



DSO analysis

Industrial staffing company

Analyzed the receivables performance across business verticals and customers segments and built an interactive executive dashboard to help track and improve client's DSO performance.

Industrial staffing company needs DSO analysis

Picture this...

You're looking to devise the DSO reporting methodology and set up an interactive Power BI dashboard to enable data-driven decision making to unlock cash and reduce the working capital requirement. You have an opportunity to improve the DSO performance and reduce the outstanding AR by adopting a more focused strategy for cash collection and customer targeting through the utilization of data

You turn to Accordion.

We partner with your team to analyze the receivables performance across business verticals and customers segments and built an Interactive Executive dashboard to help track and improve DSO performance., including:

- 1) Developing a framework and methodology to calculate Countback DSO which highlights the days sales metric by assigning weightage based on recency of sales
- 2) Modelling the data from the ERP systems to calculate the AR aging at an invoice and customer level, effectively identifying the key factors influencing changes in DSO
- 3) Analyzing the AR and collection performance across business verticals and customers segments with the flexibility to drill down at various granularities such as division/region/account type etc.
- 4) Developing an interactive Executive Dashboard to showcase the results and help set collection targets for the upcoming weeks

Your value is enhanced.

- You have provided timely visibility into weekly collection performance and target customers to aid the collection process, resulting in ~2 percentage points improvement in collection rate over a time period of 6 months.
- The dashboard increased the visibility into monthly DSO and driving factors which supported the client to strategize the collection efforts, which resulted in reduction of DSO by ~3 days over a period of 9 months.
- Timely tracking of the collection performance of high-risk customers to reduce bad debt expenses resulted in saving \$5M of write-offs

DSO ANALYSIS

KEY RESULT

- 2PPS improvement in collection performance
- DSO reduction by 3 days
- Write-off savings of \$5M

VALUE LEVERS PULLED

- OTC reporting and analytics including AR tracking
- DSO analysis
- Aging analysis

DSO analysis for industrial staffing company

Situation

- Client had an opportunity to improve their DSO performance and reduce the outstanding AR by adopting a more focused strategy for cash collection and customer targeting through the utilization of data
- Partnered with the client to devise the DSO reporting methodology and set up an interactive Power BI dashboard to enable data-driven decision making to unlock cash and reduce the working capital requirement

Accordion Value Add

- Developed a framework and methodology to calculate Countback DSO which highlights the days sales metric by assigning weightage based on recency of sales
- Modelled the data from the ERP systems to calculate the AR aging at an invoice and customer level, effectively identifying the key factors influencing changes in DSO
- Analyzed the AR and collection performance across business verticals and customers segments with the flexibility to drill down at various granularities such as division/region/account type etc.
- Developed an interactive Executive Dashboard to showcase the results and help set collection targets for the upcoming weeks

Impact

- Provided timely visibility into weekly collection performance and target customers to aid the collection process, resulting in ~2 percentage points improvement in collection rate over a time period of 6 months.
- The dashboard increased the visibility into monthly DSO and driving factors which supported the client to strategize the collection efforts, which resulted in reduction of DSO by ~3 days over a period of 9 months.
- Timely tracking of the collection performance of high-risk customers to reduce bad debt expenses resulted in saving \$5M of write-offs

Methodology/ Approach

Countback DSO is calculated by counting back the number of days it has taken to accumulate the current AR by assuming that the outstanding AR is completely built up from the most recent sales.

