ACCELERATING COLLECTIONS FOR A GLOBAL TABLETOP AND GLASSWARE MANUFACTURER USING DATA & PROCESS ANALYTICS

Abstract

Infosys BPM helped a global tabletop and glassware manufacturer accelerate its cash collections and reduce overdue receivables by creating a collections strategy based on the customer's payment pattern, propensity to delay, and credit risk.

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About the client

Our client is a leading global marketer of tabletop and food preparation products and a leading glassware manufacturer for the consumer and foodservice industries. The company is also the largest supplier of dinnerware to the foodservice industry in North America. The company operates in North America, Latin America, Europe, and Asia, marketing and distributing tabletop products which include flatware, dinnerware, crystal stemware, glassware, kitchen tools, and gadgets.

Five major business challenges

With over a thousand primary corporate customers and close to a billion dollars in credit sales, our client faced five key business challenges:

- **Significant collection delays** – on-time collections only at around 70%

- **Higher overdue receivables** – more than 20% of receivables were seriously 'past due'

- **Constant variation in customer payment pattern** – complicating cash flow estimationsw

- **Cash crisis to pay vendors on time due to payment delays** – majority of customers not adhering to terms of trade

- **Higher percent of deductions** – around 15% of receivables were disputed due to deductions

Engagement Objectives

The company sought our help with using analytics to:

- accelerate cash collections,

- reduce overdue receivables, and

- and improve deductions management, while making the accounts receivables process more agile and best-in-class. deductions management, while making the accounts receivables process more agile and best-in-class.

Solution approach

We used data analysis to investigate payment delays, get to the root cause of chronic delayed payments, and guide the overall collections strategy for the client. Key solution components included:

- **Improved visibility** on key business metrics, from granular drill-downs to to Org. and BU level reports

- **Flag Risk Indicators,** analyzing customer riskiness and credit exposure

- **Re-focused Efforts for Collectors and AR managers,** providing a customized collections strategy linked to customer payment patterns, propensity to delay and credit risk

To do so, we implemented three types of data analytics:

- **Descriptive:** Measure and monitor collections performance – KPIs are identified, measured and published on a dashboard. To identify risk and early warning indicators

- **Diagnostic:** To test the hypothesis and find the correlation between different business dimensions and payment delays

- **Prescriptive:** To provide actionable insights and target list of customers to prioritize

Our team collected the relevant data sets to analyze the upstream processes of order management and credit verification. This data was used to find how these upstream processes affect the downstream process of collections. Converting data to information and information to insights involved the following:

COLLECT RELEVANT DATA
Identified and collected data right from sales order and billing till payments and deductions including all masters like credit and customer

DATA SANITY CHECKS AND BALANCES
Data was reviewed for completeness and correctness; mapped all dimensions and hierarchies

DATA TRANSFORMATION
Collected data was cleansed, transformed and aggregated to calculate all key business metrics

METRIC CALCULATION AND HYPOTHESIS TESTING
Key business metrics and target variables identified; metric results and key figures were reconciled with business stakeholders; Hypothesis testing performed with payment delays and various data dimensions

ACTIONABLE INSIGHTS
Identified customer's propensity to delay and payment behavior; action-able insights extracted both for order-to-cash team within Infosys and financial controllers at client's organization

OPERATIONALIZE ANALYTICS
Metrics and insights were made "near real-time; reviewed compliance to collection strategies; reviewed key, top and challenging customer accounts for improvement ideas

01   02   03   04   05   06

Interactive dashboard to derive actionable insights fast and easy

Infosys analytics developed dashboards containing standard Key Performance Indicators (KPIs) and Process Performance Indicators (PPIs). The dashboards have the capability to slice and dice metrics and drill down into BU, customer and transaction levels to analyze the root cause of performance.

The client can thus identify patterns, trends and seasonality in the metrics faster, and also get a near real-time visibility of key business metrics.

