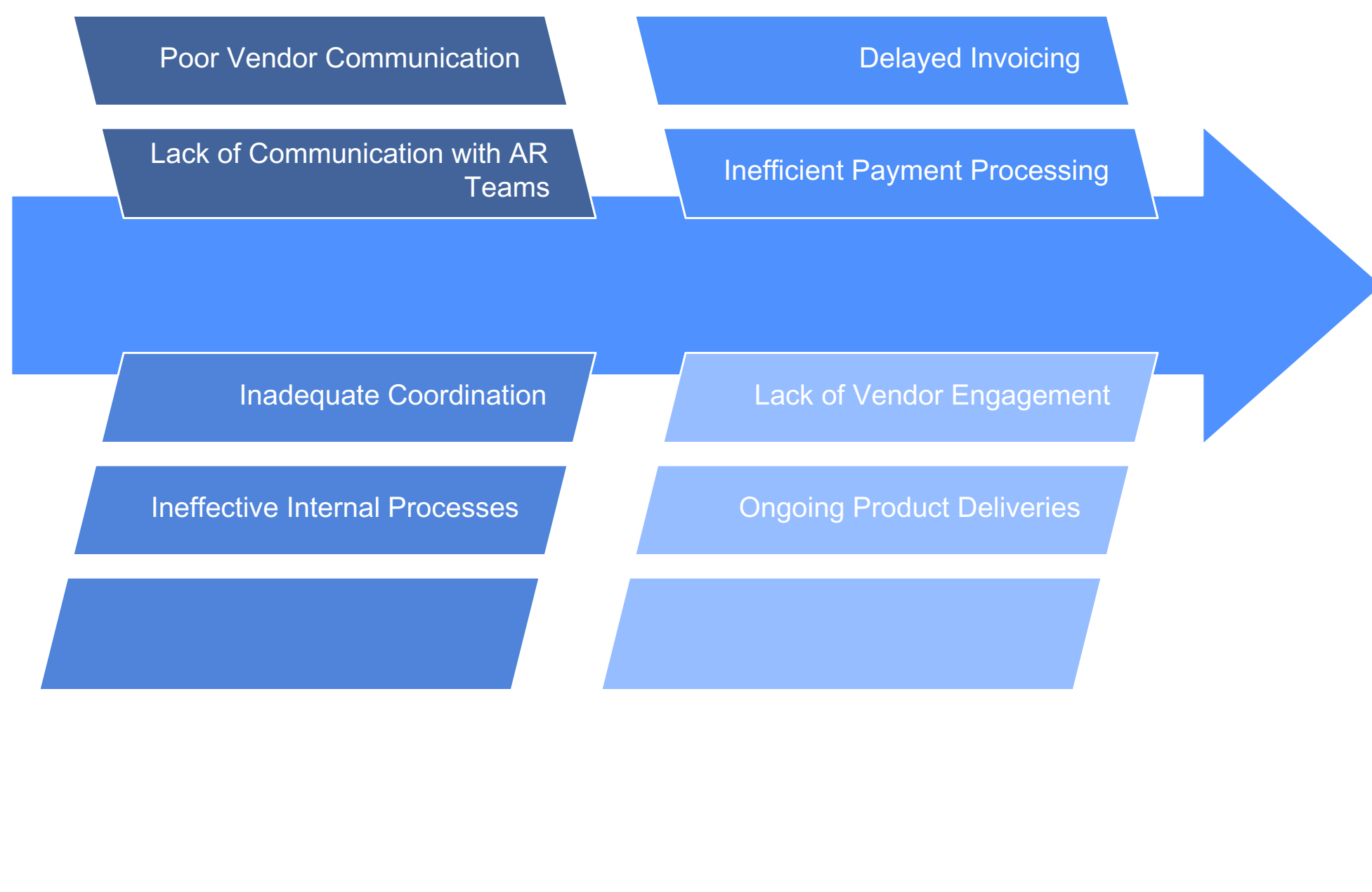


AR Aging case study

Overview: A subsidiary of a manufacturing firm, generating \$25M in annual revenue, faced significant challenges in its AR processes. The company worked with vendors across various regions, including the Pacific Northwest, California, Texas, Southeast Asia, and China. However, there were communication issues between the AR teams and external vendors, which led to poor collaboration. As a result, the company had accumulated \$14 million in outstanding AR for nearly two years, despite continued product deliveries.

