The Ultimate Debt Collections Playbook for Startups

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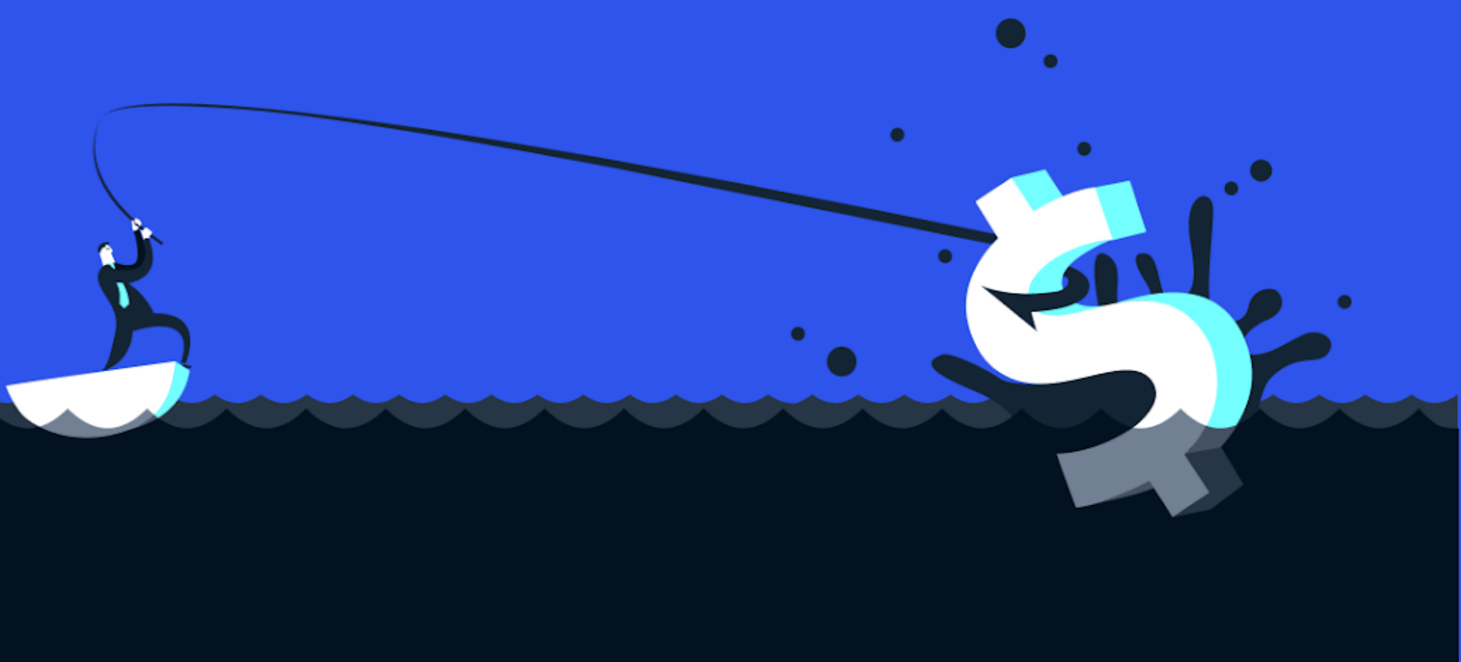

If you are reading this, you must be seriously thinking about streamlining your debt collection process. If you would like to begin by knowing why an efficient collections process is important and how it can have an impact on your company's cash flow and runway, please refer to Jason's (of SaaStr) tweet and his related post on this topic.


Jason ✨BeKind✨ Lemkin #ДобісаПутіна
@jasonlk

Underrated critical hire in SaaS, at least in the early days:

Someone great at collections

eSIgnatures are great, but they are just the start

Too many startups that invoice customers get far, far behind on actually getting the cash

9:16 PM · Jul 13, 2021

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From the various responses to the tweet that came from the founders, we found that a lot of them had their own versions. After some Googling, we realized that there was no comprehensive, definitive guide/playbook out there that can help you out to get started on streamlining your debt collections. So here we are!

If you're wondering why we're doing this playbook, let me establish my street cred. In my past 1 year, I have been spending a lot of time talking to 100+ collections/AR specialists, AR managers, finance managers/controllers, CFOs, and startup founders from early-stage to late-stage companies (from $1M to $1B ARR), in my journey of building Growfin (AR Automation Software).

