Release Cashflow Using Agile Order to Cash Processes

WNS Global Services & coAction Webinar Series – 1

September 2012
Topics

- About WNS & coAction
- Typical ‘Cash Traps’ in Organizations
- Insights from High performing Order to Cash Organizations
- WNS Order to Cash Solution Suite
- coAction: Collaboration As A Service
- Q&A
Introductions

- **History:** British Airways captive, spun-off into a third-party
- **Net Revenue:** $395.1 Million in FY2011-12
- **Employees:** 25,000+ serving 200+ clients
- **NYSE traded** (Symbol: WNS) since July 2006. First Indian pure-play BPO to be listed on NYSE
- **Delivery Centers:** 29 delivery centers across India, Sri Lanka, The Philippines, Romania, UK, Costa Rica, South Africa and US
- **Sales Offices:** Australia, Dubai, US, UK and India
- **600+ business processes** from simple transactions to complex analytics

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- **coAction.com**
- **On Demand Business Collaboration**
- **Web 2.0 cloud platform**
- **Used by 100+ customers globally**
- **Gartner** in 2012 rates coAction.com as a “Cool Cloud Platform”
- **Partner network** to provide supplemental resources and support
- **Integrates with major ERP, CRM and CMS systems**
- **Rich Advanced Mobile Cloud Platform**
Typical Cash Traps in Organizations

Customer Experience Journey

- Customer Master Data
- Product Master Data
- Invoice Data
- Payment Terms
- Invoice Data
- Payment History Data
- Aged Invoice Data
- Call Notes
- Promise to Pay / Forecasts
- Disputes

CASH TRAP EXAMPLES

- On-hold orders
- Delayed orders
- Incomplete / inaccurate customer master data
- Order incompleteness / inaccuracies
- Rating / pricing inaccuracies
- Delayed billing
- Manual cash application cycle-time, errors
- Unapplied / Unidentified Cash
- Collection by value vs. ‘value at risk’
- Output (no of calls) vs. Outcome (collection per call)
Getting to ‘World Class’: Understanding the Opportunities

**Impact of achieving World Class Finance benchmarks for $US 1 billion organization**

**In US$ Thousands**

<table>
<thead>
<tr>
<th>Efficiency Measures</th>
<th>Effectiveness Measures</th>
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<tbody>
<tr>
<td>470K</td>
<td>%Billing errors due to bad customer, pricing, product masters</td>
</tr>
<tr>
<td></td>
<td># of Debtor Accounts – active vs suspended</td>
</tr>
<tr>
<td></td>
<td>%First pass cash application, % auto-cash application</td>
</tr>
<tr>
<td></td>
<td>%Invoice deductions/ claims/ short pays</td>
</tr>
<tr>
<td>6,955K</td>
<td>Best DSO vs DSO days</td>
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<tr>
<td></td>
<td>Average Days Delinquent</td>
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<tr>
<td></td>
<td>%Bad debts</td>
</tr>
<tr>
<td></td>
<td>Credit Policy Enforcement – frequency of review, coverage of accounts, etc</td>
</tr>
<tr>
<td>15X</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td></td>
<td>Collection Efficiency Index</td>
</tr>
<tr>
<td></td>
<td>%Orders delivered accurately</td>
</tr>
</tbody>
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Sources: Hackett, WNS Research

- Benchmarking provides relative performance gap assessment
- Effectiveness metrics provide greatest value creation opp, but are not usually tracked
## Insights from High Performing Order-To-Cash Organizations

<table>
<thead>
<tr>
<th>Typical Challenges</th>
<th>WNS Approach</th>
<th>Business Impact</th>
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</table>
| Business unit, geo operations silos – duplication, lack of scale / specialization | ▪ Global Shared services – standardization and simplification of processes and scale for automation  
▪ Free up business unit resources to focus on core innovation, marketing & sales  
▪ Embedding change mgt. from diagnostic phase through transition | ▪ Typically 30-40% one-time resource cost  
▪ 3-5% per annum resource productivity |
| Optimization of discrete processes (order mgt., billing, cash appln., collections) | ▪ End to end thinking – alignment to customer (channel) service needs  
▪ Linkage of business outcomes (revenues, DSO, cashflow) with underlying processes | ▪ 10-15% of resource costs  
▪ Business outcomes – depends on level of transformation |
| Limited Finance focus on customer experience as a process                          | ▪ Deductions / claims mgt process as a source of competitive differentiator (Dilution can range from 5-20% of CPG Co revenues)   | ▪ Reducing revenue dilution  
▪ 50% reduction in prov for bad debts for a client  
▪ Reduction in overdues from 23 to 5% |
| Information silos and redundancy – lack of common source of ‘truth’                | ▪ Leveraging integrated OM, Billing, Payment, Application, Collections system technologies  
▪ Link all internal stakeholders – common source to truth, master data definitions  
▪ Customer self-service capabilities | ▪ 15-20% of resource cost  
▪ Automated alerts and workflow – reduction in bad debts, 10%+ |
| Limited end to end O2C performance visibility and optimization                    | ▪ Leverage analytics for smart O2C processes  
▪ Collection strategies based on historical payment patterns to segment AR based on customer risk vs. amounts only  
▪ Consumer promotions – anticipating spikes in downstream cash application and deduction mgt. effort | ▪ 30% increase in recoverable bad debts for a client  
▪ Workforce planning for seasonal / planned business vol. spikes |
WNS Order to Cash Solution Suite