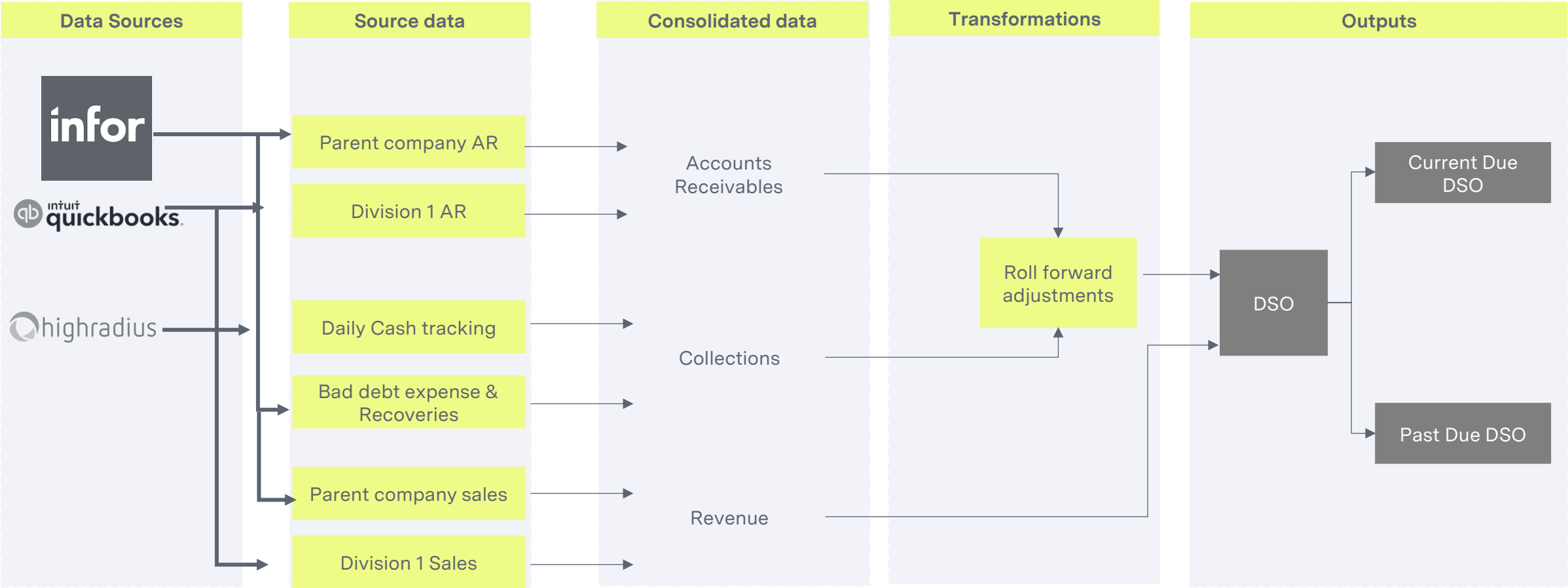
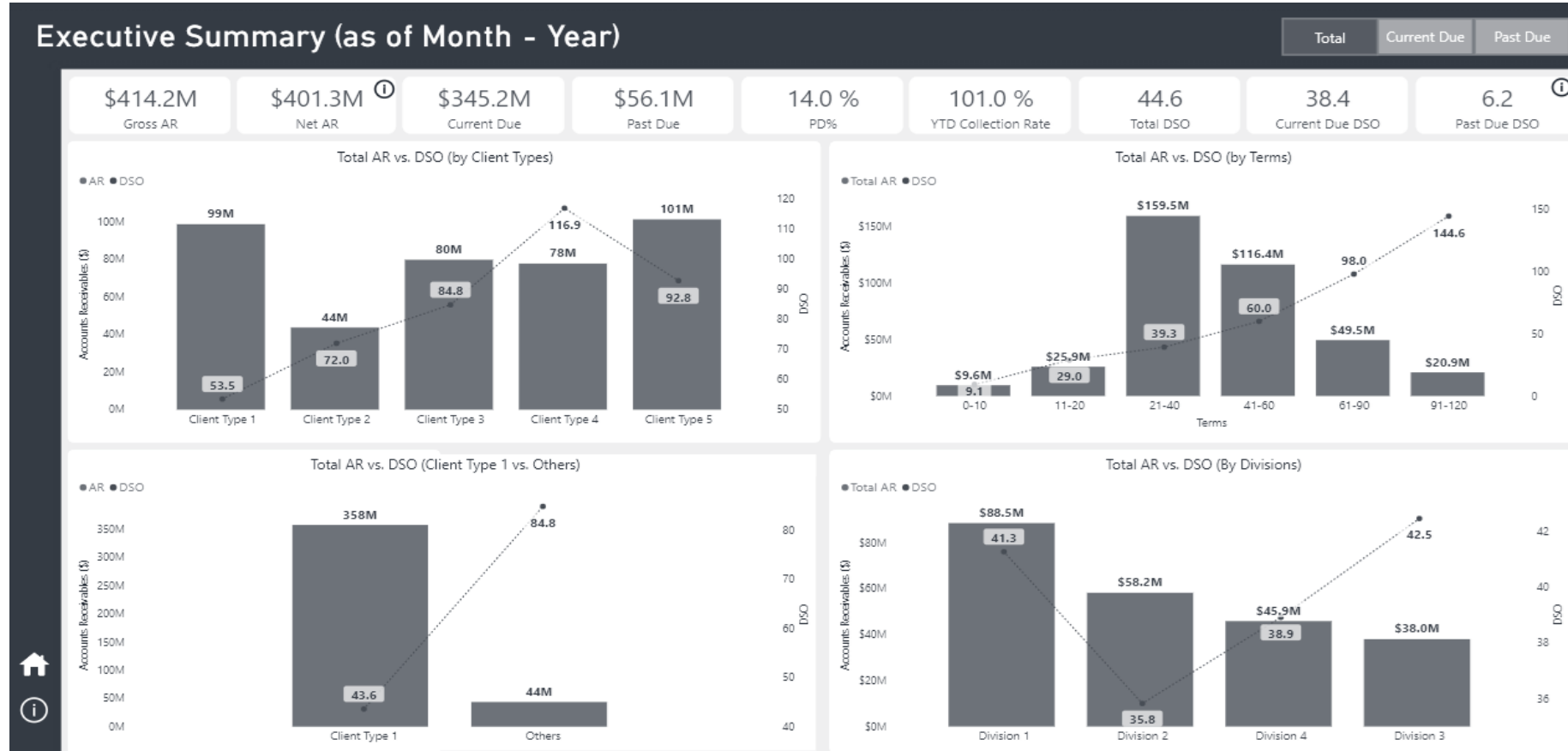