We realized during our conversations that teams were spending a lot of time and effort on solving cash flow and debt collection challenges, which could be made easier with a tool like Growfin.

Also, we realized that we could compile the learnings from those conversations as a playbook that might be resourceful for startup founders after looking at Jason's tweet.

Disclaimer: This might be a long read. But it's for founders like me who have a hundred things to do and very little time to do it. Hence, I've tried to be clear, and concise, and provide actionable takeaways with it as much as possible.

Debt Collections in a B2B Startup context

Collections in a traditional BFSI context are about chasing payments. This could be a loan repayment or credit card defaulters. The goal of the collections rep is to hit their target by collecting cash from the customer. Most of the time, the institution and the rep don't care about maintaining the relationship so they even resort to bullying/abuse to get their money back.

In B2B, however, collections are about having a healthy relationship with the customer and unblocking hurdles/challenges customers face in making a payment for your product/service. It's an extension of the customer's life cycle. It doesn't involve just chasing invoices but also setting up a streamlined process to collect payments and handle CX right from the moment a customer signs the contract to when the money hits the bank and beyond.

For example: In the case of SaaS businesses, the collection cycle happens every billing cycle so the collector might have multiple touchpoints with the customer, probably every month. It's not just the AM or CSM's job to manage customer relationships. It's also the responsibility of the collector.

In this post

Section 1: Best Receivable Management Practices to get your customers to pay on time

Throughout this section, I'm going to assume the best of your customers. They love your service/product and have the clear intent to pay you but haven't for any number of reasons.

Delays in payment could happen because of many reasons, but here are some of the common internal reasons that could cause unnecessary delays,

1. Not sending the invoice to the customer on time
2. Not having the right billing information in bill
3. No or wrong email address for the payer/billing contact
4. Billing amount or items are wrong
5. Not sending the relevant documents (like a purchase order or statement of work) while sending the invoice

If you look at the above reasons, those are some things that are easy to correct. But as a framework for best collection practices, it's all about sending the right information to the right person at the right time.

- A clean customer record and contact data
- Timely and personalized delivery of the invoice (understand which customer wants what type of invoice and mode of delivery)
- Proactive collection follow-ups—knowing to remind the right person at the right time with the right information

1.1 Having a clean customer record and contact data (to help you at the time of debt collections)

Having a clean contact/lead database isn't just important for your sales and marketing team but also necessary for your collections team. From our learnings,

The biggest challenge startups/companies face in payment collection follow-ups is incorrect, stale, or no contact info from the customer's finance team. A lot of time is wasted by invoices ending up in the wrong inbox.

Now, what to do and how to do it?

It starts with your customer onboarding process. You need to ensure that

- You collect correct and necessary billing/payment information
- You and your customers are transparent. Everything needs to have been communicated well and agreed to.

Billing Information of the Account

- Billing name and contact
- Billing address
- Payer contact: both email id and phone number (for collection follow-ups)
- Point of contact for any redressals/disputes or escalations if needed
- Preferred payment mode (ACH, wire, credit card, check, etc.)
- If it's credit card auto-pay, credit card information (you can set up a form to collect the relevant information or you can use a tool like Stripe to allow customers to do their onboarding themselves)

Internal Contact Information

- Account Manager
- Customer Success Manager (if any)
- Collector (if any)

This information is essential to keep the right person in the loop and also escalate in case of delinquencies or disputes.

Contract/Payment terms

- Billing terms (Recurring/Contractual)
- Frequency of billing (in case of recurring)
- Accepted payment terms (Net 15, Net 30, etc.)
- Any split invoicing (Milestone based/usage-based)
- Appropriate late fees calculation on delay

Other key points to note:

- No. of days after which the collector is contractually bound to reach out regarding due payments

- Contract details: Make sure the contract captures all details regarding payment deadlines (late fees when applicable), amounts owed, and payment methods
- System of record: Make sure all the above information (internal, external, and payment information) is properly captured and maintained in the system (CRM or ERP)
- Access control: Collector should have access to change or update contact information
- Constant Update: Keep updating the records about contact information to reflect changes like a particular payer/POC leaving the company or an upgrade with different terms
- Credit risk: Evaluate the credit risk of customers at the time of onboarding and make sure they are creditworthy (might not be applicable for SaaS)

1.2 Timely and Personalized Delivery of the Invoice

One of the obvious easy things to do and yet gets missed sometimes is sending the invoice as soon as it's generated, checking if it's received by the customer and by the right person. Also, validate that your data is up to date and clean.

