Informita

Knowledge Transfer With Tangible Results

May 2013

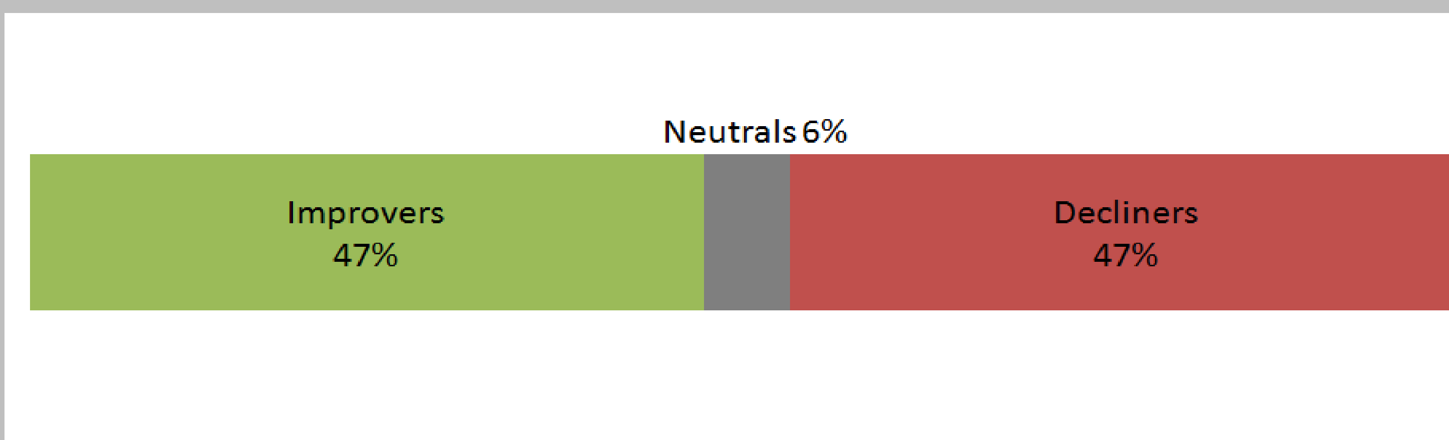
Collections Software Survey

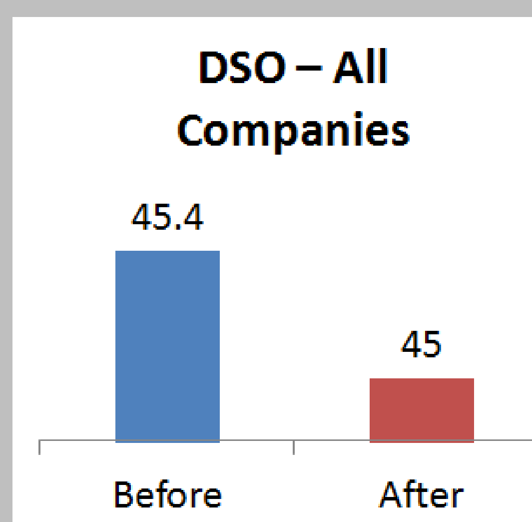
What the software companies claim

"Implement our software! It is full of best practices and your DSO will improve. The millions you spend on our software will seem a small amount compared to your improved working capital, improved internal efficiencies and how you will also improve the customer experience."

Sounds terrific. So we had a look at the numbers to see if any of these claims could be objectively justified. Unfortunately, the evidence does not support these claims as universal truths.

What do the numbers tell us?

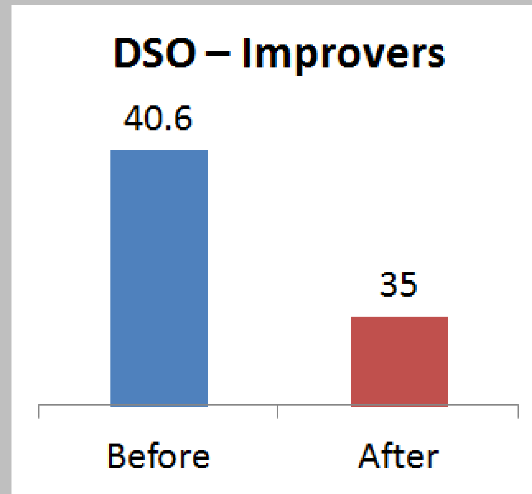




We looked at the performance of 30 companies who had implemented GetPaid, Imany, OnGuard, XRT (now Sage), eCredit or CVG to understand whether accounts receivable performance had improved or not in the last five years. The first piece of news was that there were just as many companies whose DSO declined as improved in the five year period measured with 47% recognised as improvers and an equal number where performance declined. In 6% of cases the implementation of this kind of software made no difference to performance. The aggregate improvement in DSO for the total population measured was less than 1%. On that basis it would seem sensible to conclude that the fantastic claims of the software companies are not substantiated and that companies should be discouraged from wasting money and effort implementing these software tools. But there is a deeper picture to be understood.