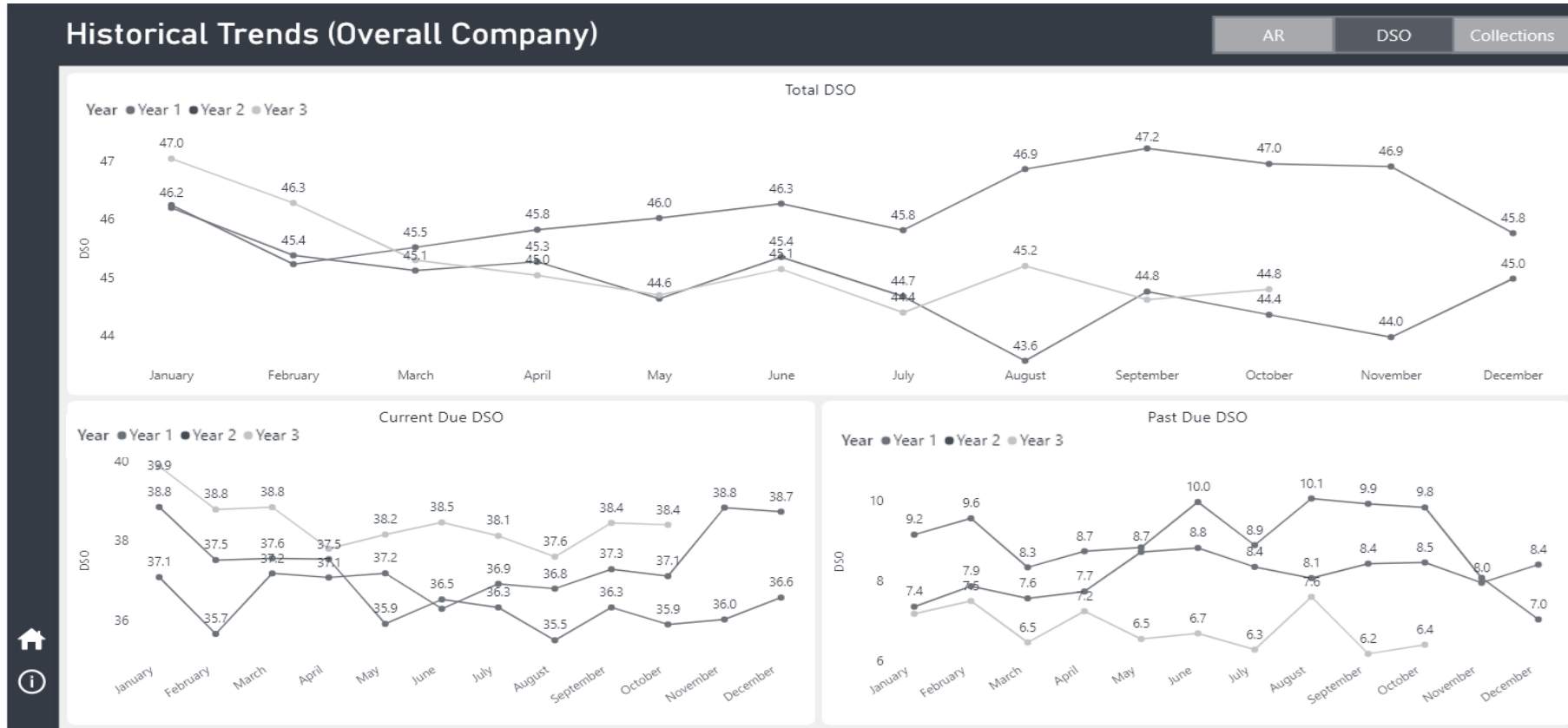
Exhibit #1



Visibility into collection performance via reporting of key AR and collection performance metrics

Reporting the DSO and AR by various cohorts (client type, aging bucket, geographic division) helps identify specific areas driving up the DSO and AR

Exhibit #2



Functionality to view historical trends of AR, DSO and Collections

Monitoring of trends for AR, DSO and Collections allows performance benchmarking against historical performance. Additionally, visibility into patterns and fluctuations in the AR/DSO would enable the business to better plan their cash flow

Exhibit #3

DSO Scorecard									
AR Summary									
Past Due									
Tier									
Account Type									
Terms bucket									
AR Summary									
Division	Region	Area	Total AR	Current AR	Past AR	Past Due%	Total DSO	Current Due DSO	Past Due DSO
Division 8			(\$16,251,436)	\$9,884	(\$16,261,320)	79.6%	0.24	0.26	-0.02
Division 13			(\$72,148)		(\$72,148)	100.0%	0.00	0.00	0.00
Division 11			\$143,735	\$120,664	\$23,071	16.1%	0.00	17.45	-17.45
Division 6			\$211,019	\$215,091	(\$4,071)	-2.0%	23.35	23.65	-0.35
Division 7	Region 5		(\$218,671)		(\$218,671)	97.6%	27.98	0.00	27.98
	Region 6		\$579,325	\$275,631	\$303,694	74.8%	77.70	8.15	69.55
