RECURRING BILLING
AUTOMATION

A practical guide to driving revenue and
reducing churn with Salesforce

Chargent
PAYMENTS FOR SALESFORCE®

by **AppFrontier**

Contents

Recurring Billing Automation

**Learn about the next generation of solutions and best practices for
companies with recurring and subscription payments**

A small nonprofit manages a few hundred donors in Salesforce with minimal staff. They're struggling to keep up with failed payments and spend a great deal of time tracking down updated credit card info. Unfortunately, several donors lapse because the staff isn't able to update the info, and they lose donations.

A mid-sized business offering a subscription news platform hasn't connected processes for their accounting department with their sales department. Payments must be taken from the Sales department in Salesforce and separately entered into the Accounting system for billing, doubling their efforts. On top of that, failed payments means a slew of back-and-forth emails between departments and the customer to fix the issue, and many customer subscriptions lapse due to the delays and lack of visibility into payment status across the organization.

A utility company with thousands of customers has an entire department of staff working to capture failed payments. The process is not streamlined and invoices go so long without being paid that the company itself finds their cash flow is affected. They have trouble paying their own bills and must increase marketing expenditures to bring on new customers and make up for the revenue loss, starting a vicious cycle.

An "Invisible" Issue

You've worked hard to gain subscription customers and offer great products and services. You track customer metrics in Salesforce to stay on top of trends and what customers would like in the future. So your customers will stay around, right? Perhaps not. You may be losing subscription customers who planned to renew except for one little issue. And that little issue can lead to big problems.

Subscription Billing Growth Pains

Before diving into that issue, let's recap how far you've come. When your company was smaller, it was easier to manage payments one by one. If a payment failed, your team would manually send an email or call the customer to get payment information sorted out. But as your company grows, payments will get trickier and more time consuming to manage. You have a few options at this point.

One solution might be to scale up staff to handle the growing payments. This has its own problems like the:

- Growing amount of staff needed to deal with issues
- The cost of a paper invoice
- Time to deal with monthly customer payments
- Time it takes for a check to clear
- Tracking communication with customers
- Problems from late or failed payment

> "36% of accounts receivable leaders surveyed by the Institute of Finance and Management said their staff [are] working longer hours to process payments and manage receivables."
>
> PYMNTS

Specifically for non profits, if the monthly payment process isn't smooth and easy for your donors, they may forget — or decide — to stop donating.

> "29% of donors would be much more likely to make a repeat contribution if the organization makes it easy to donate."
>
> NETWORKFORGOOD

Not to mention, if a customer has a bad experience managing their bill or donation with your organization, chances are they'll find a new organization with a better experience.

> "57% of customers surveyed noted they switched to a company's competitor who offered a better experience."
>
> SALESFORCE

Removing the "Manual Processes"

Is there a better solution? Depending on managing each payment by hand is time consuming and expensive to scale effectively. Setting up a Recurring Billing system can solve many of these problems. This system can be customized in a number of ways to send invoices to your customers, take payments according to your process, and take care of most issues before a team member needs to be involved.

> "28% of B2B vendor payments were made via check in 2019 compared to 60% in 2010."
>
> PYMNTS

Changing the way you accept payments can also streamline your process. Instead of physically processing paper checks each month, switching to an ACH or Direct Debit system lets the money go directly from your customer's account to your account. No [check reading machines], postage, or envelopes needed.

> "The 26.8 billion payments made on the ACH Network in 2020 is an increase of 8.2% over 2019, while the value of those payments, $61.9 trillion, is up 10.8%."
>
> NACHA

Recurring billing is a strategic tool for subscription payments that will relieve pressure on your billing department by automating invoices each month. It also allows your customers to input payment information once, and be billed automatically each month, reducing workload for you and your customer. But another issue begins looming as your monthly payments increase: failed payments.

> "48.8% of organizations saw collections improvement when they implemented automated technology."
>
> PYMNTS

Dealing with Failed Payments

As your organization grows, you will need a billing system that scales with you. With recurring payments, it's inevitable that some payments will fail. Be sure the recurring billing system you choose has capability to deal with failed payments. Developing a Failed Payment Strategy is an important part of collecting payment and can mean a bigger bottom line in the long run.