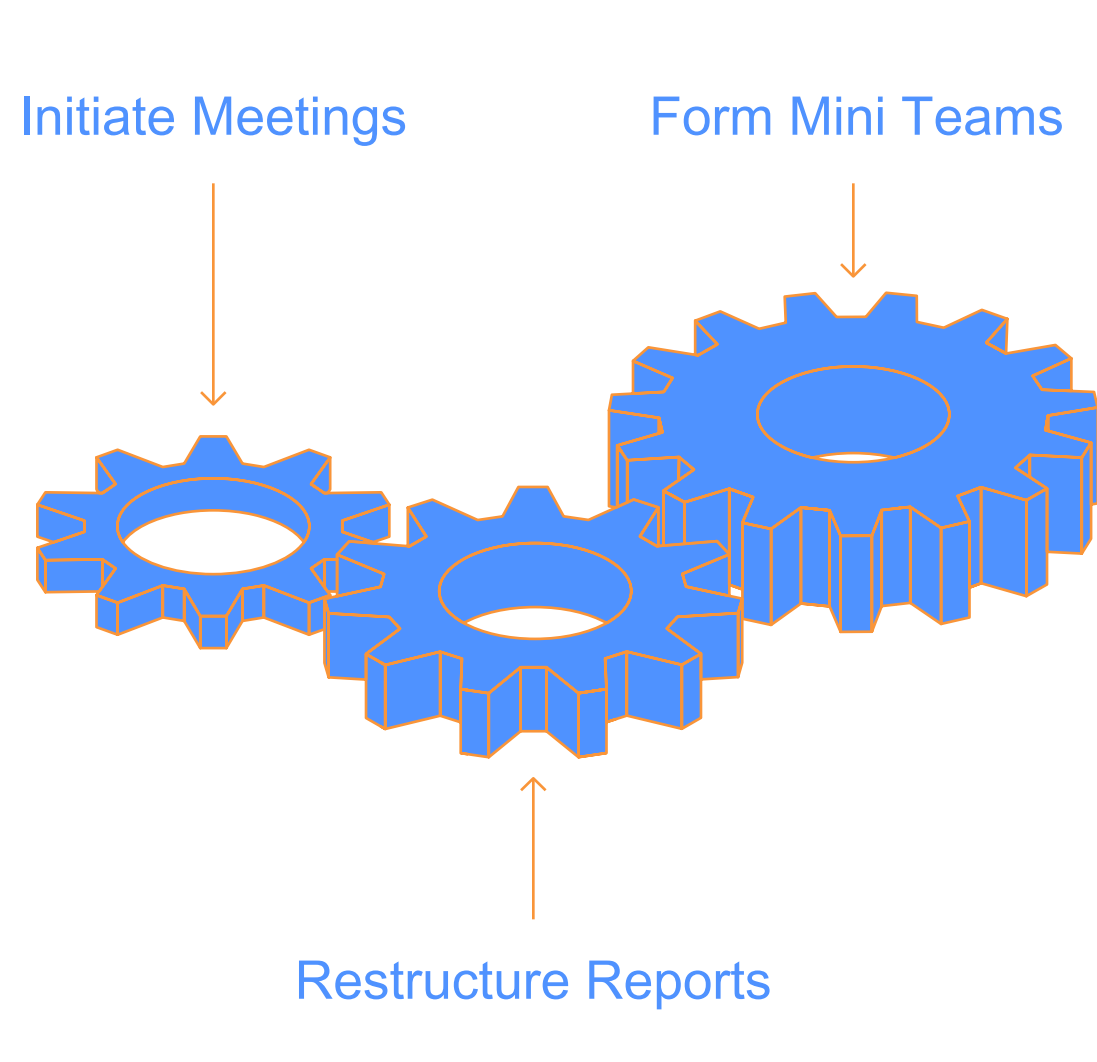


Challenge: The primary challenge was determining how much of the \$14 million AR deficit could realistically be collected. Other issues included improving communication between the AR teams, internal accounting, and corporate AR departments, as well as identifying vendors who could provide support for the collection efforts. Additionally, it was discovered that the two largest vendors were using different tracking and purchase order (PO) systems, which further complicated the process.



