

THE LAST DASH FOR CASH

Take the CVG “Last Dash for Cash” Test to see how your company grades in the race to close the year with a minimum of Overdue Accounts Receivable.

As we reach the end of the year and financial targets are dangling temptingly just out of reach, the pressure is on for CFOs to outperform the market and collect as much outstanding Accounts Receivable (AR) as possible.



Now is the time to see how you measure up to the best practice companies in your industry by taking CVG’s “Last Dash for Cash” test. Before we do this however, let’s take a look at some key components of best practice. They can be split into three areas as follows:

COLLECTIONS

Collection activities need to be targeted to the clients in your portfolio who will yield the best results. To do this you will need to segment your customer base in an AR-specific manner - this can be by a number of models including Balances vs. %age Overdue - and then apply relevant strategies. For your larger, bad-paying customers, this would mean a mix of various types of communication such as letters, emails and phone calls for best results.

Better paying or smaller clients can be put in “email-only” strategies which can be automated and therefore don’t require staff intervention. Ideally, these emails need to be tracked and any responses can also be automatically logged and actioned in the same place so that no communication goes astray.

DISPUTE MANAGEMENT

If clients are not happy with your products or services, they will avoid paying your invoices. Even if they are happy, they can still try to find errors in your invoicing or delivery processes to try to delay payment.

To avoid this happening, proactive collection techniques – even automated ones like automated emails – can be very good at flushing out disputes. Once the disputes have been identified and routed to the correct part of your organisation, they can be rectified so your client has no reason not to pay when the due date arrives.

MANAGEMENT INFORMATION

We all know that we can’t manage what we can’t measure. This affects senior management who would like to know who the top ten offending clients are so they can be focussed on. It can also include what the top ten disputes in your organisation are so that any blockages can be cleared.



For collectors it means that they have all the information they need in one place. Rather than spending their time building reports, they should be on the phone to targeted customers, collecting money and adding real value.

My organisation has the ability to:

	#	Question	Yes (5 pts)	Partial (2 pts)	No (0 pts)
Collections	1	Focus on the clients who have the highest likelihood of paying by segmenting my customer base in a way that makes sense for Accounts Receivable. I can then focus my collectors' attention on the offending segments.			
	2	Maintain regular contact with my clients, especially if they have a promise to pay or a payment schedule with me. This contact is structured, relevant to the stage of my customer's invoices and recorded for auditing purposes.			
	3	Mix up my client communications. I don't just send letters for example. By mixing communication between letters, emails and phone calls, my clients will be compelled to pay in response to what will be perceived as a more structured and professional strategy.			
	4	Send out emails or other forms of automated communication through my system to a customer or account manager. I can allow these recipients the ability to email back their responses and have everything logged, tracked, traced and actioned within the same system.			
Dispute Management	5	Identify disputes prior to an invoice being raised – through proactive collection strategies - and associate these disputes with sales orders, delivery notes, returns or any other transaction type I have in my ERP system. Then, when an invoice is finally raised, my system helps match these transactions up together seamlessly.			
	6	Automatically route disputes through to the person or department that needs to work on and resolve the customer service disputes whilst giving full transparency and visibility to relevant groups within the organisation.			
	7	Manage short payments . Whenever customers don't pay the full invoice amount, my system enables automatic processing of short payments by matching them with outstanding disputes or existing registered debit notes. My system is then able to process charge-backs.			
Information	8	Illustrate, with the click of a button, what the top 10 dispute types are within my organisation and what the root causes of all my customer service issues are, including which department they originated in.			
	9	Know, at the click of a button who my top 10 clients are. Everyone knows, from Senior Management to collectors who needs to be chased for payment.			
	10	Ensure my collectors have all the required information in one place . They can be focussed on the phone to get the AR paid. They are not wasting time behind their computers writing reports and gathering data.			

RESULTS ANALYSIS

- 0 points** It is time to immediately rethink your AR and Dispute Management policies and procedures. Your clients will be quick to identify holes in your processes and will be paying their other creditors, not you. They will then take their business elsewhere as their disputes remain unresolved.
- 2 - 18 points** Your organisation has significant opportunity for improvement. Your collections and dispute resolution practices are disjointed and incongruent. This is rarely the fault of the business though. Increasingly, IT department are dictating systems requirements to the business rather than the other way around. With the business in control, you can surely streak ahead in your capabilities.
- 20 – 40 points** Your organisation is in the middle of the bell curve. To stand out from the crowd and collect more AR than the average, there are a number of simple changes you can make which will yield the differences you require.
- 42 – 50 points** Your organisation is on the cutting edge, setting trends and embracing best practice. You have the most efficient and effective AR practices and you can expect to collect where others don't. Well done!