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Improving the Order-to-Cash Cycle

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When pursuing order-to-cash improvements, many companies try to speed receivables. Instead, they should focus on setting long-term goals and improving customer relationships. Scott Pezza, research analyst, the Aberdeen Group, offers the following tips for improving order-to-cash effectiveness.

- 1. Stay ahead of the game with pre-sales credit analysis.** Identify potential problems early so you can either turn away the business or adjust your terms accordingly.
- 2. Track potential problems with ongoing risk analysis.** Staying in tune with your customers' financial situations will help you alter collections strategies or insurance coverage to match current risks.
- 3. Avoid delays with accurate billing and documentation.** Discrepancies between invoiced prices and purchase orders require reconciliation, and customers look to you for resolution. Avoid these delays by ensuring accuracy before distributing invoices.
- 4. Standardize collections and dispute resolution.** Many parties may be involved in collections and dispute resolution, and varied processes or approaches among employees can create repetition, confusion, and poor customer service.
- 5. Encourage communication.** Collections and dispute resolution may involve multiple documents and conversations to exchange information. A centralized system accessible to you and your customers can help promote information sharing.
- 6. Make it easy for customers to pay you.** Paper invoices can be difficult to process and pay within 30-day payment terms. Purchasing cards and electronic invoices and payments may be faster and cheaper for your customers to process.
- 7. Provide incentives for on-time payment.** Discounts—whether fixed or dynamic—provide incentives to speed payment for those customers efficient enough to choose their payment date. Some customers may offer shorter payment terms in exchange for purchasing-card acceptance or electronic invoicing.
- 8. Separate collections from deductions and dispute management.** There is a huge difference between a customer that is late and one that is delaying the process with a legitimate dispute, yet many companies lump them together in a general collections process. This doesn't address the underlying cause of the dispute, and has the potential to damage the customer relationship.
- 9. Tailor collections activities for individual customers.** Some customers are at the mercy of the consumer market, while others must account for project timelines or seasonal variations. Some are behind because of lost invoices, and others are challenged



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by cash flow. For strategic or high-value customers, knowing the source of their difficulties can help tailor collections activities and address delinquencies without jeopardizing the relationship.

10. Focus on long-term customer relationships. In a world with diverse and interconnected supply chains, a short-term focus on collections can inhibit quality customer relationships that will be important in the years to come. Focus on understanding your customers and becoming easier to do business with, and your strategy will be well-aligned with a long-term view of success.

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