



Finance Insights: Order to cash

How CFOs are unlocking efficiency and increasing profitability in their business



Foreword



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Qatar has recently undergone a period of significant growth, driven by the preparations for the FIFA World Cup 2022. Despite the challenges presented by the commercial blockade and the Covid-19 pandemic, the country has emerged as a leader in hosting major sporting events and delivering outstanding experiences for fans worldwide.

As the country looks to build on this success, businesses operating in Qatar are increasingly seeking ways to improve their efficiency and profitability. The Order-to-Cash (OTC) cycle is a critical process for businesses in all industries, and optimizing this cycle can help unlock significant benefits for companies operating in Qatar.

In this thought leadership article, "Order-to-Cash: How CFOs are unlocking efficiency and Profitability in their business," we delve into the importance of optimizing the OTC cycle and how it can unlock hidden opportunities for your business. We explore the key strategies that can help businesses streamline their OTC process, reduce errors, and improve their cash flow.

The article outlines the steps that businesses can take to improve efficiency and profitability by leveraging technology, automating manual tasks, and implementing best practices for OTC management. It provides practical advice on how to measure OTC performance, identify pain points, and prioritize investments that will deliver the most significant impact.

As a leading provider of business advisory services in Qatar, we at KPMG are well-positioned to help businesses undertake this transformation journey. We believe that OTC transformation can provide significant benefits for businesses in Qatar, helping them to improve their operational efficiency, enhance their customer experience, and drive long-term growth.

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The Order-to-Cash Cycle



Challenges in the current business environment have highlighted the importance of having an optimized Order-to-Cash cycle

Order-to-Cash, also known as OTC, can be described as a **combination of processes and steps that take place from the moment the customer places an order to the time this order is completely processed, fulfilled, and registered.**

Neglecting the importance of the OTC cycle can result in deficiencies and expose business organizations to risks, not only inside the finance department but also in other functions such as the supply chain or inventory management.

In these circumstances, it is important to ensure that all members of your organization understand what the OTC cycle consists of and what are their roles and responsibilities.

A robust OTC cycle implementation can also speed up further data analysis creating added value.

Take the lead in adopting a proactive OTC approach by anticipating actions, and building an integrated process framework. This will enable building a **competitive advantage to stand out among other companies in your industry.**

Some common errors in the OTC cycle includes:

- Failure to follow up on customers' payments in a timely manner
- Overriding of credit limits by the sales department
- Absence of training on how to deal with late-paying customers
- Insufficient attention to the accuracy of the bills, invoices, or credit terms

“Optimizing your OTC cycle is an opportunity to build a competitive advantage”

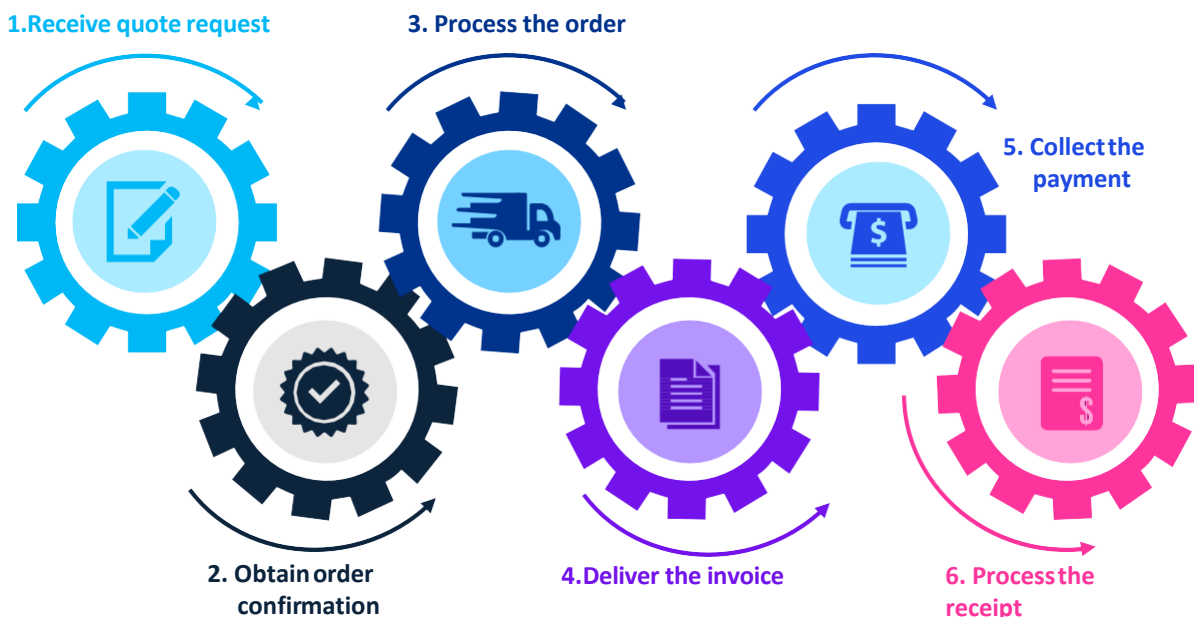
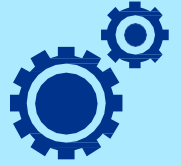


Figure 1: Order-to-Cash cycle process flow

Order-to-Cash Cycle processes



The Order to Cash Cycle is made up of six level-one processes as shown below.