END TO END APPROACH

Credit to Quote | Quote to Contract | Order to Bill | Pay to Apply | Collect to Dispute. | Dispute to Nego/Delinq. | Record to Report

Dashboards
Excel Integration
Predictive Analytics
Mobile Access

Business Insight and Predictive Analytics based Cashflow Optimization

Global Shared Services – Business Process Outsourcing

coaAction Order to Cash Collaboration Platform

CRM
Mobile / Tablet
Web Site / eCommerce
Legacy ERP
Third Party Webcash / Lockbox/
Online / Assisted ePayments

Flexible integration options – web services, flat file, etc.

Maximize ROI from existing IT investments

Credit to Quote
Quote to Contract
Order to Bill
Pay to Apply
Collect to Dispute.
Dispute to Nego/Delinq.
Record to Report

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Release Cashflow Using Analytics and Predictive Modeling

Collections Management

- Improved Customer Service
- Collections Analytics
- Exception Root Cause Analysis
- Risk based customer segmentation, Resource forecasting
- Fraud Detection & Leakage prevention

Credit Policy Optimization

- Better Credit Assessment
- Credit Risk Monitoring
- Credit Policy Modeling
- Collections Exposure and Regulatory Reporting
- Product Development & Pricing Innovation

Customer Management

- Credit Risk and Regulatory Reporting
- Business Impact
- Acquisition
- Retention
- Target marketing & Campaign Management – Acquisition, Cross sell Upsell, Win back, Retention
- Social Media Analytics

Credit Policy Modeling

- Visibility – DSO, DPO, Exceptions
- Release Cashflow – O2C cycle time, cash traps
- Reduce bad debts write-offs, provisions

O2C Analytics

- Improve Customer Satisfaction & Lifecycle Value
- End to end business outcomes improvement
Leveraging Analytics, Industry Domain & Process Re-engineering

DSO Improvement of 9 days and USD 11 million cashflow release identified by achieving Peer Best

On Demand
# Case Study – OTC operations for an Apparel Company

## US based Global Fashion Apparel Company

<table>
<thead>
<tr>
<th><strong>Relationship</strong></th>
<th>Since April 2010</th>
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</thead>
<tbody>
<tr>
<td><strong>Key Brands</strong></td>
<td>~17,000 SKUs</td>
</tr>
<tr>
<td><strong>Process Experience</strong></td>
<td>O2C Processes – Collections, Credit Control, Chargebacks, Disputes (returns, promotions, shortages, etc), Cash Application, Credit Risk Management, Inventory Control, Product Costing Audit, Bank Reconciliation.  &lt;br&gt;Other F&amp;A Processes – Indexing, Trade Payable, Expense Payable, Pnet Admin, Management Reporting, and Financial Planning and Analysis</td>
</tr>
<tr>
<td><strong>Customer Profile</strong></td>
<td>Small and mid sized boutiques</td>
</tr>
<tr>
<td><strong>Systems / Tools</strong></td>
<td>JD Edwards, AR workflow (custom), electronic document repository</td>
</tr>
<tr>
<td><strong>Business Impact Delivered</strong></td>
<td>Collections process transformation: from siloed functions to end to end portfolio management approach.  &lt;br&gt;DSO improved (overdues to 5% from 23%), provision for bad debts reduced by ~50%, no open charge-backs &gt; $10K at month end</td>
</tr>
<tr>
<td><strong>Delivery Locations</strong></td>
<td>Pune, Bucharest</td>
</tr>
</tbody>
</table>
coAction.com Packages

Reference Data
Product Information
Customer Information

Master Data → Order Management → Invoice Delivery

Ability to register dispute online with rules defined for resolution based upon nature of dispute

Dispute Management → Portfolio Management

Flexibility to choose different invoice formats for delivery with Scheduling & instant Approval

Receivables Segmented into different Portfolios with effective Collection Strategies with Time & Action Calendar

