



## Business Credit Management UK



### **€37.6million in profits evaporates every day as 24% of outstanding invoices go unpaid and uncollected**

Europe's top 1,000 publicly-quoted companies have €274bn of overdue debt owed to them due to disjointed customer service and poor collection practices. 24% of all invoices are outstanding and unpaid at any one point in time. This problem is impacting the Euro 1,000's profits by more than €13.7bn per year.

These are the headline findings of research undertaken by The Customer Value Group (CVG)<sup>1</sup>. The research objective was to understand the inter-dependencies between accounts receivable and customer service, and the financial impact disjointed practices has on the value of customer relationships.

According to CVG's research, customer disputes due to poor customer service (involving problems related to products, pricing, invoicing, delivery or documentation) result in 103.3bn in unpaid invoices. Furthermore, Euro 82.6bn of accounts receivable goes uncollected because of customer queries and service issues that have not yet been identified by suppliers because of poor account administration.

CVG's analysis revealed that UK businesses have one of the worst performance records amongst Europe's major economies, with an average wastage of 28% of accounts receivable (i.e. unpaid overdue invoices). Of the top eight economies, only German (32%) and Dutch (37%) companies had worse figures than the UK, and the best performers were French and Spanish firms (both averaging 18%). The most efficient country in Europe at cash collection and customer service is Austria (10%), and the worst is Norway (40%).

Collectively, the 245 UK companies in the top European 1,000 analysed were found to be leaking €52.4bn per year in uncollected cash, of which:

- \* €17.7bn was due to customers withholding payments due to disputes;
- \* €14.2bn due to unresolved customer queries;
- \* and €27bn due to poor collection practices.

As a consequence, these businesses lost a combined profit opportunity of €2.6bn. The disjoint between accounts receivable and customer service operations has a significant negative impact on profit and the value of customer relationships, said Dickie Bielenberg, Managing Director of The Customer Value Group. Businesses need to think of customer relationships as an asset - .Customer Value.- and take a holistic crossfunctional management approach. Silo thinking and poor systems result in a considerable profit gap, as this research has revealed.

ERP, CRM or legacy systems were simply not designed to deal with poor customer service and its impact on collection. Service issues responsible for creating payment problems need to be identified and resolved as early as possible to avoid the damaging levels of wastage that our research has uncovered. Without the correct tools in place, however, businesses simply can't undertake Customer Value Management and maximise the impact customer relationships have on the bottom-line, added Bielenberg.

(1) The research was based on financial data from IDEXEC, Thomson Financials, other publicly available sources and data collected by CVG during client engagements. A detailed breakdown of the results, data sets and methodology is available on request.

Date: 16 August 2006  
Frequency: N/A  
Circulation: 60,010 unique users per week