

# MoretonSmith

From Accounts Receivable to Smarter Receivables

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# Introduction

## Forever in your debt...

The global recession is showing signs of easing and though recovery will be a long and slow process, businesses must grasp opportunities to grow.

Borrowing remains difficult for businesses across the UK, even when they have a good story to tell and strong fundamentals. Despite government initiatives to increase business lending, these have done more to help banks underpin their balance sheets than UK plc rebuild their order books.

There is another source of working capital that businesses have overlooked for years and it is not only renewable, but one they are already in control of. Or at least they should be – and that is their accounts receivable (AR).

This paper outlines MoretonSmith's belief that every company should take greater control of its debt book. This is not only best practice, but vital because it releases valuable working capital back into the business that is otherwise tied up by inefficient and ineffective debt recovery processes.

The way to achieve this is to apply what MoretonSmith calls the “Smarter Receivables™” approach – utilising the optimum balance of people, process and technology to achieve transformational insights, productivity and efficiency.

The Smarter Receivables™ approach not only seeks to save money, but to also increase collection productivity, optimise risk management, improve dispute management, and enhance the customer experience.

The money belongs to the business after all, so why shouldn't it make better use of it? What other business resource would be so woefully neglected with such seemingly accepted high levels of wastage?

# Managing debt

## In control or does your debt control you?

Debt remains a major problem for UK businesses. According to a credit collection survey commissioned by Sopra Group in 2012, three-quarters of UK businesses experienced debt recovery problems. Though the number of business insolvencies<sup>1</sup> was somewhat reduced, the number of compulsory liquidations was up in 2013. This suggests those businesses who managed to keep trading throughout the recession have done so by the skin of their teeth and the prognosis for their future is marginal in many cases.

More worryingly, studies show that debt is consuming more resources at UK businesses. It is taking longer to collect debt than ever before and in the process is increasing costs and reducing margins.

A major obstacle to debt recovery are the processes employed by businesses. Despite operating in the 21st century, the methods of collection have changed little over the last century or more.

This is not to say that all old practices are necessarily bad. However, accounts receivable, when all is said and done, is a cost; a process-driven discipline for which automation would seem ideal.

Though accounts receivable has made use of technology since the 1960s, it was not until the late 1980s that it became commonplace. However, although technology is applied, the processes are based upon traditional manual approaches, which though tried-and-tested, are highly inefficient.

Debt lists are generated in this method and standardised letters are sent, followed by personal contact by either phone or perhaps in person – the number and nature of these contact methods is determined usually by size of debt, age of debt, value of customer and/or simply the workload of the credit control team.

This approach relies on the hope that the act of contacting the customer alone is enough of a stimulus to trigger payment. Businesses using this approach are trusting to luck and/or accepting large wastage levels instead of using hard facts, through business analytics, to understand the specific credit situation of their customers and thus influence their actions.

Where an account remains unsettled, there are three main reasons for this: a) The customer has become dissatisfied with the service; b) The business is going bust and they can't pay or are delaying payment to ease cash flow; and c) Most commonly, the supplier of the service has no method, system or process to chase debts systematically.

This last reason results in poor communication, poor tracking of progress/payment, and ultimately poor collection performance. In any of the three scenarios however, the fact is the business is largely blind – they never really understand the dynamics of their customers' debt and so cannot implement changes to tackle the problem effectively.

<sup>1</sup> The Insolvency Service's figures for March 2014 showed in the previous 12 months 1 in every 167 companies had entered liquidation, while there were 884 other insolvency events, down 2.8% on the previous quarter in 2013. However, there were 1,072 compulsory liquidations, more than 10% up on the same quarter the previous year. Further details can be found at <https://www.gov.uk/government/publications/insolvency-statistics-january-to-march-2014>

## Taking control

To resolve this situation, a business must introduce a systematic approach to recovering debt which focuses upon the reasons for non-payment and provides new and effective processes to tackle those specific issues quickly and effectively.

Smarter Receivables™ treats each customer as separate with their own contact and recovery processes. The way clients are approached can be tailored to the preferences of the individual person who manages the customer's account.

This cannot be achieved with manual or semi-automated approaches employed by most businesses, and is heavily reliant upon the integration of technology to take the power of human reasoning and scale it up to a level which delivers the productivity and efficiency expected of any other corporate function in 2014. The Smarter Receivables™ approach requires more than access to a database.

To read the rest of this Whitepaper, please visit <http://www.moretonsmith.com/ero57-collection-software/see>



# Our company

ero57 is brought to you by the receivables technology division of MoretonSmith.

MoretonSmith are steeped in over 20 years of receivables management expertise across the globe and are known as focused, yet comprehensive specialists in receivables management.

The company has invested up to 43% of group turnover in its technology division since 2010 and it is this dedication to R&D which has resulted in the distillation of the group's unique Smarter Receivables approach into the most advanced receivables management technology ever developed –ero57.

We're specialists. We focus exclusively and comprehensively on accounts receivable (AR), to ensure AR contributes to the overall commercial objectives of your business in terms of:

- Working capital
- Sales growth
- Profitability
- Market share



## ero57

Sophisticated in design but simple to use, ero57 is empowering companies across the globe to achieve outstanding receivables performance.

ero57 is the only receivables software developed by experienced AR professionals. It takes advantage of continual live R&D in an environment of real world receivables management.

Innovative, powerful and effective, it empowers companies to achieve maximum working capital, optimised cash flow, reduced DSO and optimised risk control, all while protecting & enhancing their relationships with customers across the globe.

## Your business

Collections are about communication between you and your customers as individuals. They may choose to pay promptly, delay payment, or enter into dispute. The more effective your communication and the better you understand their motivation, their behaviour and the context in which they're working – the more likely it is the outcome will be successful for you.

Building a data profile of collections activity, reactions to communications and correlations with groups which have similar profile attributes, helps us to determine workflow actions that improve efficiency and increase the probability of positive outcomes.

Smarter Receivables™ coordinates all collection activity and tailors performance towards the people behind transactions.

We take the power of human reasoning and use technology to scale it up to a whole new level – focusing on large data sets to determine the best course of action.

ero57 enables our Smarter Receivables methodology to constantly evolve within your business to provide you with transformational insights into your AR performance.

For more information about MoretonSmith, ero57 and Smarter Receivables™, go to:  
**[www.moretonsmith.com](http://www.moretonsmith.com)**

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