

Reducing DSO Through

# Effective Payment Strategy



Learn how Western Union® helped three large billers deploy payment strategies that significantly improved their payment cycles.

## Goal:

Minimize days sales outstanding (DSO) for three large billers.

## Solution:

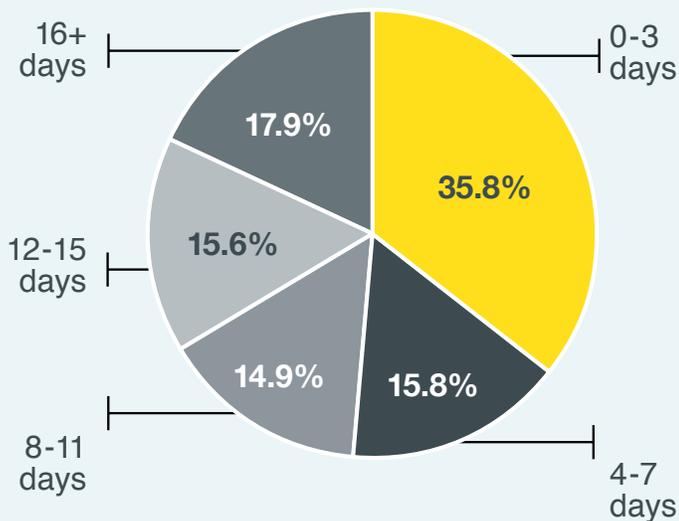
Use a multi-pronged eBilling strategy to convert customers from paper to electronic bills.

## Results:

- A water utility company on the western edge of the Great Plains reduced its average DSO for eBill customers from 45 to 11 days after implementing a combination of eBilling campaigns.
- After heavily marketing the convenience of eBilling, a midsize Southeastern city witnessed a 24.5 percent eBill adoption rate among customers, driving down DSO to about 10 days for eBill customers.
- One year after launching a new payment strategy, a rural electricity collective reduced its DSO from 25 days to nine for eBill customers.

### Electricity Collective eBill DSO

The percentages of eBill customers paying at various intervals.



Many companies are unaware of their average days sales outstanding (DSO) and its impact on cash flow. However, having a high DSO rate can prevent businesses from accessing cash when they need it. And the more companies must borrow to cover operating expenses, the higher their cost of capital. In addition, low cash reserves may force companies to forgo investment opportunities that would have resulted in cost savings or new revenue generation.

Yet in the past, billers had little to no control over the pace of customer payments. “For many CFOs, influencing the payment cycle wasn’t really an option,” says Barrie Arnold, vice president of sales at Striata, Western Union’s global eBilling partner.

However, with the advent of new technology and refined adoption strategies, billers began to see that they could, in fact, influence customers’ payment behavior. “When the eBilling solution came into action, they began to see a significant uptick in electronic payments and shortening of the payment cycle,” Arnold says. “It certainly raised their awareness that they can improve cash flow.”

## Using Complementary eBilling Programs

A water utility company on the western edge of the Great Plains partnered with Western Union to increase adoption of its electronic billing (eBilling) program. With an average DSO of 45 days, company executives hoped that better adoption rates would result in a shortened payment cycle.

Starting in November 2007, Western Union helped the company launch a combination of eBilling campaigns—including a campaign that automatically enrolled customers and one that enticed customers to opt in. Different eBilling programs resonate with different customers, so taking multiple approaches to adoption can boost enrollment numbers.

In addition, Western Union advised the company to change from a bimonthly billing cycle to a monthly one to further minimize DSO. The biller immediately began to see more timely payments and about five years into the strategy DSO now averages 11 days for eBill customers—an improvement of 34 days on average. And although the company bills more frequently, increased adoption of eBills has offset the extra paper and postage costs for customers not in the program.

## Refining the Message

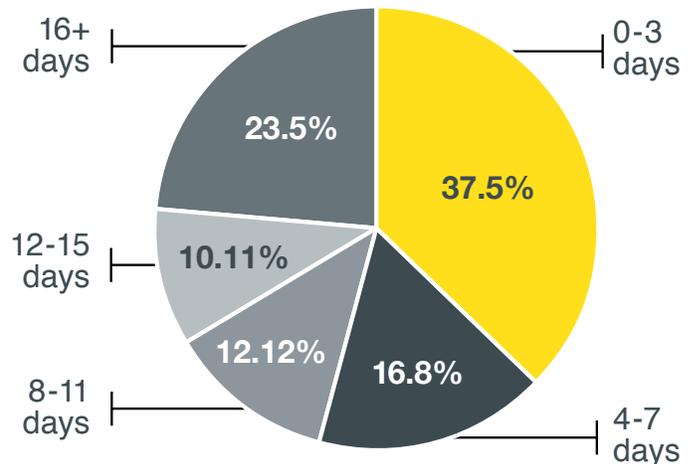
In December 2008, Western Union helped a midsize Southeastern city implement an eBilling program for its gas, water and electricity services. To spur high levels of adoption, customer service representatives (CSRs) and agents were trained to gather email addresses during each interaction with customers. The biller also rallied CSRs behind the cause by holding competitions and awarding prizes as new goals were met.

The city heavily promoted eBills as an environmentally friendly alternative to paper bills and checks. But initially, the response from customers was lackluster. Working with Western Union, the city revamped its advertisements, touting the fact that eBills are incredibly convenient and completely free. This campaign resonated with customers, eventually driving a 24.5-percent adoption rate.

*The biller immediately began to see more timely payments and about five years into the strategy DSO now averages 11 days for eBill customers.*

### Southeastern City eBill DSO

The percentages of eBill customers paying at various intervals.



“Convenience is a far more powerful message for consumers,” says Arnold, who names convenience as a critical driving factor in DSO reduction. The success of the marketing campaign was a primary reason the city’s DSO decreased to about 10 days for eBill customers.

## Phasing in New Payment Channels

A rural collective electricity provider wanted to transform its manual payment processing system into a model that promoted customer self-service. Over the course of several months, Western Union helped the provider roll out a three-tiered payment strategy.

First, the provider added an interactive voice response (IVR) system, online payment portal and interface that could be used by CSRs. Next, the provider multiplied the number of walk-in payment destinations by tapping Western Union’s network of payment locations. Finally, the provider rolled out a combination of opt-out and opt-in eBilling programs to maximize the number of customers participating in electronic billing.

The electricity provider witnessed a rapid rise in enrollment, capturing a 20-percent adoption rate over one year and a negligible opt-out rate. As a result of the payment strategy, the electricity provider reduced its DSO from 25 to nine for eBill customers.

With Western Union’s help, these three billers deployed payment strategies that resonated with customers—and continue to improve DSO. Shortening the payment cycle has allowed these billers to strengthen their cash flow, freeing up more financial resources to reduce costs and grow revenue in the future.

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### Success Factors

- **Take a multi-faceted approach to growing eBill adoption.**
- **Continue to evaluate and refine marketing campaigns.**
- **When appropriate, phase in new payment channels.**

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