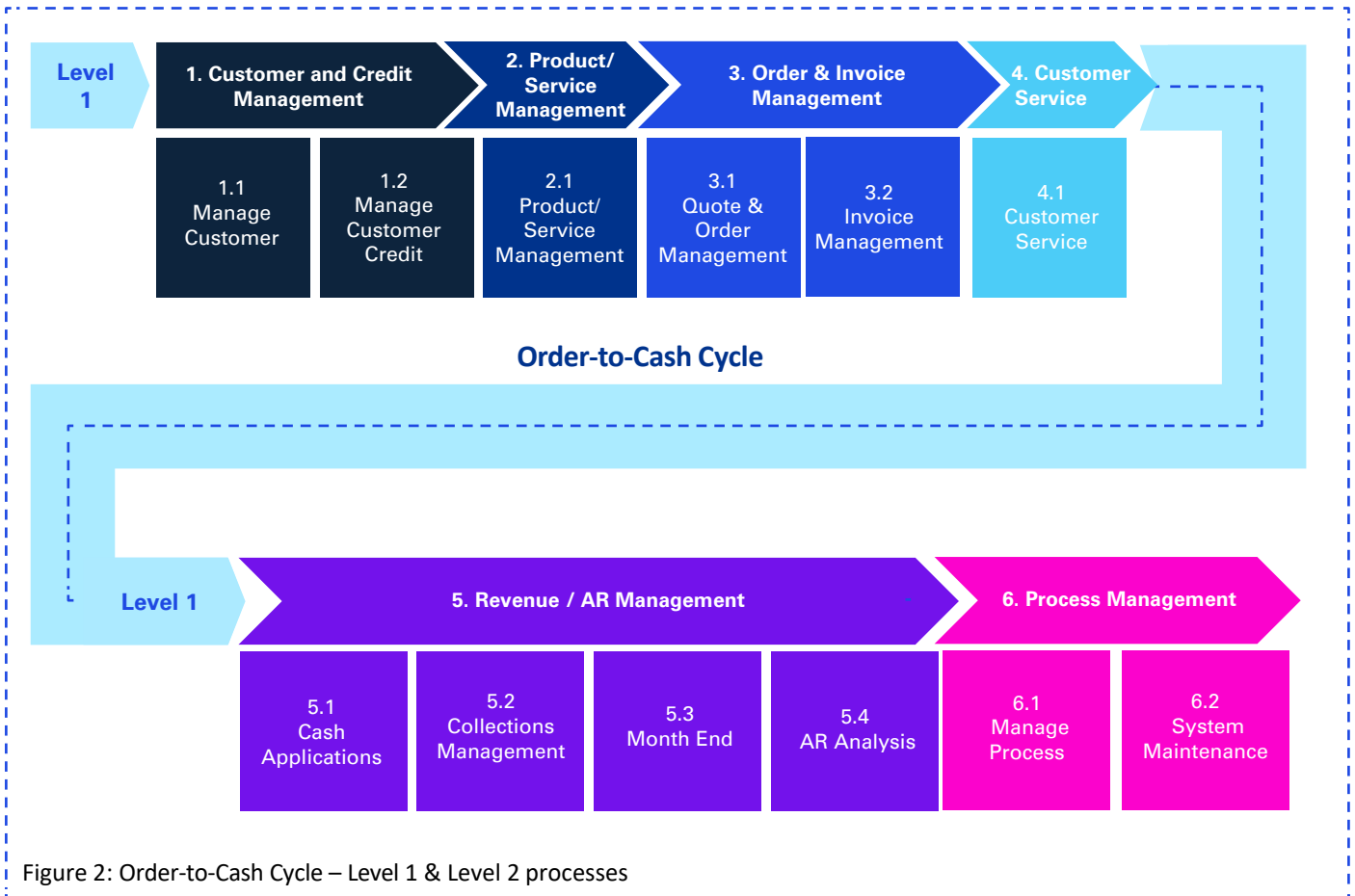


Figure 2: Order-to-Cash Cycle – Level 1 & Level 2 processes

Focus of this article

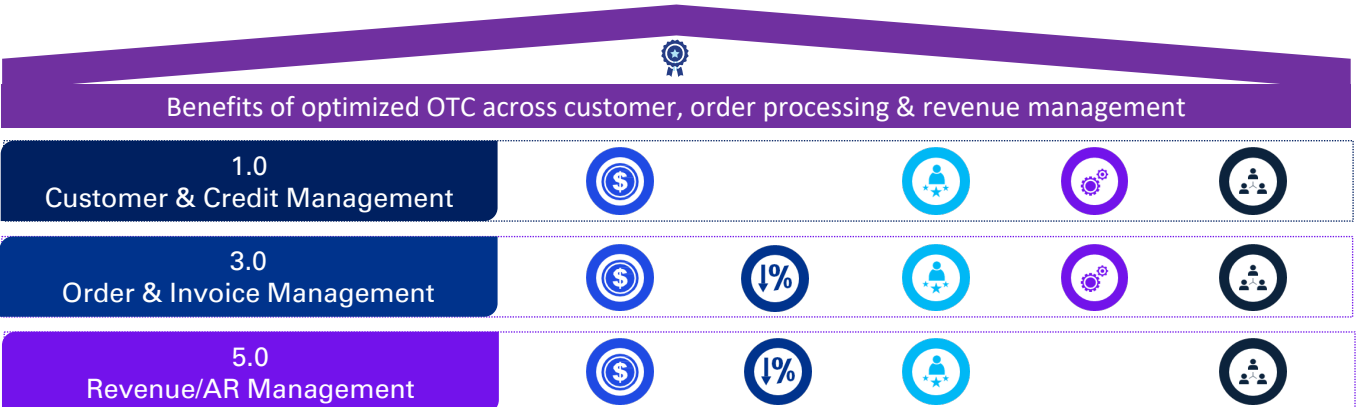
1.0 Customer & Credit Management	3.0 Order & Invoice Management	5.0 Revenue/AR Management
<p>Customer management involves understanding and meeting their requirements, while credit management involves assessing the risk, setting the credit limit, and continuously monitoring customer performance.</p>	<p>Order and invoice management refer to the processes of managing customer orders and generating and tracking invoices for goods or services provided. These tasks include verifying order accuracy, sending invoices to the customer.</p>	<p>Revenue/AR management refers to the processes involved in receiving and reconciling payments from customers, as well as managing outstanding debts or collections.</p>

Benefits of optimizing your OTC Cycle



It is not rare to find companies facing financial stress and difficulties in running day-to-day operations due to the low availability of working capital, even when they are profitable. An optimized Order-to-Cash cycle can help your organization address these challenges and improve overall performance.

	<p>Increased working capital availability. Making your Order-to-Cash cycle more efficient and reducing its completion time will bring extra liquidity to your business and reduce debt levels.</p>
	<p>Reduced costs and increase revenue. Digitalizing and optimizing your Order-to-Cash will significantly reduce your cost per order and other OTC costs while increasing revenue.</p>
	<p>Increased customer satisfaction. An integrated customer-centric Order-to-Cash platform can improve the interaction with customers, facilitate dispute resolution, and reduce waiting time, improving the overall customer experience.</p>
	<p>Improved Cross-functional operation. Order-to-cash optimization can also contribute to improving the performance of other business functions like supply chain management and will facilitate tasks such as reporting or audits.</p>
	<p>Continuous Improvement An effective OTC process will help in collecting required set of KPIs which will result in continuous improvement of financial processes.</p>



Customer Management



In the customer management process, customer data is updated in the system and contractual documents are drafted and populated.