Approach: The team implemented the following strategies:

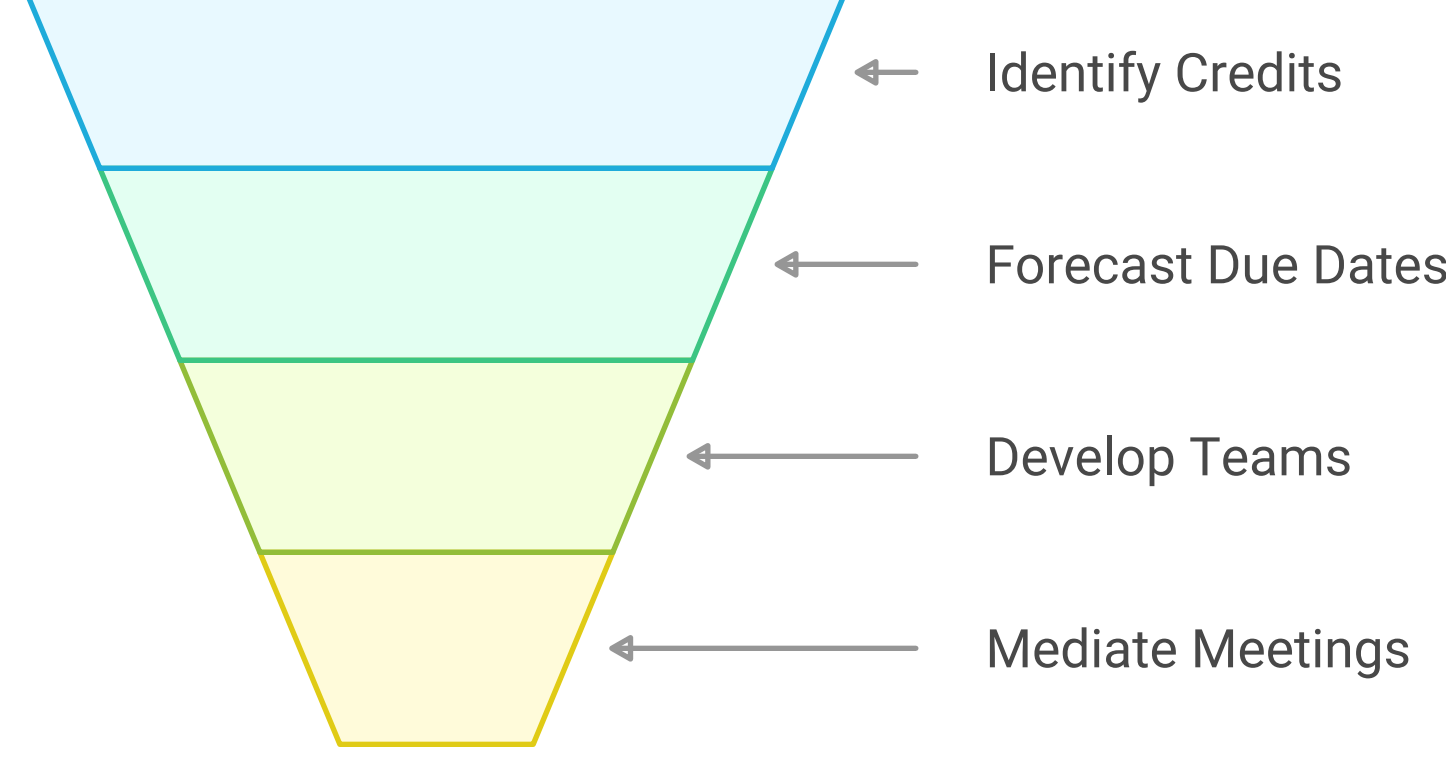
- Team Dynamics:** Initiated local AR and regional sales account manager meetings to establish team cohesion.
- Reporting Restructure:** Used Power BI to restructure AR aging reports, promoting cross-functional collaboration and improving efficiency.
- Vendor-Specific Mini Teams:** Created smaller teams to focus on specific vendors, improving vendor communication and collection strategies.



