

DSO Reduction Releases \$34.4MM Cash in 18 Months for Global Media Company

About the Client

U.S.-based global internet company

Industry

Media

Business Need

To significantly reduce the high unapplied cash and lengthy DSO in order to meet monthly targets and reduce vendor dissatisfaction

Genpact Solution

Worked closely with client teams to analyze root causes, implement smarter processes, and strengthen controllership end-to-end

Business Impact

- \$34.4MM cash flow impact
- 29.7% reduction in DSO (11.1 days, North America)
- 57% reduction in unapplied cash

A U.S.-based global internet and media company was experiencing increasing Daily Sales Outstanding (DSO) and a high volume of unapplied or unidentified cash, impacting the company's ability to meet monthly targets as well as vendor relations. Genpact helped this company become more "intelligent" in its Order to Cash processes, using a combination of "smart" processes, targeted technologies, and analytics to significantly shorten DSO and increase controllership for collections. The solution produced \$34.4MM in cash flow impact and reduced unapplied cash by \$25.7MM within 18 months along with ongoing improvement.

The Business Challenge

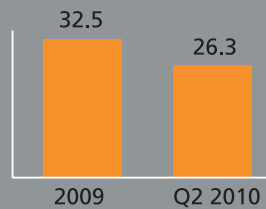
A global media company with operations across North America and Europe had difficulties in meeting monthly targets due to a lack of standardized collections strategy and processes, inefficient cash application, and delayed payment receipts. DSO had increased to 37 days, while unapplied/unidentified cash stood at \$44.7MM and the percentage of past due invoices at 38%. Vendor dissatisfaction was also high. Payments sat for long periods unmatched even as the company was receiving calls from collectors regarding already paid invoices.

Genpact's Solution

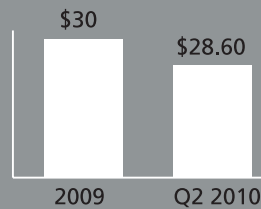
To help this company achieve the hallmarks of an intelligent enterprise—greater global effectiveness, agility, and innovative solutions to operational challenges—the Genpact operations team reviewed the governance structure and end-to-end processes and identified several critical deficiencies:

- Multiple SOPs were split across Genpact and retained organizational responsibilities, leading to gray areas.
- The Collections team took no ownership for getting additional payment details for the Cash Applications team.
- Visibility into key performance data points was unavailable or manually collated, leading to higher turnaround times and additional man hours.
- There was low ownership at the end-customer level, resulting in incorrect remittance advises (RAs) or RAs not being sent at all, leading to a high volume of unapplied/unidentified cash.

19% Reduction in DSO



35% Reduction in Unapplied Cash



Steady reduction in Days Sales Outstanding (DSO) from operations start

Genpact's Approach

Genpact immediately took steps to address key weaknesses in the collections strategy, the collections process, and unapplied cash management.

Genpact began operations with a \$44.7MM legacy of unapplied cash and a high percentage of past due invoices requiring immediate resolution. After reviewing the governance structure, the team recommended and began implementing steps to revamp the client's everyday processes into "smart" processes to improve deduction management and collection efforts:

- Increased daily focus on high value receipts
- Escalated weekly Top 10 unapplied cash report to the Collections team
- Enforced collections ownership of clients for RAs
- Implemented best practices specifically around cash allocation, Standard Operating Procedures (SOPs) with owners and timelines assigned
- Designed a customer-specific Business Process Management System (BPMS) for enhanced reporting and data visibility

Genpact focuses on driving effectiveness rather than simply greater efficiency, to achieve maximum business impact. The plan for this client was threefold:

Revise Collections Strategy

We used our Six Sigma-driven analytics capabilities and improved workflow tools to:

- Realign the portfolio by past due buckets (as compared to the previous alphabetical account allocation)
- Segment customers to focus on high value, 60+ days past due invoices, leading to faster resolution of disputes
- Keep current invoices from aging by sending emails and making courtesy calls to customers at five days past due

Enhance Collections Process

End-to-end process improvements included:

- Redefining roles and responsibilities for the collection team, reducing their role in dispute resolution

- Establishing Standard Operating Procedures (SOPs)
- Setting targets for collection analysts based on dollars collected and reduction in the 60+ past due
- Enforcing collection ownership through an escalation matrix designed by Genpact and the client
- Setting up client escalation desk for collections to ensure timely closure of disputes

Improve Unapplied Cash Management

Our long legacy of business process improvement allowed us to:

- Increase the first pass yield of cash application through training and sharing best practices
- Set up daily tracking and monitoring of unapplied cash and weekly calls with the client regarding resolution
- Design internal escalation matrix between collections and cash application teams for better governance

Business Impact

Genpact solutions strive not merely for greater efficiency but to achieve the highest possible return to our clients from all sources. Our focus is therefore on overall business impact, which is the cumulative effect derived from lowering costs, improving the customer or vendor relationship, and boosting revenue.

For this client, the business impact came from:

- \$34.4MM cash flow impact
- 29.7% reduction in DSO (11.1 days, North America)
- 57% reduction in unapplied cash (down to \$19MM)

Genpact powers a more intelligent enterprise through process, helping our clients become not just more efficient, but more effective in serving customers and driving higher customer satisfaction and growth. The permanent process improvements and cultural change achieved consistently result in ongoing savings and enhanced revenue.