Collecting and processing data at this stage in a complete and efficient way is crucial for the rest of the OTC cycle, as the same information will also be needed for order fulfillment and billing.



Avoiding data inaccuracy and lack of real-time updates, manual tasks, and making data available across different functions are some of the most common challenges in this area.

Areas of benefits



Working Capital Availability



Cross-functional operation



Customer satisfaction

Digitalization and Automation examples- Customer Management

Task description	Tool	Improvements
Omnichannel customers requests involving manual data extraction and CRM update	Robotic Process Automation (RPA)	<ul style="list-style-type: none"> Automatic data extraction and CRM update. Automatically differentiate requests by type and trigger actions or assign to agents accordingly.
Obtaining customer data and uploading it to the system	Shared Database	<ul style="list-style-type: none"> Ensures the customer is not requested to provide the same set of information more than once. Data is automatically available to start initiating other sequential processes such as smart contracts deployment.
Contracts are manually completed and extra information from the client is requested with manual intervention	Smart Contracts	<ul style="list-style-type: none"> Contracts are automatically created, filling templates with the information automatically extracted from the customer request. If there is any missing information, the mechanism is triggered to automatically request it from the client.
Manually negotiating commercial agreements and solving customer queries	Chatbots	<ul style="list-style-type: none"> Customer's first point of contact is automatized by means of chatbots that negotiate and/or gather the customer request information and redirect to agents only if the query is not resolved.

Table 1: Digitalization and Automation examples- Customer Management

Credit Management



Customer credit management is the set of processes related to developing and operationalizing your organizations credit policy, including setting credit limits, suspending or reinstating accounts, and setting payment terms.

Ensure proper management of your credit-related processes and reduce customer default rate.