Implementation: Key actions included:

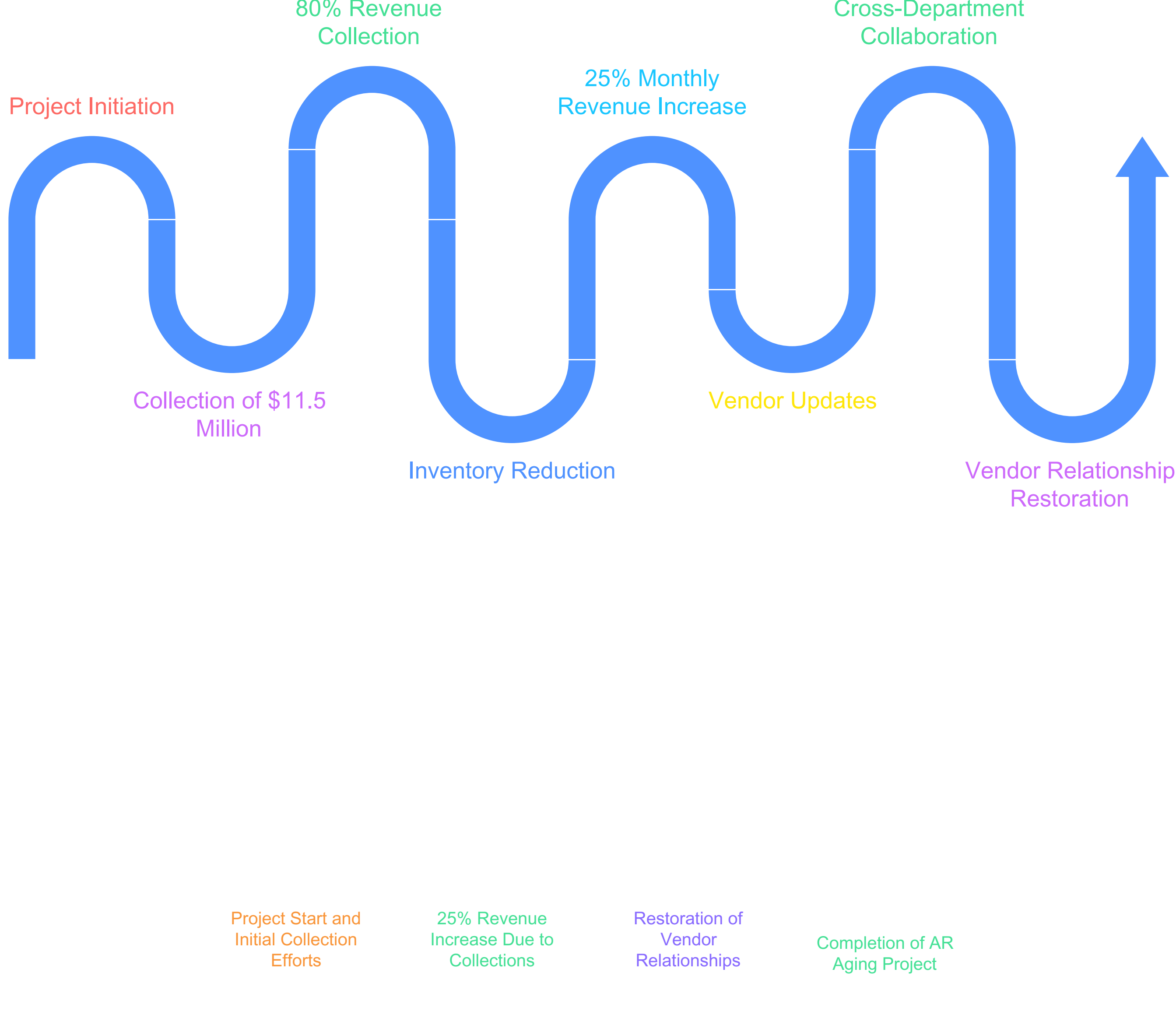
- Weekly updates, including reporting from mini teams on contact summaries and payment forecasts.
- Identification of \$2 million in non-AR materials (damaged or non-shipped items), which were removed from the AR balance.
- Power BI tools were used to forecast due dates, track progress, and identify areas for improvement.
- Developed both internal and external teams (from current employees) to directly interact with larger vendors for collections.
- Mediated weekly meetings to maintain focus on collection goals and ensure progress.