Payment Posted → Auto Matching Rules → Web Payments

Pre-defined Rules for matching single payment to multiple invoices or components within

Flexibility to choose different payment methods with integration to Banks

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### Performance benefits: Impact Delivered

**Reduce**
- DSO: 10 – 25%
- Bad Debts: 10 – 35%
- Dispute management costs: 50 – 60%
- Support / Help Desk costs: 40 – 50%

**Save**
- Labor & overheads: 30 – 40%
- Cost of Finance: 2 – 3%

**Increase**
- Straight through processing: 60 – 80%
- Customer Satisfaction: 60 – 80%

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**Visible Impact for every $100 million in revenue**

<table>
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<th>Value</th>
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<tr>
<td>Average interests savings</td>
<td>$300,000</td>
</tr>
<tr>
<td>Additional working capital</td>
<td>$4 million</td>
</tr>
</tbody>
</table>

**Common O2C Data Model:**
Superior decision making, faster responsiveness and reduced risks
Package Enabled Best in Class Process Management

- Automated Invoice Delivery
- Order Release
- Statement Delivery Automation
- Payment Reminders
- Broken Promise
- Account / Invoice Lifecycles – Risk / Trend based
- Configurable Matching for Payments
- Dispute / Deductions Approval
- Escalation Workflows
Flexible and Easy to Use

Account Information
- Account Name: Waters Kummer Law & Bu
- Account Number: 1850
- DUNS Number: 36-311-7188
- Global Ultimate DUNS Number:
- Credit Limit: 250,000.00
- Active: Yes
- Payment Terms: NET30
- Status: No Action Recommended
- Customer Type: Bronze Customer
- Account Created Date: 11/24/2008
- Risk Category:

Invoices
- Status Name: New Invoice
- Invoice: 10233851 11/13/2008 12/13/2008 1,848.24 74
- Invoice: 10233852 11/13/2008 12/13/2008 1,848.24 74
- Approve Grade: 10233853 11/20/2008 12/20/2008 1,554.48 87 Some to pay, Grade poor
- Approve Grade: 10234917 11/20/2008 12/20/2008 1,554.48 87 Some to pay, Grade poor

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Best in Class Strategies

Workflow Editor

Name: High Risk/High Dollar

Description:

A workflow to handle high dollar invoices for high risk accounts

Object:

Invoice

Workflow Active: ✔

Start Condition

Apply this condition before executing High Risk / High Dollar workflow

- Invoice amount greater than 5000
- Rating not equal 5A1.5A2
- Paydex greater than 40
- CCS% greater than 10
- FSS% greater than 10

End Condition
Receivables Process

- Accounts, Invoices, Contacts
- High Risk
- Gold Customer
- Low Risk
- High Dollar
- Open Amount
- Due Date
- Overdue Amount
- Promised Amount

Benefits:
- Organize Correspondence – Template based Emails – Voice Scripts
- Tasks and Reminders
- Capture Pay Promise & Remittance
- Comments and Notes History
- Search and Export
- Paydex Score
- Financial Stress Score
- Commercial Stress Score
- Custom Scores
- Aging/Past Due/ Terms
- Past Due
- DSO
- Broken Promises
- Disputes

Receivables Process
- Assign/ Re-Assign Work
- Attach Documents
- Insight and Reports – Receivables Aging – Portfolio by Risk – Collector Performance – Demographics
- Collection Lifecycle
- Auditable Logs for Compliance

Data Mapping
- Account Segmentation
- Invoice Account Allocation
- Risk Indicators
- Account Indicators
Disputes & Deduction Management

### Claims By Status

**Count**
- Accepted: 26
- New: 35
- Pending: 18
- Refused: 10

### Claim Amount
- Missing authorization: 26,039
- Discounts: 78,117
- Damaged Goods: 52,078
- Order Mismatch: 26,039
- Credit Terms: 130,196

**View Claims/Statements**
- **Improve Efficiency**
- **Reduce Overheads**
- **Automate Claims Resolution**
- **Engage with your Clients** (Claims Portal)
- **Real Time Sharing with Clients**
- **Collaborative Sharing of Information**
- **Attach Documents**
  - Supporting Documents: Order, Invoice, Shipping Notes, Payment Advice
- **Organize Claims** (Links Invoices)
  - Keep Claims Together: Easy to Search, Assign

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Web Invoicing & Payments

- Generate invoices online
- Integrate with Billing Data
- Invoice Format & Layout Manager
- Automate invoice delivery and statements – Web/Email/Print
- Use Rich Email Templates
- Integrate with Bank formats
- Track Payment Status with Bank
- Accept Bank / Credit Card Payments
- Customer / Term Discount Management
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