Many businesses take customer credit decisions such as establishing credit limits or deciding whether to grant credit or not using an ad-hoc approach. This kind of approach is inefficient and risky and should be avoided.

To reduce the number of ad-hoc decisions, businesses can develop a clear framework, methodology, and criteria for decision-making and implement it.

For the implementation of a decision-making process based on the set criteria,

Areas of Impact



Continuous Improvement



Working Capital Availability



Customer satisfaction

it is necessary to collect and process the relevant internal and external data.

Additionally, AI solutions can be implemented to analyze client credit behavior and obtain better data, generating credit ratings to assist in decision-making.

Combining the previous actions enables automating of the customer credit management process, leading to an increase in revenue, and a reduction in credit-related losses.

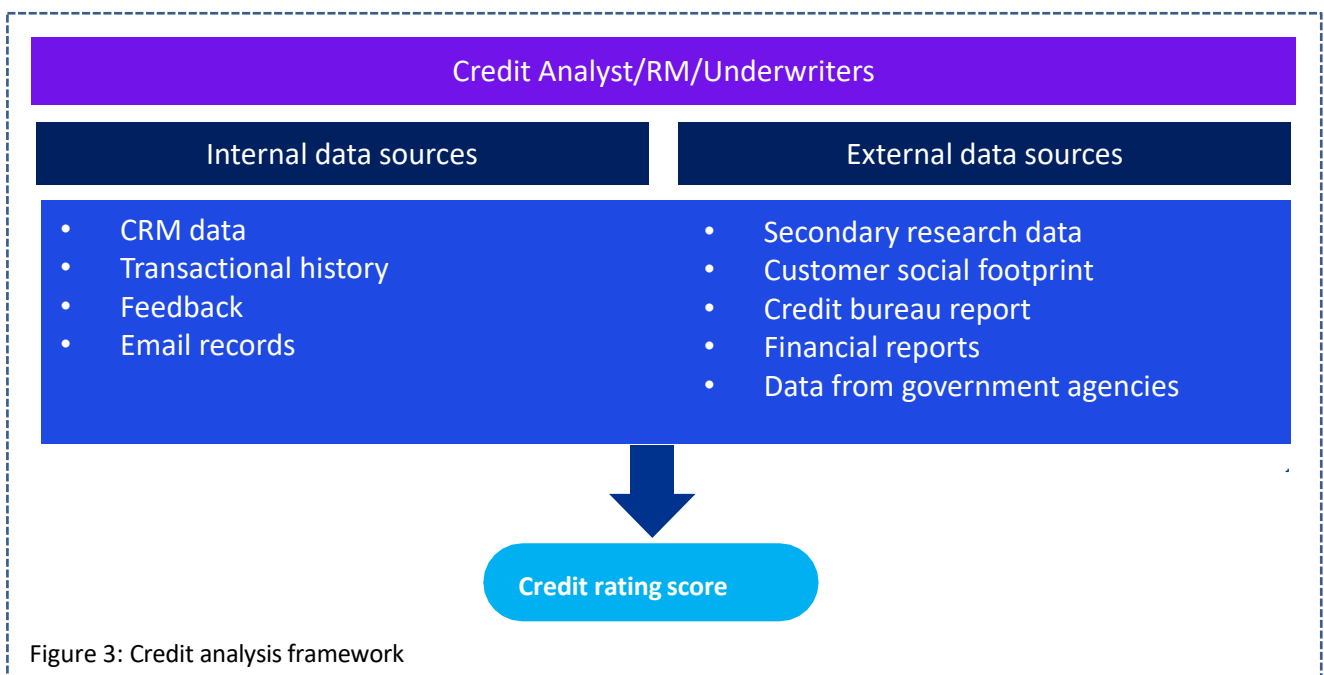


Figure 3: Credit analysis framework

Quote and Order Management



The quote and order management process includes the development, review, and approval of quotes, verifying the item or service is available for the customer, and confirming the order.

Issues or inefficiencies in the quote & order management process have a direct impact on customer satisfaction and a potential negative impact on sales.

Some of the most common issues in the quote and order management process are related to duplication of effort due to manual intervention, poor access to information due to resources allocation in silos, and insufficient visibility into inventory and production at the time of order, resulting in backorders.

Currently, the customer sends a quote request which is manually registered in the system and assigned to the relevant agent. The agent would analyze the request, ask for additional information if needed, generate the request and submit it for approval before sending it to the customer.

Artificial Intelligence can be deployed to extract the customer request, and based on a set of rules that are aligned with the company policy and on customer behavior data, automatically generate and send the quote to the customer.

Areas of Impact



Cross-functional operation



Customer satisfaction



Costs and revenue



Continuous Improvement



Working Capital Availability

In addition, chatbots can be enabled to automate the interaction with the customer.

Order integration in the system can enable the automation of the process. For example, as the order arrives, it can be registered in the system, then the chatbot would contact the customer, obtain the acceptance of the quotation, and trigger the initiation of the order fulfillment process.