There might be different formats of invoicing and modes of delivering the invoice to the customer based on the type and size of the customer - it's important we understand how the customer wants to receive the invoice. This saves a lot of time by not sending the invoice to the wrong place and the back and forth because of the wrong format.

Being proactive to deliver the invoice in the right format and mode could save a lot of time.

Some common modes of delivery

1. Email - Most common
2. Upload the invoice in an Accounts payable portal (like SAP Ariba etc.) - common
3. Physical copy - rare
4. Generate the invoice in the customer portal - rare

A good practice for startups to ensure timely collection of payments from large enterprises is to have a record of the format & channel of invoice delivery for each customer. Ex. via email, mails, customer AP portal, etc.

To whom and how does invoice delivery have an impact?

This works if your customers are large enterprises, sometimes with SMEs as well. Most large enterprises have a very clear process for their vendor payments. This means that by just ensuring that you are meeting your customer's vendor payment process requirements, your payment comes at the right time because the right information reaches the right person.

1.3 Being proactive on collection follow-ups

Your collection effort starts much earlier, sometimes even before an invoice is generated by maintaining a good relationship with the customer and being in touch with them periodically. But for a startup, we advise that you be proactive in getting in periodic touch with the customer to understand the status of the payment upfront even before it's due and understand if there is any concern about it getting paid on or before due.

This helps you to maintain a good relationship and not be too pushy. Also allows you to get clarity on whether you will get the payment and the timeline of it. This brings more predictability to your company's cash flow.

However, the key here is to maintain the balance of being proactive and yet not annoy the customer.

Hitting the right person at the right time with the right information

Here are some good practices and recommended cadences to follow on sending reminders and follow-ups on invoices before they are due or just past due.

Right Time	Right Person	Right Information	Action & Intent
Before Issuing invoice	To: POC CC: Payer & AM / CSM	Complex Invoicing - Supporting Docs - 1. Usage/Consumption data 2. Time Sheet/ SOW 3. PO etc.	Confirm the usage data or time sheet/sow with the customer before generating the invoice. You can avoid the back and forths later.
On Issued date	To: Payer CC: POC & AM / CSM	Invoice Related Documents	Deliver Invoice
0 to 2 days from issued date	To: Payer	-	Confirm receipt & confirm invoice amount/format
7 days before due date	From: AM / CSM To: Payer CC: Collector & POC	Invoice Related Documents	Confirm the status of the payment & understand if there is anything blocking for payment. It also acts as a gentle reminder that the invoice is due in a week
On Due Date	To: Payer CC: POC & AM / CSM	Invoice Related Documents	Gentle reminder that its due today
3 days past due	To: Payer CC: POC & AM / CSM	Invoice Related Documents	Reminder #1 that its past due
7 days past due	To: Payer CC: POC & AM / CSM	Invoice Related Documents	Reminder #2 (mentioning late fee implications if applicable, the no. of days from due date here can be changed based on your late fee policy)

Beyond this, you can consider this a delayed payment and involve a collections strategy to collect from the customer. It's important that the reminder emails should follow the same thread as the invoice delivery mail along with all the required documents.

As you scale up and as the number of invoices you generate per month goes up, you should start looking at tools to streamline tracking receivables & automate collection followups with personalization.

Some details on sending the right information

If you are a pure-play SaaS, it's mostly the subscription invoice with add-ons if they have purchased any or any expansion on the licenses that they have done. Example - purchase of new seats/licenses for new hires in their team.

If you have a complex billing process like PaaS or Iaas solution with usage or consumption-based billing or in the ad-tech space where you might have to show attribution, it's important that you have a document (Excel, in-product, PDF).

If you have a service (professional services) element to your business or your business is primarily services, then it's important to track time and share the statement of work and/or timesheet with the customer.

If you are a business delivering physical goods, proof of delivery (POD) or bill of lading (BOL) is necessary.

Section 2: Account Receivable Framework to collect overdue payments

There are going to be customers who do not pay on time and this is where a clear process/framework is required for your collector to accelerate collections on past due invoices.

