



Case Study: Technology

Collaborative partnership achieves additional cash flow of \$200 million in record time

Teamwork and a strategic end-to-end approach helped a global, cloud-based software company significantly improve cash flow and reduce bad debt.

The company was working with a provider that serviced both accounts payable (AP) and accounts receivable (AR) functions from its facilities in South America and Central Europe. However, their inability to innovate and transform these functions resulted in lower than desired efficiencies and a lack of scale needed to support growth. This forced the company to pursue other options to improve cash flow and reduce the aging of outstanding receivables in conjunction with standardization across geographies.

The company turned to Cognizant because of our long-standing relationship, servicing multiple delivery centers in 13 languages for more than seven years.

At a glance

When a global cloud-based software company sought to improve cash flow and accounts receivable performance, Cognizant established standard operating procedures, targets, and dedicated teams to address low collection rates. Plotting customer payment habits provided insights that allowed us to accelerate the collections process.

Outcomes

- Achieved and held a 70% collections rate within the first six months, resulting in more than \$200 million additional cash flow and approximately \$2 million in cost savings in the first 18 months.

AR process improvements and dedicated leadership provide value beyond the target goal

Analytics

According to five years of historical data, the prior IT service provider's collections were consistently in the low range of 60%. Using this baseline along with a detailed analysis that we conducted of the aging receivables report, the Cognizant team accepted the client's challenge to hit a daunting 70% target collections goal.

We redesigned the end-to-end AR process by establishing standard operating procedures (SOPs) for dedicated teams responsible for and trained in each billing and collections process. The SOPs clearly dictated exactly what, when and how agents are required to accomplish specific activities and established targets against which they are measured.

Our data scientists analyzed customer payment patterns, which drove our collections approach, touchpoints and timeline. Some customers paid slightly late but were consistent and needed little or no follow up, while perpetually delinquent payers required agents to take additional action. Understanding where agents should focus their efforts enabled us to condense the standard collections timeline. For example, it was identified that 30% of customers pay after a gentle reminder call, so instead of making a call 10 days past the due date as per the old process, our agents called immediately after the due date and achieved quicker payments.

Operations

Rather than introducing a new technology, we leveraged the company's own global customer relationship management platform, so we could mirror the process between the company and its customers. We shifted the South American

- Accelerated collections by implementing standardized processes and setting targets, increasing efficiency by 10%.
- Reduced aging invoices to less than 1%, for invoices over 90 days.
- Improved productivity by 10% in the first year.

operations to our center in the Philippines to reduce language barriers and acquire resources highly skilled in collections and customer service. We staffed our European call center in the same city as the incumbent to ensure that there is no disruption in service and trained all agents using the established SOPs to ensure consistency, improve efficiency and enhance customer satisfaction.

Leadership

Highly experienced Cognizant leaders at each site worked closely with agents, rolling up their sleeves and picking up calls themselves, so they could understand and address the challenges our agents face. The lead client contact was personally involved, working in collaboration with Cognizant colleagues. A dedicated project management team oversaw end-to-end activities to ensure nothing was overlooked, while a business analytics team provided reporting that revealed insights that we used to propose further improvements.

Within six months, we met the 70% target collections goal, helping the company achieve more than \$200 million in additional cash flow and approximately \$2 million in cost savings over 18 months. Additionally, implementing standardized processes and setting targets helped accelerate collections and increase efficiency by 10%. Aging invoices were reduced, to less than 1%, and the company realized a 10% improvement in productivity in the first year.

The results speak for themselves, but the client summed it up nicely below.

“I have been beyond pleased from day one with the involvement from team members and leaders... Cognizant built an amazing reputation with incumbent suppliers and got extended support during go live when taking over their work. Overall, our relationship with Cognizant is amazing, and their delivery quality always exceeds expectations.”

— Director of Global Operations

To date, we have developed proofs of concept for additional automations, including natural language processing and interactive voice response, which the client has approved for a future project that will be handled by Cognizant’s robotics process automation team.

About Cognizant

Cognizant (Nasdaq-100: CTSI) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 194 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us [@Cognizant](https://twitter.com/Cognizant).

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