“ Optimize your quote and order management to increase client satisfaction and sales ”



Invoice Management



The invoice management process includes gathering the necessary information to generate the invoice and delivering it to the customer. Effective invoice management is critical for ensuring timely and accurate payments, reducing errors and discrepancies, and maintaining positive customer relationships.

Invoice management must be optimized to ensure reduction in payment collection time.

Once the relevant order confirmation steps have been completed, the final invoice can be generated and sent to the customer.

Conducting manually the invoice management process adds extra tasks, such as requiring the order confirmation data, replicating this information in the physical invoice, and sharing the document with the approval authorities.

The invoice can be automatically generated upon order confirmation and sent directly to the customer by having a shared data infrastructure along with the assistance of RPA.

In a digitalized workflow, the invoice information would be automatically registered in the system, facilitating the revenue/AR management processes.



As with smart contracts, the system can automatically request extra information from the customer if needed.

Digitalization of the invoice management process will also improve your firm's readiness for VAT implementation and will contribute to creating an eco-friendly brand image.

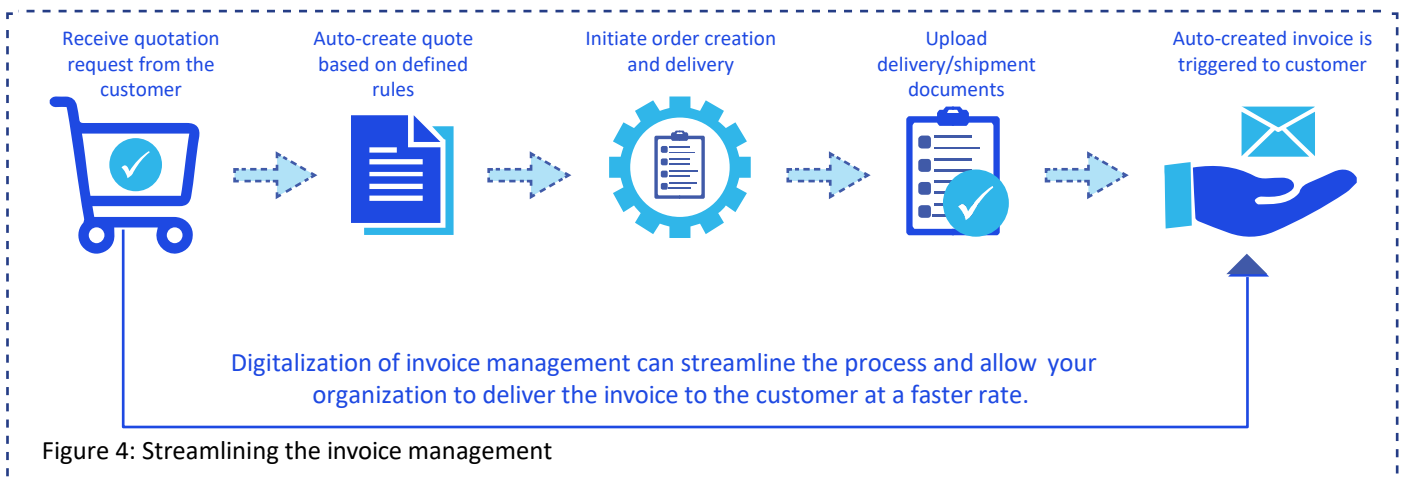


Figure 4: Streamlining the invoice management

Revenue/AR management (Cash Processing)



Cash processing involves receiving payments, matching payments to invoices, allocating payments, and reconciling accounts. Effective cash processing is critical for maintaining accurate customer accounts, reducing errors and discrepancies, and ensuring timely and accurate financial reporting.

Reduce your DSO to improve your finance operation and the cash flow

Cash processing needs to be completed in a speedy, accurate, and standardized way to achieve the major objective of reducing the days sales outstanding (DSO).

After receiving the payment in any of its forms etc.), it has to be matched to the corresponding open invoice and customer account. If you are receiving partial payments, this needs to be aggregated.

Additionally, you need to book the payment and register this information in the system. As such, it is a key step to improve the working capital availability.

A manual approach to these tasks represents an obstacle to scalability, exposes the organization to human error, and is labor and time intensive.

Areas of Impact



Working Capital Availability



Customer satisfaction



Costs and revenue



Continuous Improvement

To digitally collect the data of payments in its many forms you can use OCR to extract the information and register it in the system. With a standardized data format, AI can be enabled to conduct the tasks of payment aggregation and matching.

RPA technology can automatize actions such as contacting the customer to inform them that the payment has been fully processed or trigger other further actions.