> "A July 2020 survey of 500 Canadian and 500 US SMBs found that 48% believe the next missed client payment could cause them to fold."
> MASTERCARD STUDY

Developing Your Strategy
Payments can fail for many reasons:

- Insufficient Funds: Payments usually fail simply due to lack of funds in the customer's account to cover the transaction. It's also possible that they have exceeded their credit limit. In both cases, the payment will be rejected by the bank.
- Incorrect Information: Sometimes the answer to payment failure is because of errors. An inaccurate credit card number, expiration date, or wrong billing address can cause issues during a transaction.
- Misconfigured Gateway: For payments to process, payment gateways must be implemented and configured correctly. Even when properly installed, incorrect settings can result in error messages and payment rejections.

> "Most businesses that receive at least 30,000 invoices annually, and have a staff of at least three full-time equivalents, achieve payback on their electronic invoicing investments in one year or less, according to the Association for Image and Information Management (AIIM)."
> INSTITUTE OF FINANCE AND MANAGEMENT

Having an automated system in place means the problem could be solved before you even get in for work that day. The key is to set a strategy for each of these scenarios beforehand.

For example, a customer's credit card expires, but they forget to update their billing information with you. The payment will fail due to an incorrect expiration date. This problem can be solved through a service offered by some payment gateway / payment processors. The expiration date will be updated on their system, but they will continue accepting payments on your token with the previous credit card info. With this strategy, the problem is resolved automatically without involving your team members or your customer. The payment comes in, and the customer's account is in the green. We'll discuss more strategies further into this document.

Poor Strategies Can Lead to Losing Customers

In short, not having a system in place could mean that you are losing valuable, happy customers simply for the fact that their payment failed. Check to see if your payment process is missing:

- A convenient way for customers to update payment info
- A system to automatically notify customers of the problem
- A process to capture payment when funds are available

Fortunately, losing customers due to payment failure is preventable. The solution lies in creating a strong strategy and understanding what should be an avoidable reason for customer cancellations: Involuntary Churn.

What is Involuntary Churn?

Our little issue from earlier is called Involuntary Churn. 93% of businesses report late payments from customers. And the administrative costs and time spent to collect those payments keep increasing.

Involuntary, accidental, or passive churn happens when a payment is declined and customer payment information isn't updated. As a result, customer accounts or recurring donations are eventually cancelled due to lack of payment.

Payments can fail due to:

- Expired cards
- Cancelled cards
- Insufficient funds / credit limits
- Fraud alerts
- Address changes
- Account number changes

Had the payment gone through, these customers would still be with you. What can be done to avoid this? Some churn is unavoidable, but there are several ways you can significantly reduce involuntary churn.

- Communicate quickly and clearly with customers (automate notifications)
- Make it easy for customers to update their payment details (self-service online or in whatever way they prefer)
- If customers do make a payment, immediately set them back to active (automate payment status updates for no service interruption)

> "67% of customer churn is preventable if firms resolve issues the first time they occur."
> AMEYO

With the proper automation in place in Salesforce, you and your team should be able to move away from the busy work of chasing failed payments and focus on more important things, like reporting and analysis, upgrades and expansions, and new contracts. To find the right fit for Recurring Billing and failed payments in your organization, you'll need to evaluate your payment process.

Evaluate Your Process: Is your payments process...

...Seamless?

Are your employees doubling their efforts when entering payment data? Integrating your accounting system with Salesforce might seem like a daunting task, but the rewards could mean reduced time spent on data entry, as well as fewer errors.

> "68% of sales people say a 'single source of truth' view of their customer across departments is crucial."
>
> SALESFORCE

...Scalable?

Can you bring on enough staff to handle failed payments? As your business grows, your staff will need to scale to meet payment demands. Automating collections reduces the need to hire more people, while helping your existing team to scale more efficiently.

> "The average salary of a collections specialist is $37,000."
>
> GLASSDOOR

...Friction-free?