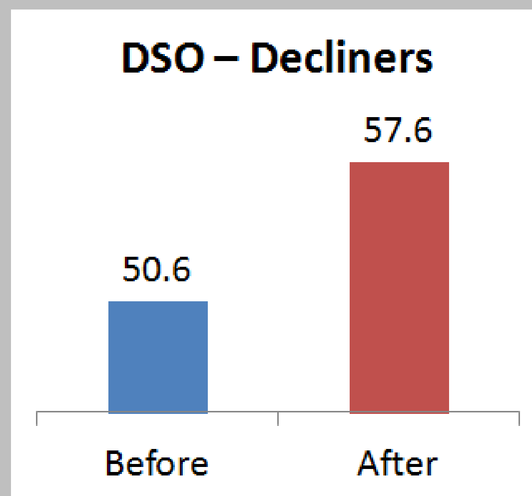
The Deeper Picture

The good news for the software companies is that for the 47% of improvers their DSO improved by 5.6 Days over the five year period. That's nearly 14% as an average for each of these improving companies. The bad news is that the 47% of decliners increased their DSO by an average of 7.0 Days or 14%.



So what's going on?

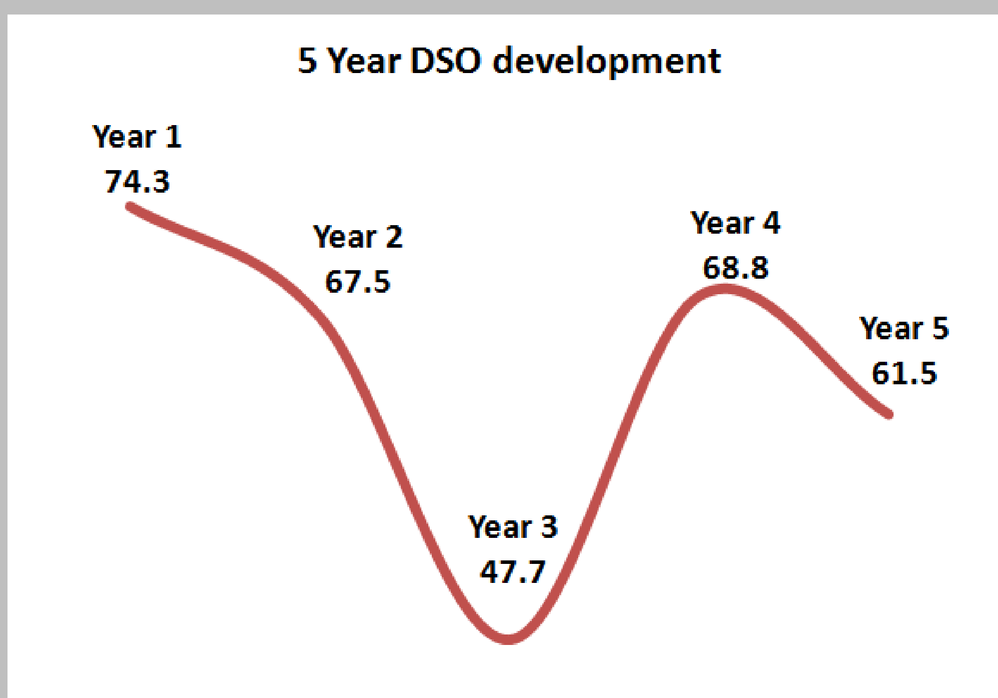
We at Informita were not surprised at these results. The facts are that all of these software solutions are very technically capable and most do have very exciting functionality and reporting features. What determines success or failure is not the technical solution but the quality of the implementation programme on client site. The best software in the world cannot be successful without quality client sponsorship, having collectors with the right skills, an organisation that is motivated for change and good quality project management.



What happens after implementation?

We also looked at the performance of companies where an implementation date is known. In the first three years, statistics show that the average improvement in DSO was a staggering 36%, but by Year 5 DSO performance had deteriorated 29% from this positive position. In the same period of time the software vendors will have released improved versions of their products, so it cannot be the software that is causing the decline after Year 3 of implementation.

The answer is that software cannot protect the company from outside circumstances or prevent focus on receivables performance being lost. Like most companies, at some point some other issue will become important and if the change to people's behaviours has not been truly embedded it is likely that many people will return to what they did before. This is a common problem in many companies as people are overloaded with new initiatives and the pressure on resources becomes more acute in many companies with every year that passes.



Conclusion

While we have had many positive experiences working with these software companies, it is always necessary to ensure that changes in policies, processes and tools are effectively implemented with the individuals that need to deliver the front line improvement in receivables performance. When this is done properly there will be a significant improvement in performance. But if done poorly receivables performance will probably decline, even with the best tools.

Our Analysis also suggests that the business case for implementation should be more strongly focused on the key milestones in your implementation programme rather than on the functionality available within your chosen collection software product.

About Informita

Informita was formed to act as an advisor to companies in the areas of working capital and procurement, focusing on Analytics, Implementation and Advisory. Informita is there to support your working capital and procurement programmes from cradle to grave in a cost efficient and effective manner. Our people have a mixture of deep industry and consulting experience across many sectors and geographies. This gives us the ability to bring insights across many industries and cultures.

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