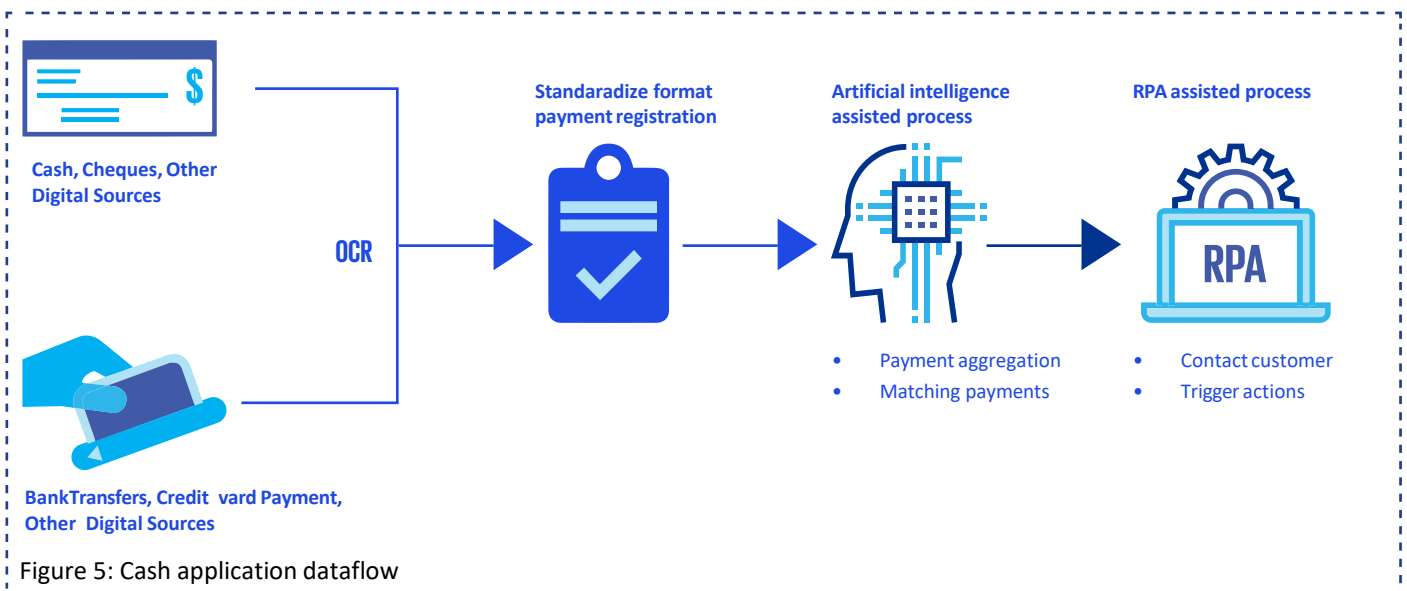


Figure 5: Cash application dataflow

Revenue/AR management (Collections)



Collection management includes customer communication, payment negotiation, escalation and legal actions. Effective collection management is critical for maintaining positive cash flow, reducing the risk of bad debt, and improving overall financial performance.

Keep a better track of pending payments and avoid ad-hoc decisions to improve your payment collection efficiency

Since not all customer payments arrive on time, further steps may be needed to collect the outstanding payment. For this to happen, it is necessary to have a defined process that must be followed in case of outstanding payment. The absence of a well-defined process will result in reduced productivity and inefficiencies. Payments in a claim or dispute stage if not properly identified, will result in default and unnecessary litigation.

To prevent delays and errors in the payment collection it is important that the follow-up steps in the payment process are automated. This will also help in improving the recovery rates. If there is a lack of prioritization rules or criteria, the decisions taken by the collections team might be discretionary. For example, if the collection team is prioritizing based on the invoice value, small and medium accounts might start falling due. On the other side, if prioritization is based on the due date, certain large invoices that might require special follow-up will be left unattended.

To resolve these issues, the decision-making process of payment prioritization can be assisted by digital tools and data. The required



Rule driven

Prioritize and assigns collections activities to respective users based on set business rules



Risk-based customer scoring engine

Rule-driven engine to help detect which customers have payment risk



Integrated dashboard

Centralized collection dashboard to follow-up on promises-to-pay and setting reminders.

Areas of Impact



Working Capital Availability



Customer satisfaction



Costs and revenue



Continuous Improvement

data can come from different sources, including the collector's inputs on the payment history of accounts and consumer behavior.

Furthermore, tasks can be automated based on set business rules, transactional data, and customer behavior. For example, generating the dunning correspondence and sending it to the customer.

AI technology can be enabled to avoid ad-hoc decisions, instead, decisions can be taken based on recorded customer payment behavior and other metrics. Sanity checks and cash pooling can also be assisted with AI tools.

Digitalization of these processes will also contribute to making data more easily available for processes such as generating month-end reports, completing financial statements, and conducting accounts receivable analysis.



Error free collections



Increased recovery rates

The importance of data



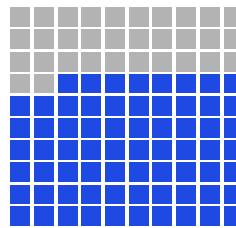
The success of the OTC cycle relies heavily on the high-quality and consistent collection of data.

