

## Summary

We asked 51 CFOs from Europe's top companies at the "CFO Europe Working Capital Conference" in Belgium three questions about the working capital challenges within their organisations.

The results were very interesting and will hopefully provide insight for these CFOs and many others...

### Question 1: Which part of the Order-to-Cash process creates the most challenges for your business?

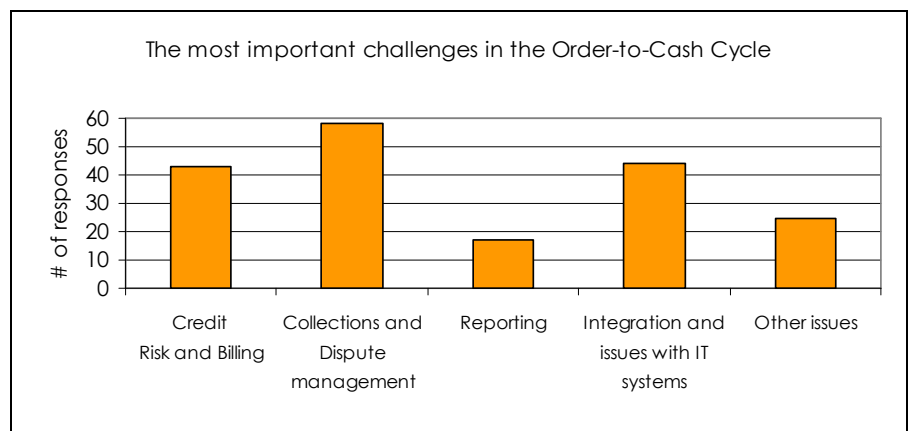
**Findings:** The most important challenge within the Order-to-Cash cycle is largely due to Collections and Dispute management issues at 31%, followed closely by Integration and IT issues at 24% and Credit Risk and Billing issues at 23%.

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"Customer service being an issue, made working capital an issue"

CFO of leading European Utility and speaker at the conference

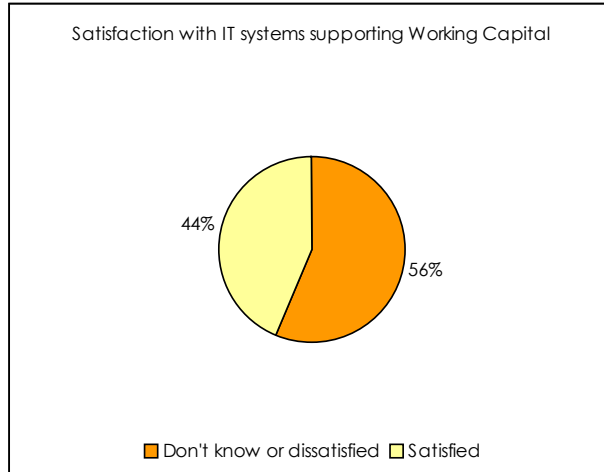
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**CVG Conclusion:** Collections and Dispute management was seen as the most important challenge faced by the CFOs present at the conference. As this area seems to be the biggest challenge, it would be logical to assume that it deserves the most attention and focus, however research reported in *Credit Collections and Risk* revealed that "European Top 1000 Companies wasted around €34bn in profit in 2006 due to poor AR Collections and Customer Service processes". The results in 2007 have unfortunately been worse. Mid year results show this figure increased by 15%. The primary contributing factors to these results were customer service issues leading to late payment, poor collections processing, poor coordination between the departments, the lack of visibility across all processes relating to AR management, the lack of defined business process with ERP systems and no 360 degree view of the customer.

**Question 2:** How satisfied are you with the ability of your IT systems and tools to enable and support working capital management in your business?

**Findings:** 56% of respondents stated that they were either dissatisfied, very dissatisfied or didn't know about the ability of their IT systems and tools to enable and support WC management in their business.



"90% of respondents indicated that DSO reduction was a goal of the organization and of all the respondents, 30% saw an increase in DSO after the implementation of ERP system"

S. McVey of Technology Evaluation magazine conducted and presented a survey within his article "ERP Users Speak Out on Credit and Collections Shortcomings".

**CVG Conclusion:** A little more than half the respondents were unhappy with their IT systems and yet in a recent survey by S. McVey of Technology Evaluation magazine, it still seemed that IT managers had the final say in which systems were implemented within 80% of the world's largest organisations. For specialised business functions such as accounts receivable and collections, CVG believes corporations need to closely examine system functionalities and determine if they truly address their business requirements.

**Question 3:** Please describe in as few words as possible the key challenge you face across the whole working capital area including inventory, accounts payable and receivables:

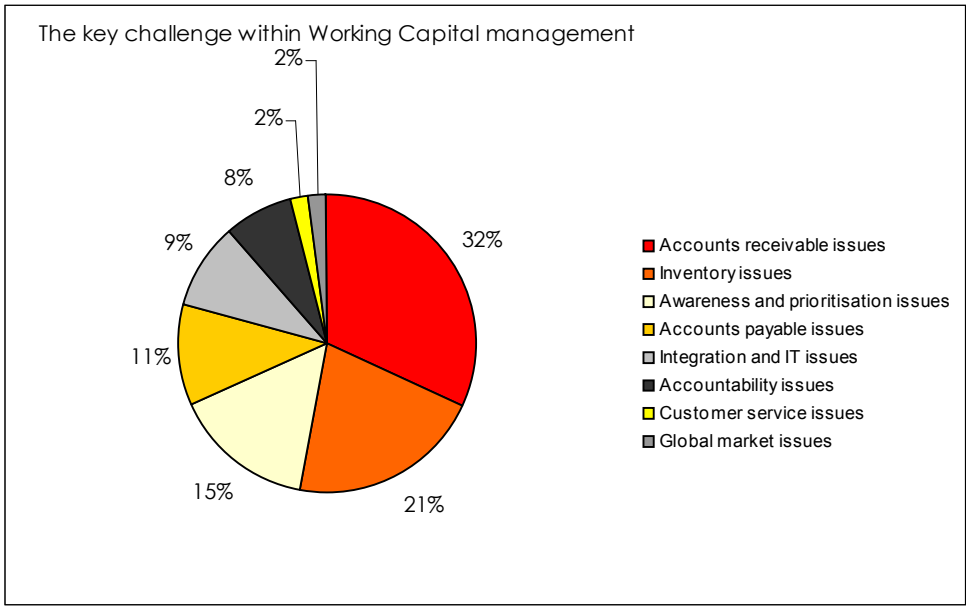
**Findings:** 32% surveyed stated that issues attributed to accounts receivable were their biggest challenge, followed by Inventory mismanagement at 21%. 15% of CFOs stated that their core issue was making key stakeholders aware of working capital issues and ensuring they prioritise the importance of cash within the company. 11% prioritised accounts payable issues and 9% stated that IT issues were their biggest challenge in managing the whole working capital area.

8% of CFOs had challenges with members of their team and key stakeholders within their organisations, accepting accountability for working capital improvements.

2% cited customer service issues and the global market as the biggest challenge they face in terms of working capital optimisation.



Is your cash locked up in your working capital and operations?

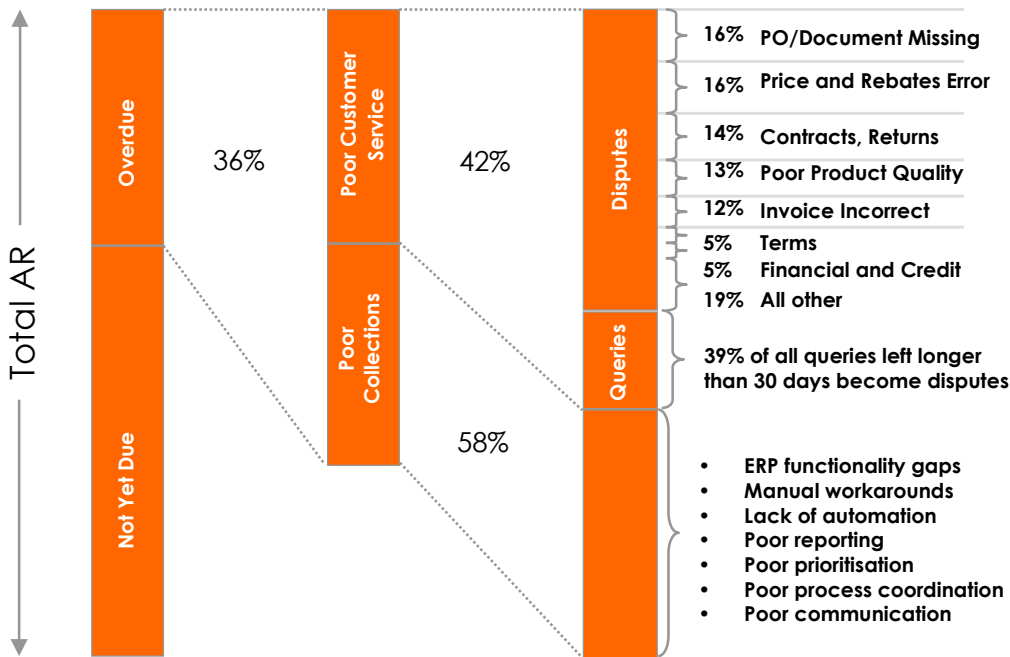


*“An AR collections process that ignores best practice customer service management is not useful for any organisation and will, in the long run, lead to the destruction of shareholder value”*

*Dickie Bielenberg, MD  
Customer Value Group*

**CVG Conclusion:** It is interesting to note that fewer than 3% of CFOs stated that customer service issues are their key working capital concern. Research shows 36% of all overdue accounts receivable is attributed to poor customer service or poor collections processes (see graph below). 42% of poor customer service is as a result of disputes and customer queries. In a 2007 customer analysis conducted by CVG, we found that 39% of all customer issues and queries which were not resolved in 30 days, escalated to disputes leading to non payment. Having a 360° view of your customers when they contact you will improve the service you give and enhance their perception of your company.

Awareness of the importance of working capital throughout the organisation can be enhanced by the deployment of specialist IT systems focusing on working capital management. This sends out a clear message that management is prioritising the generation of cash in the business.



- ERP functionality gaps
- Manual workarounds
- Lack of automation
- Poor reporting
- Poor prioritisation
- Poor process coordination
- Poor communication

## About The Customer Value Group

The Customer Value Group (CVG) is a specialist software company focused on Best Practice in Accounts Receivable collections and Customer Service management.

Most of CVG's customers have ERP systems and have seen the shortcomings for themselves. CVG clients include large multinationals such as RWE, Xerox, Cargill and ArcelorMittal.

CVG delivers sophisticated workflow software that overlays clients' existing ERP or legacy systems to:

- Deliver enhanced cash flow through reduced AR
- Enable cost reduction through process automation and simplification
- Drive customer retention through shorter Customer Service cycle times and root cause eradication of customer queries and disputes

CVG's software is currently deployed to manage billions of euros in AR in 7 languages in more than 20 locations around the world. The Customer Value Group solution is implemented within a 3-4 month timeframe. Customers can typically expect a minimum of 5-10 times payback on their initial investment.

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