Are your customers able to update their own payment information online? Phone calls require call centers, waiting, and can be a source of frustration, especially if customers are not able to call during your business hours. Reducing friction for your customers means less frustration and happier, long term customers. Make sure your customer experience is friction-free!

> "69% of customers say convenience is more important than brand."
>
> SALESFORCE

...Automated?

Automating failed payment notifications lets your team focus on the most difficult to collect receivables. Give them more time to work with customers who need a negotiated payment plan, or to spend time on other more strategic tasks.

> "52% of accounts receivable leaders recently surveyed by the Institute of Finance and Management said that 'too many manual processes' is a major reason that some receivables move to collections."
>
> PYMNTS

## Reporting and Analytics

Are you measuring DSO?

DSO, or Days Sales Outstanding, is the average number of days account receivables remain outstanding before collection. In other words, how long does it take customers to pay for your products/services?

DSO is important because the speed at which a company collects money is key to its efficiency and profitability. DSO average statistics are often much higher than they should be for many companies.

If you're still accepting paper checks as a main source of payment, it's time to modernize! Switching to online payments, whether credit card, ACH/Direct Debit, or both, could mean a lower DSO score, and faster payments for your bottom line.

> "62% of businesses reduced Days Sales Outstanding by adopting AR technology"
>
> PYMNTS
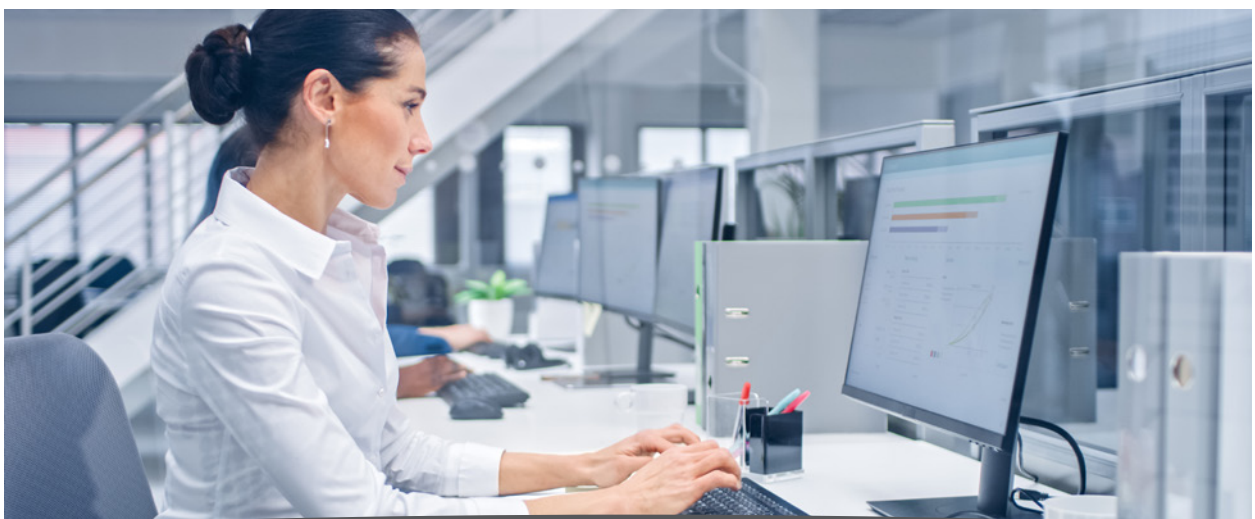
What is your Lower Bad Debt Risk?

The longer you carry an accounts receivable, the greater the risk of bad debt. This gets unsustainable very quickly if it isn't managed through a careful dunning process.

> "Reports showed that in 2019, 1.3% of receivables were written off as uncollectible."
>
> ATRADIUS

Failed payments that become uncollectible can have lingering and catastrophic effects across your organization.