	Region 7		\$6,679,337	\$5,608,538	\$1,070,799	37.9%	28.52	19.78	8.76
	Total		\$7,039,991	\$5,884,169	\$1,155,822	84.8%	29.00	2.44	26.56
Division 9			\$12,178,101	\$9,783,509	\$2,394,592	19.7%	13.30	10.43	2.83
Division 5			\$19,677,886	\$16,594,740	\$3,083,142	36.7%	25.91	19.96	5.94
Division 10			\$34,194,571	\$29,428,541	\$4,766,027	17.0%	47.95	21.22	26.73
Division 3			\$51,906,874	\$41,505,047	\$10,401,827	37.3%	64.95	22.83	42.12
Division 4	Region 20		\$31,297,824	\$24,654,883	\$6,642,939	37.2%	77.49	26.83	50.66
	Region 19	Area 66	\$5,855,355	\$4,952,530	\$902,828	26.7%	58.85	23.37	35.49
		Area 65	\$10,934,722	\$9,542,965	\$1,391,758	22.5%	29.73	25.48	4.24
		Area 64	\$18,850,421	\$14,270,364	\$4,580,058	47.7%	68.19	21.38	46.80
		Total	\$35,640,498	\$28,765,859	\$6,874,644	34.7%	54.40	23.13	31.27
	Total		\$66,938,322	\$53,420,742	\$13,517,583	35.8%	65.38	24.89	40.49
Division 2			\$69,695,361	\$57,395,252	\$12,300,112	35.2%	41.43	24.52	16.90
Division 1			\$120,787,984	\$98,665,390	\$22,122,591	36.4%	80.40	31.28	49.12
Total			\$366,450,260	\$313,023,029	\$53,427,228	38.8%	53.81	21.69	32.13

DSO metric at various geographic granularities allows visibility into collections performance by region

Exhibit #4

Month-over-Month Revenue (\$)