AR Aging Process Optimization



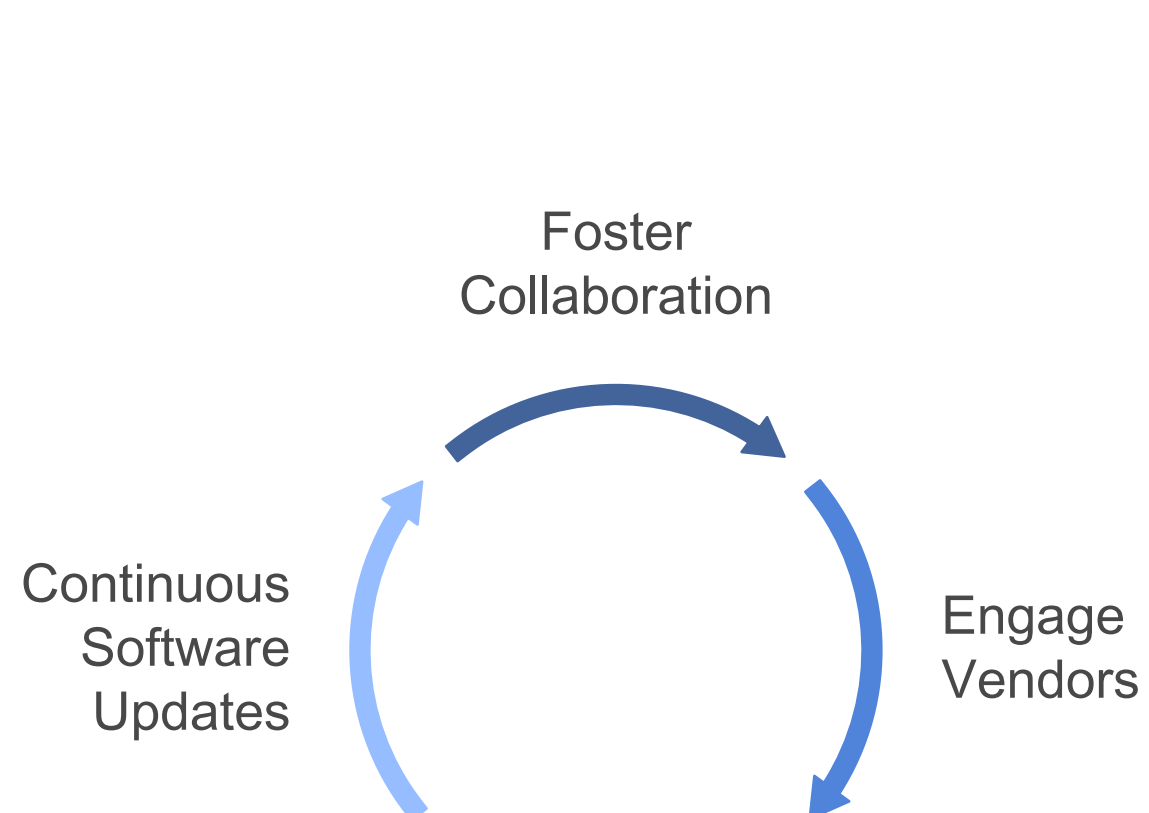
Results:

- \$11.5 million was successfully collected within four months, representing 80% of the outstanding AR.
- 50% of the outstanding inventory was removed from the books, leading to a more accurate balance sheet.
- Revenue increased by 25% each month during the project due to improved collections.
- Vendor contracts were updated, and new payment options were established.
- Cross-department collaboration was successfully developed, involving corporate teams and external teams that had not worked together before.
- Relationships with key vendors were restored, and cross-training on the new tracking system was initiated.
- The project team was recognized in the company's monthly newsletter and rewarded financially.



Lessons Learned:

- Cross-functional collaboration is critical for addressing complex AR issues.
- Establishing strong, transparent relationships with vendors is essential for successful collections.
- It is important to update both internal systems and processes continuously to keep pace with external changes.
- Addressing issues early, before they become larger problems, is crucial for preventing bottlenecks.



Call to Action: This company had 25-40% of its revenue tied up in outstanding AR, a challenge faced by many businesses. If you're experiencing similar issues with AR or revenue bottlenecks, don't hesitate to reach out for a consultation. Call 801.347.9368 for further discussion.

Addressing Revenue Bottlenecks

Initial Contact

Reaching out to discuss AR challenges

Problem Analysis

Evaluating the client's AR situation

