Improve Accounts Receivable Collections by 65% with Advanced Analytics

Harnessing Advanced Analytics to Increase Working Capital

According to a recent study conducted by CIO Magazine, CFOs are instrumental in funding analytics initiatives that increase working capital and reduce costs. In fact, as shown in Figure 1, the study showed that 47% of initiatives funded by CFOs focused on projects that increased working capital.

Even small improvements can yield big savings; for instance, a 1% improvement in OPEX can result in hundreds of millions of dollars in savings. GE is using the Industrial Internet to increase the fuel efficiency of a gas turbine fleet; just a 1% increase in fuel efficiency will save the company upwards of $6 billion in fuel savings per year. Similarly, a Fortune 50 company improved accounts receivable collections by 65%, representing over a $520 million increase in working capital.

Unlocking the Full Potential of Data Across Organizational Silos

For most companies, there are significant barriers to harnessing their big data for competitive advantage. Only a big data solution, one like Maana, which can take the most relevant data from across silos and analyze it —simultaneously—can uncover unexpected correlations and patterns across the organization. This is what’s needed to yield key insights that help enterprises optimize processes, make better decisions and dramatically boost efficiencies.

The following case study illustrates the type of financial impact Maana customers are seeing in their Finance organization.
Improve Accounts Receivable Collections By 65%

The oil and gas division of a Fortune 50 company wanted to improve its working capital and reduce outstanding invoices totaling over $800 million. The Finance team used Maana’s analytics platform to analyze over five years of invoices to uncover hidden patterns and correlations and identify specific recommendations that would reduce days sales outstanding (DSO).

As shown in Figure 2, Maana crawled and mined data related to over one million invoices across a wide range of business silos, including historical data (such as open, closed and disputed invoices; collector logs and customer loyalty) and external data (such as customer credit ratings, the price of oil and interest rates). Maana also used the time value of money as part of its analysis.

After creating and evaluating several data models, Maana was able to accurately predict the likelihood of late payments before the invoice due date, as well as identify the root causes of late payments, which included:

- **Weekend due dates**: The analysis showed that any invoices with due dates of Saturday and Sunday were always late.
- **Lack of familiarity with invoices for first-time customers**: The majority of first-time invoices were usually late by 90 days—because the customer did not understand the invoice.
- **Customer satisfaction**: Many late invoices were attributed to service issues that had not been addressed and required customer service follow-up as opposed to a collection call.

**ACCOUNTS RECEIVABLE COLLECTIONS**

*Figure 2: Maana accelerated accounts receivable collections by 65%.*
Using Maana’s insights into the root causes of late payments, the company created a customized call list for each collection agent, which was incorporated into the organization’s AvantGard GETPAID collection system. Going forward, Maana provides ongoing, data-driven recommendations regarding which customers should be called and when. For example, it recommended that accounts payable call all new customers ten days prior to their invoice due dates to ensure they understand their invoice and can ask clarifying questions.

After just 30 days of operationalizing recommendations into GETPAID, Maana’s machine learning algorithm continues to learn, adjust and fine tune insights and recommendations based on daily data input from open & closed invoices, collector actions and stock market changes.

Most notably, Maana identified four groups of customers as consistent late payers, as well as specific strategies that the company can take to mitigate future late payments:

- **First-time customers**: Maana recommended finance to make a courtesy call to these customers to ensure they understand their invoice and can ask questions at least 10 days in advance.
- **Customers with unresolved service issues**: Maana recommended that finance contact customer service to ensure open cases are resolved, as most customers with unresolved issues will not pay.
- **Institutional Customers**: These customers had contracts with longer net payment terms and accelerating collections would require re-negotiating the contract terms.
- **Other**: All other customers with late payments that accounts receivable clerks should call.

By operationalizing all these recommendations, the company improved A/R collections by 65% over the prior year. Management estimates that by expanding the use of Maana to all A/R agents in that division, cash collections would accelerate by $600,000 per day.

**About Maana**

Maana has pioneered “knowledge technology” for the enterprise. The Maana Knowledge Platform accelerates profitability by encoding the expertise of subject-matter experts and data from across silos into a network of models that provide continuous, actionable recommendations into the operations of assets and decision flows.

As illustrated in Figure 3, Maana’s patented Knowledge Graph™ — the invention at the core of the platform — combined with Maana’s algorithms, expedite extracting knowledge from data silos and information sources, to reveal their relationships in the context of optimizing assets and decision flows.

Global companies such as GE, Maersk, Chevron, and Shell are increasing profitability with Maana by operationalizing insights into line-of-business applications for thousands of employees to make faster data-driven decisions.
Figure 3: Maana’s Enterprise Knowledge Graph provides a holistic view of assets and business processes to be optimized.

Learn More

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