Collections Dashboard
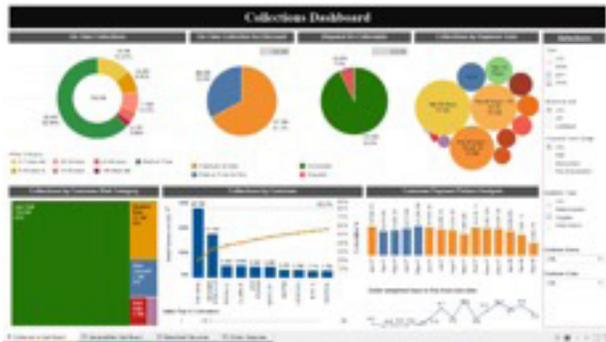
Accounts Receivables Dashboard
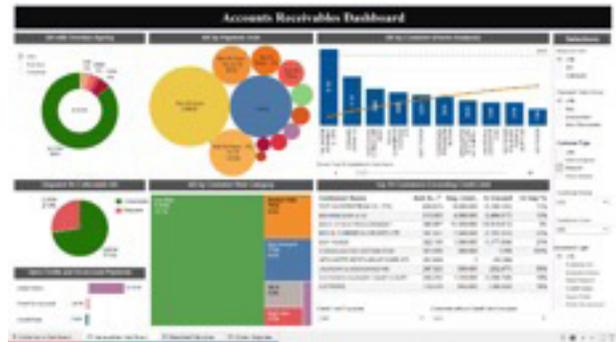
Dispute Resolution Dashboard

Dispute Management Dashboard
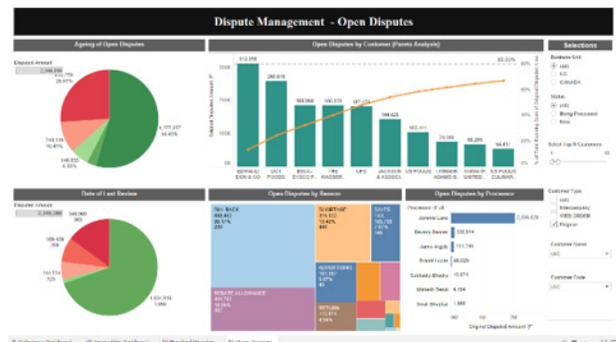
Additional insights identified beyond the collections process

Using analytics to solve a problem often leads to uncovering new areas that contribute to additional value. During this project of improving cash collections, there were new stories and trends uncovered:

- Discounts were taken on payments worth USD50 million where discounts were not allowed

- Ineffectiveness in assigning credit risk to customers

- Credit exposure > 100%, having a direct correlation to chronic payment delays

- Master data issues that if fixed, could eliminate frequently recurring deduction categories

- Recommendations to handle billing related dispute by eliminating unknown deductions by 50%

Six major business outcomes

The collections process was people dependent without any defined strategies, and inefficiencies in upstream processes like credit management had a greater impact on collection issues. Applying analytics, our client got more efficient both in terms of cash collections as well as in resolving the underlying root causes of collection delays. Outcomes included:

- Increased cash collection and reduction in overdue aging

- Enhanced visibility of key business metrics to the level of near real-time through interactive dashboard

- Actionable insights that are timely, relevant & accurate for strategic planning and influence

- Risk reduction through customer portfolio & credit exposure concentrations

- Working capital optimization

through Payment Terms Analysis & Rationalization (identified right payment term for the right customer)

- Identified USD 360 K worth of rebills in way of customer claiming "discounts not allowed"

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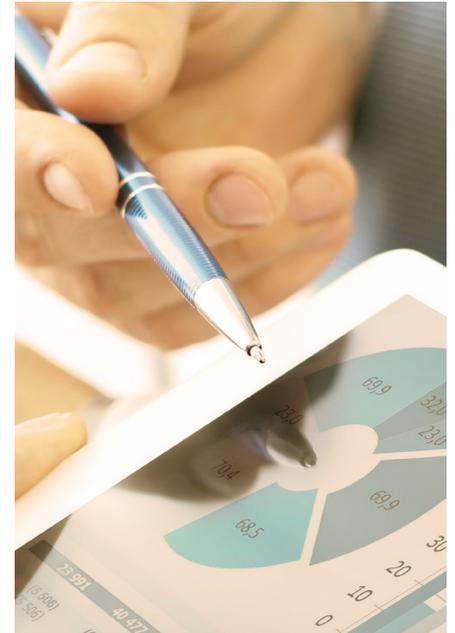
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