



Industry
Travel and Leisure

Process
Order-to-Cash

Transformed the Debt Collection Process of a Leading Provider of Information and Telecommunication Solutions for the Air Transport Industry. **Reduced unallocated cash by over 50 percent in six months**

Client Profile

The client is a leading provider of global information and telecommunication solutions for the air transport industry. It works closely with every sector of the air transport community – innovating, developing and managing business solutions for them.

Business Challenge

The client was facing challenges in managing its cash collections due to sales disputes, missing contracts or purchase orders, billing issues, delays in sending invoices, misapplied credits, to name a few. The top 20 percent of its customers contributed to 80 percent of the company's debt. The debt contribution from the remaining customers was also building up. The combined debt burden was severely choking the client's cash flow.

The WNS Solution

WNS adopted a four-pronged outcome-based solution methodology in which it was entitled to bill the client only if the solution was successfully executed. WNS initiated the project by creating a defined collection process and strategy with an objective to arrest the delinquent trend. It is observed

that resolving past due balances early in the delinquency cycle keeps the debtor's delinquency in line with targets and objectives. This minimizes a greater risk of the debtor slipping into severe delinquency. WNS followed this guiding principle.

The methodology comprised the following four strategies:

1. Developing Process Understanding

In order to build the desired process knowledge, the team created end-to-end process documentation for the core collections process and other allied activities like soft suspension, termination and so on, which would impact the end collections process. This document, which WNS created from scratch, laid the platform for the entire process.

2. Conceptualizing and Planning the Collections Strategy

The development of this strategy involved two steps:

Account Segmentation

A clear identification and categorization of customer accounts enabled WNS to focus on those accounts, which had the highest chances of recovery, or for which collection was difficult but possible.

Debt Profiling

The criticality of the debt amount was determined by two main factors: The outstanding period and past due amount. The receivables were then categorized into various aging buckets depending on the time that had elapsed from the due date. The classification of accounts receivables helped identify the customers who take longer to pay, so that the client could restrict sales to such customers and reduce risk of bad debts. As WNS's strategy began to show results, the client gradually handed over customers with higher debt amounting to USD 13 Million to WNS.

3. Automating the Debt Tracking Process

Initially, the follow-up activity was managed by referring to an offline spreadsheet-based past due aging tracker. However, WNS's Technology team developed an online tool, which facilitated real-time customer debt tracking and increased productivity and efficiency of follow-up activities.

4. Realizing Allied Objectives

Customer Education – Through the collections process, WNS's agents educated the customers about the various means of accessing their invoice and alternate payment methods like Direct Debit, Direct Deposit and Wire Transfers. Converting traditional billing and payment customers to a paperless, automated solution enabled the client to save on cost of collection and also reduce the number of overdue accounts.

Cleansing of Customer Database – Through sustained efforts and by leveraging online and offline resources, the team was able to improve the accuracy of the contact database from 30 percent to 98 percent.

Cash Application – WNS took over the cash application activity for the client's set of accounts in Dec. 2011. Within six months, the unallocated cash was reduced from USD 5.6 Million to USD 2.5 Million.

Dispute Management – While negotiating with customers, who were going through a financial crisis or faced billing or service issues, the collections team offered various custom options, like late fee waiver, part debt waiver and staggered payment terms, to customers based on fixed plans approved by the client.

Client Benefits

- The overall collection efficiency (Collection Achieved versus Collectable Debt) increased from 18 percent to 50 percent within a span of two years
- More than USD 5 Million in cash added to customer bottom line, based on collections achieved on potential write-offs
- Overall collections in the last three years has crossed the USD 100 Million mark
- Accuracy of customer contact information has improved from 30 percent to 98 percent, which enables the team to contact the right entity within the customer organization
- Reduced unallocated cash from USD 5.6 Million to USD 2.5 Million in just six months, which helped scale down the provision for bad debts

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