Here is a simple framework you can follow to better manage your receivables and streamline your collection process efficiently,

- Have a snapshot of your receivables
- Collection strategies for different customers
- Optimal follow-up cadence
- Tracker for managing your receivables and collection activities
- Key metrics for monitoring cash inflow and measuring collection performance

2.1 Snapshot of your receivables

Before we get started on collections efforts, naturally we need to have a snapshot of where we are today with respect to outstanding collections.

Here are some metrics and reports to look at the start of every day/week/month (based on your collections frequency) before you go about collecting,

1. Total outstanding/balance to be collected (across customers and invoices)
2. AR by Aging Buckets
3. AR by Payment Status

Dashboard 1: Outstanding by Ages

	1 - 30 days Past Due	31 - 60 days Past Due	61 - 90 days Past Due	90+ days Past Due	Total
No. of Customers					
No. of Invoices					
Outstanding Amount					

Dashboard 2: Receivables by Statuses

	Pending	Partially Paid	Fully Paid	Promise to Pay	Disputed	Escalated
No. of Customers						
No. of Invoices						
Outstanding Amount						

2.2 Strategies for effective debt collections from different customers

Before you start following up on customers with AR, it's key that you have an approach/strategy for more efficient collections. By strategy, we mean who you collect first, how you collect (cadence and stakeholders involved and the level of involvement), and how you handle situations/objections, etc.

Your collection strategy will vary based on who the customer is, hence it's important you prioritize your list of customers with AR and have different collections strategies for different priority segments.

The traditional way of strategizing/prioritizing your customers is purely based on the value of an invoice or how big the customer is, and also may be on the age of the invoice. But that approach has challenges as it does not capture the risk involved in collecting the payment from the customer,

1. Current status of payment to an invoice (whether there is a commitment to pay or is it disputed, etc)
2. The number of follow-ups and escalations it has taken so far
3. Past payment behavior by the customer - any potential delinquencies
4. Current credit risk of the customer
5. Relationship strength with the point of contact etc.

These risk factors heavily influence how easy or hard it is for collecting cash from a particular customer and also give you better/accurate predictability with your overall cash flow.

However, as a startup, it's hard for you to capture and look at all of these data points to prioritize. Hence from our learnings from talking to multiple collection specialists, we have come up with a simple framework for prioritizing collection efforts and also a simple tracker template that you can use to prioritize and track the status of your receivables.

2.3 Simple Framework to prioritize and strategize your debt collections

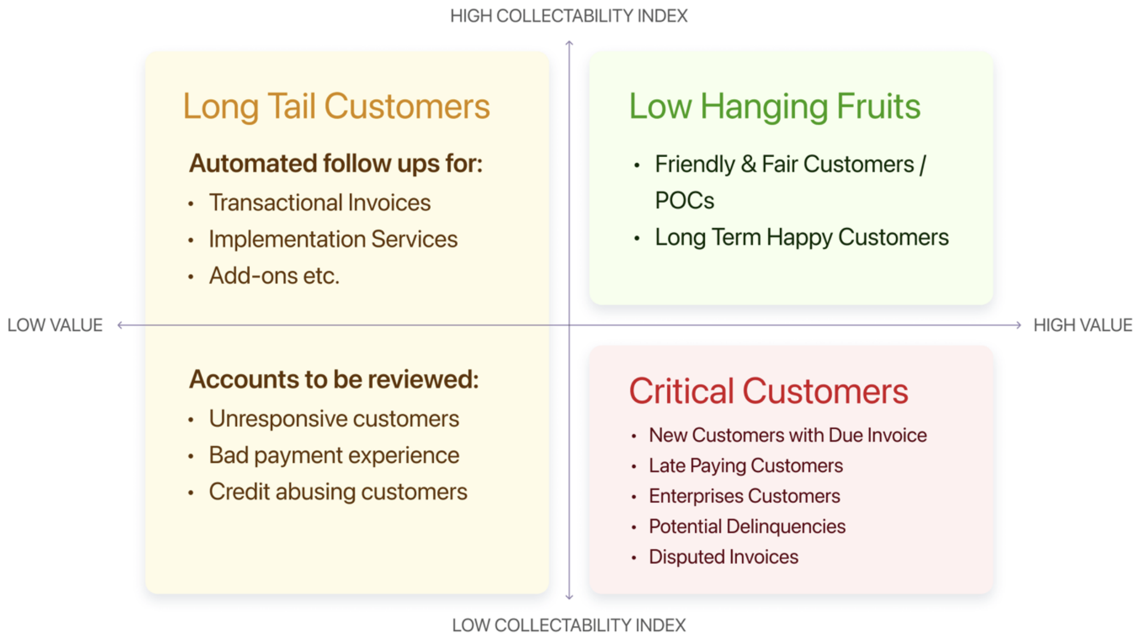
At the start of your day or week for collections, when you're looking at a list of customers with outstanding invoices, you can apply this simple framework to continuously prioritize and choose the approach/strategy you want to take for your collection efforts on a daily/weekly basis.