Terms Bucket	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
0-10 Terms	\$49M	\$49M	\$47M	\$46M	\$47M	\$45M	\$43M	\$44M	\$42M
11-20 Terms	\$37M	\$39M	\$38M	\$37M	\$36M	\$35M	\$35M	\$37M	\$37M
21-40 Terms	\$165M	\$175M	\$170M	\$167M	\$168M	\$168M	\$164M	\$171M	\$169M
41-60 Terms	\$89M	\$88M	\$83M	\$81M	\$79M	\$77M	\$79M	\$83M	\$82M
61-90 Terms	\$27M	\$25M	\$24M	\$20M	\$22M	\$21M	\$20M	\$21M	\$22M
91-120 Terms	\$6M	\$7M	\$6M	\$6M	\$5M	\$5M	\$5M	\$7M	\$7M
Total	\$373M	\$383M	\$368M	\$356M	\$357M	\$352M	\$346M	\$363M	\$359M

Month-over-Month % Share of Revenue

Terms Bucket	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
0-10 Terms	13.1%	12.9%	12.9%	13.0%	13.2%	12.9%	12.4%	12.1%	11.8%
11-20 Terms	9.9%	10.1%	10.2%	10.3%	10.2%	10.0%	10.1%	10.2%	10.2%
21-40 Terms	44.2%	45.7%	46.2%	46.9%	46.9%	47.7%	47.3%	47.1%	47.1%
41-60 Terms	23.7%	23.1%	22.5%	22.6%	22.1%	21.9%	22.7%	23.0%	22.8%
61-90 Terms	7.3%	6.4%	6.4%	5.5%	6.1%	6.0%	5.9%	5.8%	6.1%
91-120 Terms	1.7%	1.8%	1.8%	1.6%	1.5%	1.5%	1.5%	1.8%	2.0%

Indicates the concentration of revenue across different terms buckets to indicate the driver of DSO trends

Month-over-Month % Share of Total AR by Terms Bucket

Terms Bucket	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
0-10 Terms	2.9%	2.8%	2.9%	3.0%	3.1%	3.2%	2.9%	2.7%	2.5%
11-20 Terms	7.0%	6.9%	7.0%	7.1%	6.9%	7.1%	7.0%	7.5%	6.8%
21-40 Terms	38.0%	40.1%	39.9%	41.4%	41.4%	41.2%	40.6%	41.6%	41.8%
41-60 Terms	30.1%	28.6%	29.7%	30.8%	29.8%	29.3%	30.4%	29.4%	30.5%
61-90 Terms	16.4%	16.2%	15.1%	12.4%	13.6%	14.0%	14.2%	13.9%	13.0%
91-120 Terms	5.7%	5.4%	5.5%	5.4%	5.1%	5.2%	5.0%	4.9%	5.5%

Month-over-Month % Share of Current Due AR by Terms Bucket

Terms Bucket	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
0-10 Terms	1.8%	1.8%	1.8%	1.9%	1.9%	2.0%	1.9%	1.8%	1.7%
11-20 Terms	5.6%	5.8%	6.0%	6.0%	6.1%	6.2%	6.0%	6.4%	5.9%
21-40 Terms	35.8%	39.1%	39.7%	41.2%	41.0%	41.5%	41.5%	42.6%	41.0%
41-60 Terms	32.3%	29.5%	30.7%	32.1%	31.1%	30.5%	31.0%	30.1%	31.4%
61-90 Terms	18.1%	17.7%	15.9%	12.9%	14.1%	14.1%	14.2%	13.5%	13.8%
91-120 Terms	6.4%	6.0%	5.9%	6.0%	5.8%	5.8%	5.4%	5.6%	6.2%

Indicates the concentration of AR across different terms buckets to aid in close monitoring of the payment terms

Month-over-Month % Share of Past Due AR by Terms Bucket

Terms Bucket	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
0-10 Terms	7.5%	8.1%	8.8%	8.4%	10.0%	10.3%	8.1%	8.0%	7.3%
11-20 Terms	13.1%	12.5%	12.5%	12.6%	12.0%	12.5%	12.4%	13.6%	12.2%
21-40 Terms	47.7%	45.5%	41.2%	42.3%	44.0%	38.9%	35.6%	35.7%	46.7%
41-60 Terms	20.6%	23.5%	23.8%	24.4%	22.6%	23.0%	27.2%	25.6%	25.1%
61-90 Terms	8.7%	7.9%	10.6%	10.2%	10.4%	13.4%	14.0%	16.0%	7.7%
91-120 Terms	2.3%	2.5%	3.1%	2.2%	1.0%	1.8%	2.7%	1.1%	1.0%

Share of Past due AR in different terms buckets across the months to fine-tune collection efforts from customers with high past due