

## Summary

In what has become our regular annual survey, we asked 71 CFOs from Europe's top companies at the "CFO Europe Working Capital Conference" in Belgium some questions about the working capital challenges within their organisations.

The results, especially when compared to last year's, were very interesting and will hopefully provide insight for these CFOs and many others...

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*"A working capital problem is a symptom of customer service issues within an organisation"*

*Doede Vierstra, CFO of Nuon and speaker at the conference*

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

**Findings:** Looking at last year's results first, the most important challenge within the Order-to-Cash cycle was largely due to Collections and Dispute Management issues at 46% between them, followed closely by reporting and visibility at 19%.

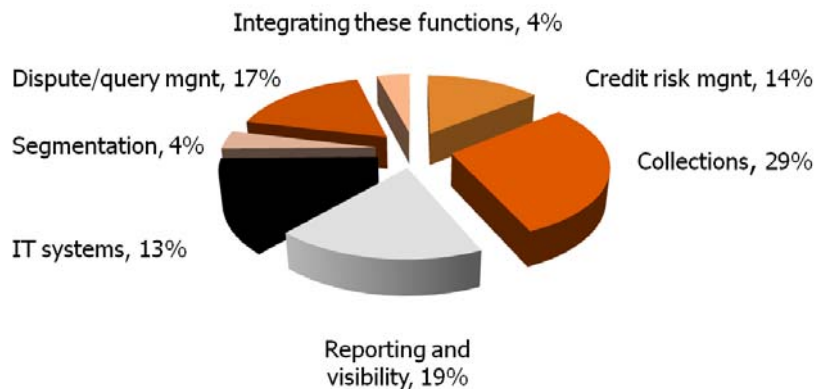


Figure 1: Order-to-Cash Importance, 2007

As can be seen from the Figure 2 below, areas of increased importance are credit risk management and integrating the AR process for greater efficiency and effectiveness.

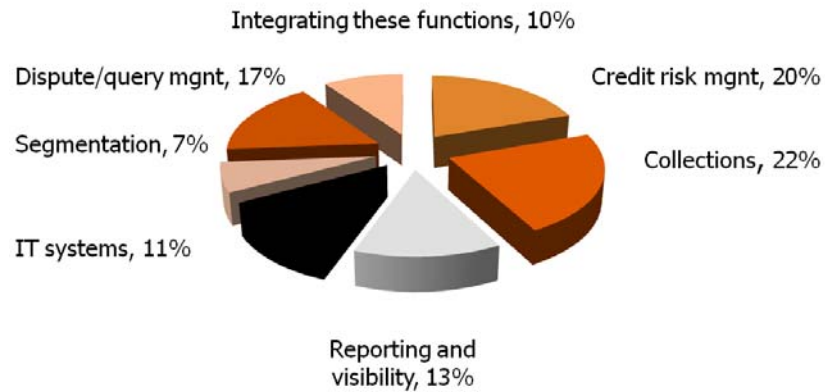


Figure 2: Order-to-Cash Importance, 2008

The changes in statistics can be seen in Table 1 below.

Area	Oct 2008	Oct 2007	Change
Credit risk management	20%	14%	^ 6%
Collections	22%	29%	v 7%
Dispute/query management	17%	17%	-
Reporting and visibility	13%	19%	v 6%
IT systems	11%	13%	v 2%
Integrating these functions	10%	4%	^ 6%
Segmentation	7%	4%	^ 3%

Table 1: 12 Month Change in Order-to-Cash Issues

**CVG Conclusion:** Collections, credit risk and dispute management were seen as the most important challenges 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 stated that "European Top 1000 Companies wasted around €34bn in profit in 2006 due to poor AR Collections and Customer Service processes". These results in 2007 have risen by 15% and had risen yet again in 2008. 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:** In 2007, 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 working capital 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"*

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

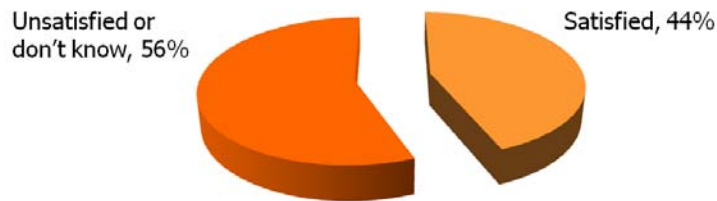


Figure 3: CFO Satisfaction with AR Software, 2007

The findings for 2008 can be seen in Figure 4 below. In the last twelve months, 7% of CFOs have risen to the IT challenge and improved their AR software. Now, 51% of CFOs are satisfied with their AR software.



Figure 4: CFO Satisfaction with AR Software, 2008

**CVG Conclusion:** A little over half the respondents were happy with their IT systems. 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.

Research shows 36% of all overdue accounts receivable is attributed to poor customer service or poor collections processes (see Figure 5 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 prioritises the generation of cash in the business.

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*“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 destruction of shareholder value.”*

*Dickie Bielenberg, MD  
Customer Value Group*

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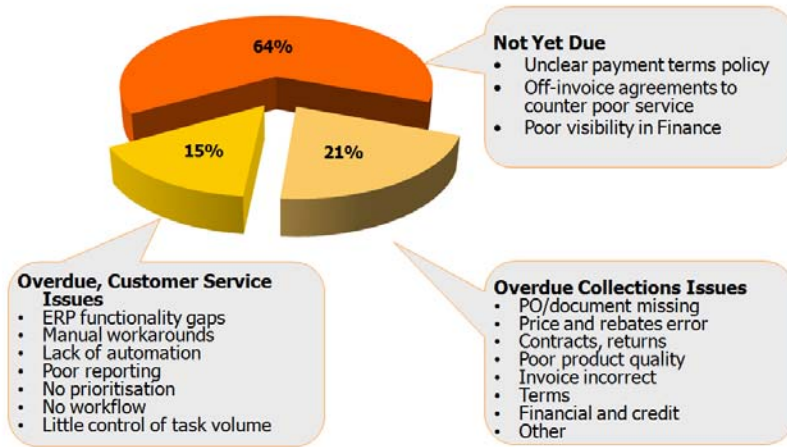


Figure 5: The AR challenge

## 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 Accounts Receivable 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, CVG Value+, is currently deployed to manage billions in AR in seven languages in more than 100 locations around the world. The Customer Value Group's 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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