Initially, segment customers based on,

1. Value of the receivables
2. Collectibility Index - A calculated value that represents the risk of collecting that particular receivable/invoice from the customer

While value is straightforward (sum of all invoiced amounts), for the collectibility index to be considered to segment your customers, the following are the factors you should consider for each segment,

1. Age of the invoice
2. Current status of the invoice (Promise to pay, Disputed, Escalated Invoice)
3. The number of follow-ups in your cadence in case of no response
4. Risk of the customer based on past payment behavior
    a. Average delay in payment from this customer (from past payments)
    b. Relationship strength with the POC



Priority Matrix based on ROI (Value of Returns vs Effort Required)

Low Hanging Fruits

Customers and their AR that are a fairly low effort in collecting will unlock your cash flow immediately. These are some of the invoices that you can immediately start following up with the customer.

How can you identify low-hanging fruits?

New invoices from low-risk existing customers

Identify any high-value invoices that are just past due from

1. Customers or points of contact with whom you have a good relationship with

2. Long-term happy customers
3. Customers who generally pay on time (without much follow-up required, low ADP)

Invoices with a response of promise to pay from a customer

Identify customers (or invoices) with a commitment of payment or promise to pay that is due today or very soon. A promise to pay clarifies that there is an intent in making the payment and also gives you clarity on when the payment arrives with a clear reason for the delay for payment first of all.

Action - Send a gentle reminder to the customer over email about the invoice past due.

Critical customers

Critical accounts are generally the ones that need more attention and time/effort in collecting cash because a non-payment from these customers has a high cash flow impact. Not investing the right amount of time and effort, or including the right stakeholders might lead to potential delinquencies or bad debts.

How can you identify these critical accounts?

New customers

Any new customer with a past due invoice is critical because there is no established relationship with the customer yet and there could be potential delinquencies as we do not know the true status yet.

Action - Just being proactive in establishing a relationship with the customer and their point of contact is critical. Also, be cautious of any potential delinquencies here. Connect warmly with the customer and send a gentle reminder that the invoice is past due.

Invoices from existing high-risk customers

Existing customers who generally pay late or large enterprises require a payment process on their end which might create a back and forth.

Action - Follow-ups could be handled by Account Managers or CSMs in case of really high value or large enterprises as there is an established relationship there that could be tapped in.

In case of some initial follow-ups, an email from the collector keeping the AM/CSM in the loop (over cc) could help in collecting.

In case of some initial reminder emails sent, a call to the customer's finance team to understand the reason for late payment will help you get the real status or a commitment of payment on a particular day.

Aged invoices with potential delinquencies (after multiple follow-ups)

Invoices that have aged (beyond 30 days or 45 days, depending on the nature of business) and have been followed up multiple times (over email and calls) are also critical.

If there is no response from the customer for your emails and calls made or in cases where there is no solid reason for delay or commitment of payment,

Action - escalate these high-value invoices. There are a couple of levels of escalation that you can take based on severity:

1. Level 1 - Involving the AM or CSM in checking with the customer for the non-response or non-payment. Highlighting the number of follow-ups and potential delinquencies.
2. Level 2 - Involving the CXOs or the founder. The founder getting involved or senior management getting involved in the collection process with the POC (Buyer contact, not the finance contact) will expedite the process.

In some cases involving large enterprises, while onboarding the customer, you may get multiple contacts in case of payment escalation or resolving disputes (Escalation Matrix). Use that now to reach out to contacts.

