

Helping our clients address today's challenges

## Four areas of focus for accelerating accounts receivable collections to help with short- and long-term liquidity management

### Context

Accounts receivable is one of the harder levers to pull when working to improve liquidity, and for good reason—it can be easier to delay payment to a vendor, delay inventory purchases, or even liquidate inventory than to get an unwilling customer to pay. However, our experience shows that with the right tools and approach, A/R can provide a significant liquidity source in less time than might be expected.

### Today's challenges

Each business faces its own challenges in collecting revenue. While a SAAS vendor can shut off access immediately, a consumer goods supplier likely can't recoup delivered product. These differences highlight that there is no one-size solution to A/R challenges. However, a few principles can inform effective use of people, processes and systems to deliver both short-term and sustainable impact to the revenue collection process.

### Accounts Receivable Priorities

Every company has to collect revenue—and despite each company's unique customer base, we believe four common steps help improve A/R. Our firm uses these priorities to action change on inflated accounts receivable balances, as well as reduce burden to personnel in engagements across our performance improvement and liquidity management services.



#### Prioritize Customers

- Identify highest priority customers to pursue first, typically **highest dollars**, aged **less than 60 days**
- Determine **which customers to deprioritize**; either write off balance or pass along to collections agency



#### Prevent Upstream Roadblocks

- Leverage existing systems and / or roll out new processes to ensure customers are **invoiced correctly and on time**
- Develop automated **system-generated reminders** for customers to pay on time



#### Identify & Pull Levers

- Use **credit holds** to prevent worst offenders from future damage
- Consider **partnering with collections agencies** for hard-to-collect receivables



#### Evaluate Human Capital

- Establish metrics on **collector productivity**
- Determine if **additional heads are required** to reduce DSO

# Developing tools to support unique client needs

## Context



A PE sponsor performed a roll-up of 5 family-owned businesses in the custom sporting goods space, serving K-12 and college sports teams.

The \$200m business was facing challenges in integrating their five legacy business units, stemming from issues around ERP transition, facility consolidation, and back-office centralization.

## Challenges

- The business faced difficulty collecting revenue quickly, due to the nature of the customer base—lots of customers with low-dollar invoices
- The Accounts Receivable team lacked capability to measure the productivity of the specialists calling on customers
- No process in place for tracking status customer account status
- 60% of total A/R balance was past due, with ~35% at least 60 days past due

## Our support

- Rapidly developed a Power BI dashboard tool to provide structure to operational process and visibility to managers
- Recommended process changes that were immediately undertaken by the company
- Established KPIs to measure progress

## Results

- Achieved 25% reduction in total past due A/R, bringing in over \$3.8m of cash in 7 weeks

## Sample Dashboard

### Accounts Receivable | Consolidated Aging

MERU

Location: All | Sales Rep: All | Customer: All | AR Specialist: All | CSR: All | External | Interco

\$27.7M

AR Balance

34.4%

> 60 Days Past Due

2,399

Customers

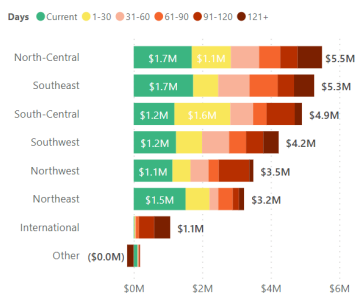
256

Sales Reps

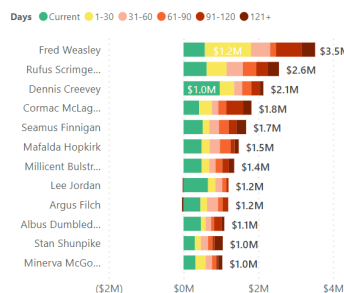
18.9K

Invoices

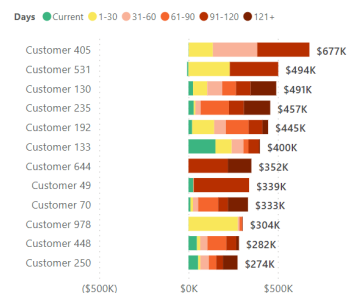
#### Outstanding AR Balance by Entity



#### Outstanding AR Balance by Specialist



#### Outstanding AR Balance by Customer



Select all | Current | 1-30 | 31-60 | 61-90 | 91-120 | 121+

[View Invoice Detail >](#)