> "48% of receivable leaders surveyed said their aging balance has increased since the start of the pandemic."
>
> INSTITUTE OF FINANCE AND MANAGEMENT

For example, a company with a profit margin of 10% that incurs a loss of $10,000 due to bad debt typically must generate about $100,000 in additional revenue just to recover the loss of capital. This creates a compound effect, because if you haven't collected failed payments, not only are your business investments stifled, but you may need to tap into lines of credit or other sources of capital, including fees and interest, just to cover your payroll and other expenses.

> "As a direct result of late payments, 79% of businesses were forced to spend more time chasing invoices, 48% had to pay their suppliers late, 30% had to increase borrowing, and 10% had to turn down new business."
>
> HILTON-BAIRD

Automating your collections helps to stop the loss of money that already belongs to you and quickly takes care of payment issues. This reduces the chance that receivables will be around long enough to become bad debt and puts your money in your pocket with minimal effort.

> "Around 11% of all invoices issued by SMEs are paid late, totaling around $1.1 trillion per year. As a result, approximately 61% of small businesses struggle with cash flow and almost a third are unable to pay vendors, suppliers, or employees according to surveys."
>
> HILTON-BAIRD

Now that you're aware, what can you do?

You've considered your payments process and the effect late or failed payments can have on your company. How should you move forward? If you're using Salesforce, you already have half of the answer! Consider these steps to find the best course of action for your collections plan.

Upgrade Your Software

The right Salesforce App could be the key to simplifying your payments and bringing in more revenue. Look for an App that can:

- Handle recurring billing as well as automated collections together, instead of separate apps.
- Automatically update credit cards for you before they expire so your customers can keep enjoying your products uninterrupted.
- Integrate well with Salesforce, payment gateways and accounting software
- Allow you to customize your payment process and Salesforce email templates to your specific needs.
- Allow customers to pay and manage their account online.
- Show analytics that allow you to adjust and manage your collections strategy.

Chargent — Trusted Salesforce Payments Solution

Chargent is built 100% on the Salesforce platform, a Lightning ready credit card / ACH payment solution for one time or recurring billing. Chargent puts you in complete control of your payment processing, managing everything right in Salesforce where your customer data is stored. On the Salesforce AppExchange since 2008, our app has received over 400 positive reviews from happy customers.

Integrate Your Sales and Accounting Systems

Organizations that haven't updated their billing system could be wasting effort on double data entry in various siloed systems. Integrating your CRM with your accounting software improves bookkeeping, reduces human errors, and gives you a "single source of truth" to more closely track your cash flow. This allows you to cut out as many manual processes as possible and let the software do the busy work. Your team can:

- Trust that the data is up-to-date
- Make important next-step decisions based on accurate information
- Only deal with payment problems that need more personal attention

Chargent Combines Accounting and CRM Systems

Store all of your transaction data directly in your Salesforce system when using Chargent for payments. Chargent is built 100% on the Salesforce platform, with easy configuration and no integration. Chargent allows you to connect to 30+ direct payment gateways for credit card or ACH / Direct Debit payments. Payment and transaction data goes securely between Salesforce to your payment gateway, no "other" servers.

Strategies for Automating Payment Retries

Customer payments can fail for many innocent reasons, including expired expiration dates on credit cards or incorrect address information. Scheduling automated payment retries over a specified period can help bring in payment without needing action from your team or involvement from the customer.

Recommended Schedules

Finding the right schedule for your organization can take some time and adjustments. Here are a few recommended strategies to get you started.

A common strategy is to retry failed payments 3 days after the first failed payment, 5 days after the previous failure, and 7 days after that previous attempt. Other strategies include waiting until a next pay period is likely, or retrying every Friday. If these attempts fail, move on to the next step and contact the customer with well-crafted dunning emails.

Track what timing and cadence works best to bring in the most failed payments in the least invasive way for your customers over time and make adjustments as necessary.

Chargent Automated Collections

The Automated Collections add-on module in Chargent lets you schedule automatic retry cycles based on your specified timing. If a payment fails, Chargent will retry the payment a number of times over several days. When a payment is successful, the customer's account status is marked as paid in full and no further action is required.