“ OTC cycle optimization requires the input of data and will also produce data as an output ”

Prior to initiating the OTC transformation journey, it is crucial to recognize the significance of collecting and processing data.

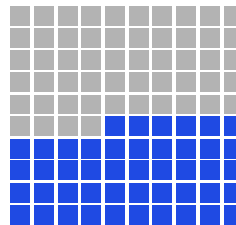
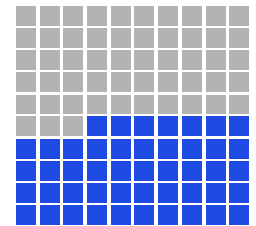
Overcoming the challenges of the OTC cycle involves digitalization and automation of processes. Without accurate and consistent data, it is impossible to optimize and automate the OTC cycle effectively. The success of the transformation journey depends heavily on the quality and consistency of the data collected, which is used to identify pain points, measure performance, and prioritize investments

Digitalization will increase the quantity of data available for collection and processing which can be used to improve the performance of several tasks. Research shows that organizations with MDM owned by an enterprise-wide function have a better performance in OTC cycle-related KPIs



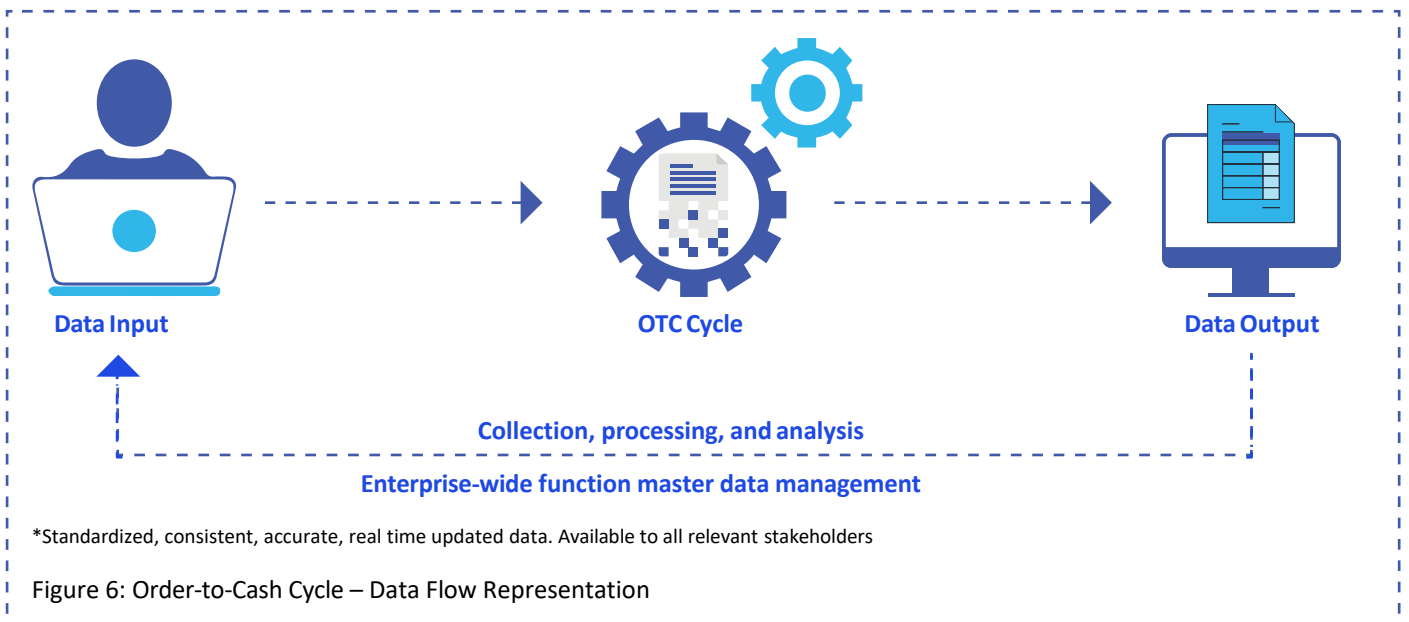
68% of High Performance Organizations Invest in Intelligent Automation to reduce costs and drive efficiencies

47% of High Performance Organizations Invest in Data and Analytics to provide enterprise-wide insights



46% of High Performance Organizations Invest in Intelligent automation to improve financial effectiveness

Source: Future Ready Finance Survey , KPMG International



*Standardized, consistent, accurate, real time updated data. Available to all relevant stakeholders

Figure 6: Order-to-Cash Cycle – Data Flow Representation

Making it happen



Key factors to be kept in mind before you initiate the transformation journey of the OTC process.

