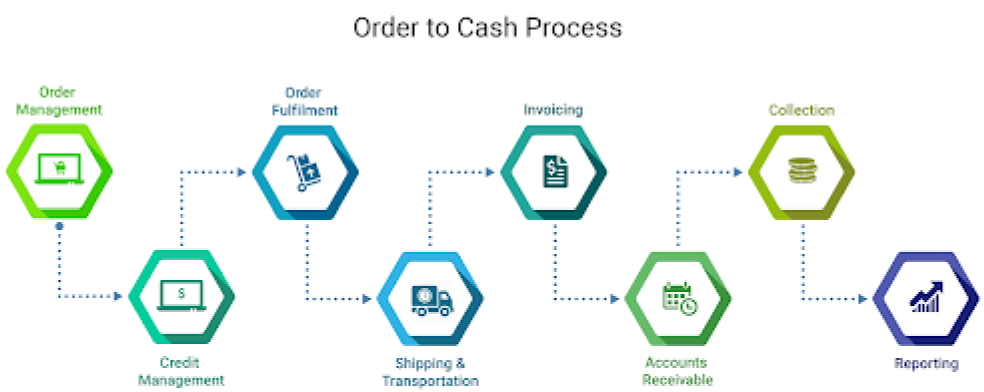
The Order to Cash Cycle:



1. Order Management: The first step of the O2C process is order management, and it begins as soon as the customer places an order. Whether it's through an ecommerce platform on your site, an email to the sales department, or even notifying a sales rep in person, you are responsible for the order management actions as soon as the purchase is confirmed.

2. Credit Management: Diligent credit management on the front end of O2C minimises issues that could occur as you reach the end of the process. In cases where credit is applicable, every first-time customer, when an order is placed, should automatically be sent through a credit approval process. Automated software can take care of straightforward approvals or denials, and finance personnel can be notified for cases that require a more thorough review.

The order management software should send returning customers who have current credit approval directly through to the fulfillment stage. Meanwhile, returning customers who were denied credit on a previous order, or who are applying for the first time, should be treated just like new customers. Automated credit management makes accounts receivable easier, and strategic credit guidelines also ensure you issue credit only to worthy customers.

3. Order Fulfillment: Automated inventory management software is an important component of the fulfillment process. Inventory counts should be updated on the sales side in real time in order to avoid accepting orders that cannot be completed. In the event that an out-of-stock order does make it to fulfillment, it must be flagged immediately. Then you need to alert the customer and cancel the order, which can help avoid billing issues.

Orders that are sent for fulfillment should be in a standardized digital format so that any associate who begins work on an order can clearly decipher all of the relevant details. Paper orders—as well as legacy software programs that don't share order data—lead to inaccuracies, costly clarifications, and bottlenecks.

4. Order Shipping : The success of order shipping depends on product logistics, which is why the shipping portion of the O2C process needs to be regularly audited to ensure it meets high performance standards.

Data from the order and fulfillment management functions must be immediately updated for the shipping team so they can plan shipments around carrier pickup schedules and get orders to customers on time.

5. Customer Invoicing: As is the case with anything related to credit management and accounts receivable, invoicing delays and inaccuracies can snowball and lead to cash problems that disrupt the entire organisation. When accurate invoices are sent out on a reliable timetable, staff in Finance can effectively forecast cash inflows and plan for expenses accordingly. The invoicing system needs to receive the correct information from staff who oversee front-line functions. Data points, such as order specifics, costs, credit terms, order date, and shipping date, need to be input in the invoicing system so that invoices can be automated with the correct information and sent without delay

6. Accounts Receivable: Automated accounting systems need to flag outstanding invoices at pre-set times before they are overdue, and accounts receivable representatives should review these invoices to determine if there are any obvious errors that would result in delayed payment. For example, unpaid invoices on orders with net 30 credit terms could be flagged after two weeks, triggering an automated payment reminder and an invoice review.
When errors are detected, accounts receivables professionals must have a way to quickly review the data from the ordering system, find out where the information breakdown occurred, and send out a revised invoice immediately.

7. Payment Collections: The first defense against payment collection backlogs is to have reps document payments received within a specific timeframe. Organisations encounter issues when payments delivered by customers have not been processed in the ordering system and accounts still show as unpaid. This can cause friction when customers are asked for payment that has already been remitted. It can also lead to inaccurate cash estimates, which causes finance teams to incorrectly forecast higher cash deficits.

When an invoice does officially lapse into the overdue period, the customer’s account must be flagged and their credit put on hold. When they try to place another order, the automated system should alert the customer that payment needs to be sent before they can complete their next purchase. Accounts receivable personnel should immediately begin contacting customers with overdue invoices and outlining the collection procedures and potential penalties going forward. Accounting and finance leaders must also review all overdue accounts on a regular basis to keep an updated bad debt forecast and determine next steps.

8. Reporting and Data Management: Interconnected software programs can track performance data across every stage of the order-to-cash process. By monitoring and analysing this data, company leaders can see how the overall flow of their O2C process affects everything else in the organisation. This includes the relationship with customers, the length of the sales cycle, the onboarding and customer service functions, and so on.

Management can also use these data points to determine if slowdowns in one area adversely impact other O2C processes. Since the O2C journey is highly interdependent, even small inefficiencies in one function can snowball into costly problems elsewhere. Successful management and optimisation of the order-to-cash cycle helps businesses efficiently deliver value to their customers and receive timely payment for their services. Technology, too, can help companies improve their order-to-cash processes, which then frees up resources so staff can focus on their most important task of all: enhancing the customer experience.