How to Write Effective Dunning Emails

When a payment cannot be handled by automatic retries, it is time to contact the customer. Your collections process depends on well-written emails. Best practices for dunning emails aim to first kindly alert your customers to the problem and give them an easy way to pay or update payment info. The longer a bill goes unpaid, the more direct your messaging will need to be. Here are a few things to keep in mind:

- Let your customer know there is a problem, but don't blame them. They might be unaware of the issue. You may need to email them a few times to catch their attention at a time when they can take action. Keep the first few emails professional and friendly in tone.

- Use your dunning letter as an opportunity to create trust with your customer. Show that you value them and appreciate their business.

- Send your emails from a name rather than a "noreply" address. This gives your emails a sense that they are coming from a real person, and that this is important to your company. For example, send emails from susan@yourcompany.com.

- Give your customer a convenient way to pay or update their information immediately. Include a link that will take the customer directly to their account without logging in. This will raise chances that they will pay now instead of leaving it for later.

- Show the customer what they will miss by not completing payment. For subscriptions, will they lose premium access to special product features until payment is made? Also include dates when these services will be no longer available.

- If you have contacted the customer multiple times with no payment made, it may be necessary to escalate the process. Since you've automated the initial communications, your staff will have more time to handle reaching out.

Chargent Email Templates

Chargent allows you to modify existing Salesforce email templates to send various types of notifications to your customers. Emails can include your logo, custom fields, and can trigger based on your own workflow.

Example Dunning Email Templates

Use these templates as a starting point for your organization's dunning emails. Be sure to discuss the wording and design with your marketing department so the emails have the same "look and feel" as your company emails. This will visually help your customers to trust that these emails are indeed coming from you.

First Collections Email

We were unable to process payment for your subscription to [product/services]. This could be due to:

- A new credit card
- An expired credit card
- A change in billing address
- Insufficient account credit

We value you as a customer and are offering you 7 days to update your payment information with [this link] or by calling [phone number]. If we are unable to process payment after 7 days, your account and access to [products and services] will unfortunately be suspended.

Second Collections Email

We'd like to let you know that your monthly subscription payment was declined. Please use [this link] to update your payment information.

We're looking forward to providing you with [service/product] again when payment has been submitted.

Final Collections Email

Your subscription payment has been declined and we have not received a response for 7 days. Your subscription and account will be terminated unless payment is received by [date]. Please follow this link or call us at [phone number] to rectify this issue.

Track the Process Over Time

- Track analytics to check how many customers pay vs. how many let their subscriptions lapse, and at what stage they are making payments.

- Look for reasons that may be causing customers to lapse. For example, check if your emails are going to their Spam box. If this is the case, take steps to make sure your emails do not get marked as spam.

- Make sure your process is seamless for your customer. If they update payment info, check that your process updates your system appropriately so they do not receive further emails about that same payment issue.

- Continue monitoring and adapting your process to improve the customer experience and your bottom line.

Chargent Reports and Dashboards

Chargent Reports and Dashboards in Salesforce offer customizable tracking for essential transactional information. Use these Reports to reconcile transaction records with your payment gateway, follow up on missed payments, or declined credit card transactions.

Automated Collections Improves Your Bottom Line

Bring in the revenue you've earned by integrating your CRM and accounting software, automating your recurring billing and failed payments. Reducing manual processes and automating the busy work of collections lets your team focus on important tasks instead of tracking current customer payment information and chasing failed payments. The benefits will show in your quality of service and your bottom line.

Introducing Chargent

Since 2008, Chargent has offered a powerful Salesforce payment solution for customers all over the world. Lightning ready and built 100% on the Salesforce platform, Chargent lets you:

- Take control of your payment processing and directly integrate into your existing Salesforce customer data and processes
- Automate billing, invoicing and recurring payments with drag-and-drop functionality in a matter of minutes.
- Have access to 30+ direct payment gateway connections, along with developer tools and excellent customer support.

Try our free 30-day trial to see how we can streamline your processes.

Contact our sales reps to learn how Chargent can simplify your Salesforce billing.

**Want to learn more about Recurring Billing,
Automated Collections and the
future of revenue recovery?**

Follow us on social media!

At Chargent, we are always here to help!