

Credit Control

News

€37.6 million in profits evaporates every day as bills go unpaid

Europe's top 1,000 publicly-quoted companies have €274 billion of overdue debt and 24% of all invoices outstanding and unpaid due to disjointed customer service and poor collection practices. The problem is so severe it is impacting the Euro 1,000's profits by over €13.7 billion per year, says research by The Customer Value Group.

"Customer disputes due to poor customer service issues such as problems involving products, pricing, invoicing, delivery or documentation, resulted in €103.3 billion in unpaid invoices last year," said Dickie Bielenberg, Managing Director of The Customer Value Group. "Furthermore, €82.6 billion 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. In the UK alone, our research shows that UK businesses have one of the worst performance records amongst Europe's major economies, with an average wastage of 28% of accounts receivable, leaking €59.5 billion every year in uncollected cash, of which €17.7 billion was due to customers withholding payments due to disputes; €14.2 billion due to unresolved customer queries; and €27.6 billion due to poor collection practices. As a consequence, these businesses lost a combined profit opportunity of €2.6 billion."

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%). Pointing the finger of blame, the research cited that ERP, CRM or legacy systems were simply not designed to deal with poor customer service and its impact on collection.

Bielenberg added: "Without the correct tools in place businesses simply can't maximise asset productivity. At best, potential process synergies and internal collaborative opportunities to enhance customer value slip by. At worst, companies risk damaging relationships resulting in unfulfilled revenue opportunities and higher churn. Companies have ended up putting the cart before the horse – business-driven customer relationships rather than customer-driven business. Businesses need to think of customer relationships as an asset and take a holistic cross-functional management approach. Poor systems result in a considerable profit gap. The imperative, therefore, is to implement effective Customer Value Management, creating a virtuous cycle where the company invests in its customers and its customers invest in it."



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