- **Streamlining your OTC cycle:** An efficient OTC cycle has to be streamlined to create consistency in the way orders are processed, invoiced, and collected. This will help ensure that all employees follow the same process, which will reduce errors and improve efficiency.
- **Enabling cross-function collaboration:** All the functions involved in the OTC cycle must have clarity on their roles and responsibilities. By bringing together representatives from different departments (such as sales, finance, and customer service), businesses can gain a better understanding of the end-to-end process and identify areas for improvement.
- **Implementing single source of truth (SSOT) systems:** Data aggregation and cross-function availability is critical for the optimization of the OTC cycle. With accurate and timely data available through an SSOT system, businesses can make better-informed decisions about inventory, pricing, and other aspects of the OTC process. This can help drive revenue growth and improve profitability.
- **Driving digitalized, automated, standardized processes:** OTC cycle processes must be digital, automated, and standardized to reduce time, and costs to materialize all the benefits of OTC cycle optimization. Digitalization and automation can help reduce manual intervention and human error, leading to a reduction in the time required to complete the OTC process. Standardization can help streamline the process and ensure consistency, accuracy, and compliance with regulations.
- **Detecting, measuring, and tracking performance:** The relevant KPIs must be identified and measured to assess the current maturity level, improvement areas, and ongoing progress. In order for this to be possible, the necessary mechanisms to collect the relevant data for tracking the KPIs must be enabled.



How KPMG can help you



At KPMG, we can help you to optimize your OTC cycle

A successful transformation of the OTC cycle comprises assessing the maturity level and developing and implementing the transformation strategy.

KPMG uses Lean and Six Sigma techniques while aligning the finance function capability to the finance strategy.

We identify key processes, associated risks, and opportunities for process improvement while focusing on value-added activities. By helping organizations to build an effective balance of controls and process efficiencies, we turn the finance function into a valuable business partner.

Our vast experience has helped organizations in:

- Identifying gaps against leading practices and benchmarks
- Improving speed and efficiency by eliminating redundant activities and introducing value add activities.
- Designing standardized processes with reduced transmissions, and automation of low-value, high-volume transactions
- Moving from manual and detective to automated and preventive controls
- Optimizing the cost of the finance function

We have the expertise, technical knowledge, and the latest digitalization tools to solve the challenges your business might be facing in its OTC cycle.

Don't hesitate to reach out for a discussion on how KPMG Qatar can help your business.

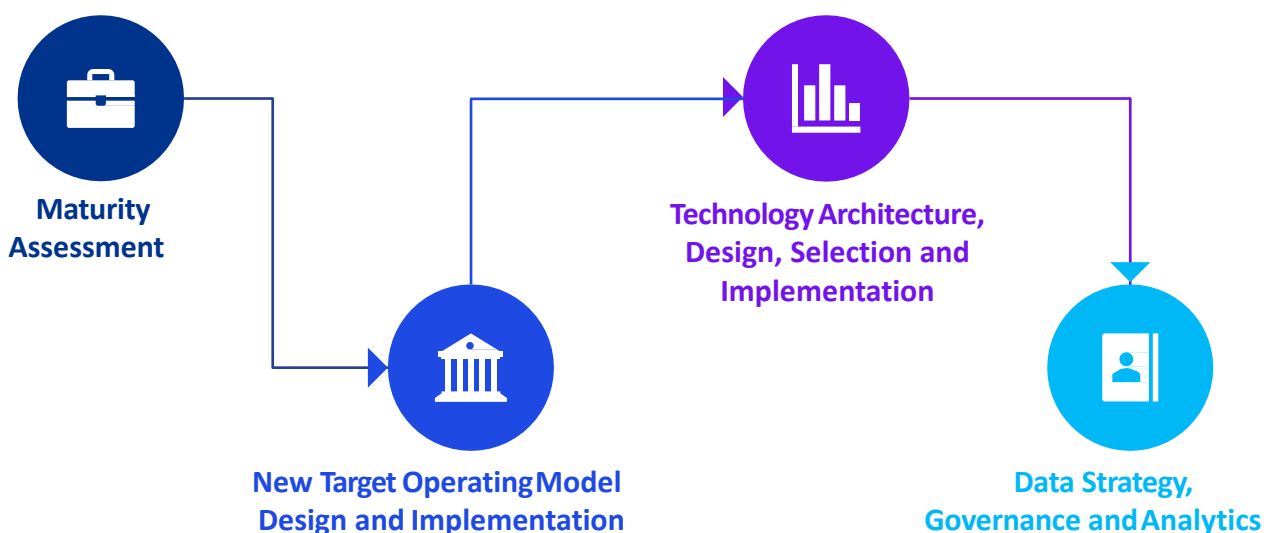


Figure 7: O2C Transformation journey

About KPMG finance transformation



KPMG's Finance Transformation services aim to help businesses optimize their finance functions and drive growth. The services are designed to enable finance to become a catalyst for growth by providing crucial strategic decision support that is governed by rigorous processes and controls.

With the help of KPMG's Finance Transformation services, businesses can streamline their finance functions, improve financial visibility, reduce costs, and enhance financial performance. The services are tailored to meet the unique needs of each organization and can range from process redesign to the implementation of cutting-edge technologies.



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