

While these reports can be built manually, it's an inefficient use of your team's time, which is why it's best practice to adopt an AR automation tool that has a built-in [Business Intelligence](#) module. This will allow you to quickly create reports built around the KPIs that matter most to your business. Just as importantly, it allows reports to be easily shared with anyone else in the organization who needs them, so your team and colleagues have access to the information they need.

Without a Business Intelligence module, you will likely have to work between multiple databases, conducting manual analysis of the information stored in those systems. This increases the likelihood of poor data integrity and wastes time as team members switch between tools to gather the necessary information.

Built-in Business Intelligence technology also means you don't need to pay an outside party to create custom reports for you. Using quick and easy presets, your team can easily filter data and create reports based on the information that they need.

## USING PREDICTIVE ANALYTICS

Predictive analytics are another essential tool in the arsenal of any accounts receivable team looking to accelerate collections.

***Predictive Analytics – the use of data to predict future trends and results.***

In AR, predictive analytics involves examining customer payment history to accurately forecast future behavior. And the most effective way to employ this practice is via an AR solution that enhances it with artificial intelligence insights.

Quadient AR makes use of two distinct algorithms when analyzing customer payment behavior by pulling data from customer documents like paid invoices, credit memos, and old payments. The first is an on-time prediction algorithm, which looks at current invoices and predicts if they will be paid by the due date. The second is an overdue prediction, which analyzes all past due invoices and predicts when they are likely to be paid.

Because the software uses machine learning, its accuracy increases with each use, predicting payment behavior with up to 94% accuracy. It also takes major events into account such as supply chain disruption, natural disasters, and more. By analyzing the impact of these events, it can offer accurate predictions on how they will impact payments and cash flow should they occur again in the future.

Using this information, AR representatives can strategically approach collections, quickly identifying accounts that are most likely to pay late and adopting a proactive approach to avoid delinquency.

### **ADOPTING A LONG-TAIL APPROACH**

While every invoice matters, some are more important to your cash flow than others. High-value invoices will naturally have a greater impact than smaller purchases. Though it seems intuitively obvious, your team doesn't need to spend as much time pursuing a \$100 invoice as it does a \$10,000 invoice.

The 80/20 rule suggests that 80% of your revenue comes from 20% of your customers. The remainder is made up of smaller transactions. If you were to graph that out, these smaller invoices would create a long, small tail.

When prioritizing your customer accounts, you should focus the bulk of your attention on those transactions with the greatest value, while allowing automation to handle the work for the long-tail portion of your invoices. This means you can take a white-glove approach to your higher-value accounts and ensure the most significant invoices are resolved first.





## 7 steps to align AR and sales

Collections success cannot be achieved in a siloed AR team. Aligning your department with sales is critical to long-term performance. Frequently, tension can exist between the two, as sales representatives focus on hitting numbers while AR teams want to transform sales into cash earned. Aligning the two ensures that sales can thrive, while money is consistently collected.



1

**Up-front acknowledgement of payment terms** - Customers are more likely to adhere to payment terms if they are outlined clearly at the point of sale. That means that your sales team should be familiar with the terms offered and make a point of discussing them with the customer during the sales process.

2

**Leverage relationships built by sales** - Your sales team has built strong relationships with key customer stakeholders to secure the initial sale. When your AR team struggles to get responses from the client's accounts payable department, your AR manager can ask the salesperson to reach out to their contact for assistance.

3

**Key learnings from delinquent customers** - Accounts that suffer from chronic late payments or fail to pay altogether should be highlighted to your sales team. This will help them make informed decisions regarding extending credit in the future.

4

**Internal alignment** - Having a large invoice fall past due can seriously disrupt your cash flow, so it's important for your AR team to be aware of when significant sales have been made. Your sales team should alert your AR team so that they can flag the transaction for special attention.

5

**Working together to grow the company** - If both the sales team and your AR team are working together to ensure invoices are paid, your company will grow faster. AR teams are typically benchmarked on their ability to collect payments, so it's important to ensure your sales team's commission is also based on the successful collection of payment on any sales they make, as opposed to paying commission based on a contract being signed.

6

**AR Metrics as a Key Performance Indicator (KPI) for your sales team** - Successfully growing your business requires customers who pay regularly and on time. That's why your sales team should adopt AR metrics as a Key Performance Indicator (KPI) to measure their success and performance.

7

**Implement a cloud-based AR solution** - This allows AR to better coordinate with sales by working from a single source of truth. The technology consolidates all financial and customer information from your ERP and CRM, providing real-time data for all employees to access. This transparency puts AR and sales on the same page so that they can collaboratively manage customer accounts.



## “AR” you ready for faster cash collection?

As an AR professional, you are set to play an even more critical role in the success of your organization. Cash is undoubtedly king in today's market, and as the gatekeeper to that cash, you had better make sure it's flowing thick and fast.

While we don't know what economic challenges are coming next, the best practices we've covered will provide a solid foundation for collections success. Riding out financial uncertainty means getting cash into your business quickly, reliably, and repeatedly. And if you're hoping to achieve this with traditional methods in an economy that is as unforgiving as it is unpredictable, you're facing an uphill battle.

**If you're ready to see how automation can help you achieve AR excellence, book a personalised product demo today.**

[Request a Demo](#)





## Elevate credit-to-cash with Quadient AR by YayPay

Quadient Accounts Receivable Automation by YayPay is a leading accounts receivable automation solution providing intelligent credit-to-cash software, payment processing and industry best practice. Our end-to-end platform ensures process efficiency, team productivity and customer delight while accelerating cash flow. Quadient supports hundreds of thousands of customers worldwide in their quest to create relevant, personalized connections and achieve customer experience excellence.

For more information, visit [quadient.com/en/ar-automation](https://quadient.com/en/ar-automation)