Disputed Invoices

You got a response from the customer that there is an issue/dispute to make the payment. There could be multiple reasons for the dispute based on which the way you act will vary.

Dispute type

Invoicing errors or issues - Verify and correct them if there are any. These are relatively quicker to resolve and hence less risky. This type is the most common type of dispute that arises.

Some rare ones,

Implementation or Onboarding delays-Customers might have signed the contract, but there might be a delay in implementation or onboarding of the customer. In these cases the customer might not be comfortable paying for an invoice before they start using the service.

There might be long delays because of this based on the implementation and onboarding cycle, hence being proactive with your onboarding team (CSM, pre-sales, etc) is critical to expedite this process.

Product or Service Issue- These types of disputes are critical as they delay the payment a lot until the product or service promises and issues are resolved. These lead to unpredictability in payments.

Long Tail Customer

These are customers whose invoice values are low and there is a delay in payment. In some cases, 80% of invoices might contribute to 20% of the revenue, which means there is a big long tail.

Following up on the non-payment of these long-tail customers is time/effort consuming and with low ROI.

Action - Automation personalized follow ups for these customers will be valuable in saving a lot of time for your team. Reminders to low-risk customers (with good contact/relationship) will accelerate the collections here.

You could also consider shorter payment terms (due period) to these customers to accelerate the overall collection cycle and reduce risk in collections.

Accounts to be reviewed

When you have these long tails of customers with high risks in collecting cash based on the relationship with the customer or the payment experience in the past, it's good for you to think of options other than offering credit to these customers like a pay and use model.

If credits are being offered, then consider the credit risk of these customers to define the credit limit and also review whether these credits offered are collectible. Also, shorter payment terms will help you accelerate the collection cycle, reduce risk or identify delinquencies much earlier.

Sometimes you might have to take the hard call of terminating the contract or doing business with some of these customers if you believe the ROI on collections is turning out to be negative.

2.4 Next best collection action you can perform

Now that you know which are all the customer segments that you can prioritize and focus on, here is a framework that will help you with the next best action that you can perform as part of your collection strategy based on the current status of an invoice/receivable of a customer from that segment.

On invoices without any response or clear status of payment

Based on our learnings from experts, we have put a chart that shows what actions you can take as part of your collection strategy when you are following up and not getting any clear response or clear status of payment from the customer.

CUSTOMER RISK	Followup 1 Just Due	Followup 2 > 3 days	Followup 3 > 7 days	Followup 4 > 15 days	Followup 5 > 30 days	> 45 days
LOW	**Email** Reminder	**Email** Past Due Reminder	**Email** 7th Day Reminder	**Call** Gentle Reminder	**Escalate** to AM/ CSM	Account Suspension Warning (Saas)
MEDIUM	**Email** Reminder	**Email** Past Due Reminder	**Call** Gentle Reminder	**Escalate** to AM/ CSM	**Escalate** to CXO / Founder involving in collections	
HIGH	**Email** Reminder Keep AM & CSMs in Loop	**Call** Gentle Reminder	**Escalate** to AM/ CSM	**Escalate** to CXO / Founder involving in collections	**Escalate** over any matrix if its a large customer	

Here is a chart showing recommended actions that you can perform at each stage of the followup based on the risk of the customer. You can use this framework on a day to day basis using the tracker.
Example - the 3rd followup on an invoice for a low risk customer can be another reminder email but the same for a high risk customer can be an escalation to AM/CSM to get in touch with the customer.

When a customer responds,

Based on the nature of the response, the next best action that you can perform will vary.

You can categorize the response types as mentioned below,

1. Common trivial excuses for the delay in payment, nothing serious. Matter of time in getting the payment.
2. Cash flow issues at the customer end.
3. Issues/dispute at your end with the product/service delivered or in invoicing etc.

We have detailed below the possible actions that you can do for each type of response that you receive,

Common excuses for delay or queries, and their respective corrective actions

Common Reasons for Delay / Non-Payment	Recommended Actions
Invoice not received	• Ensure you have the correct contact • Resend the invoice • Get an acknowledgement from the recipient
Waiting for Approval from Manager / Finance Head / POC	• Understand why approval is waiting • Is it an oversight or neglect? Follow up accordingly • If the approving person is not available currently, get an arrival date or promise to pay date • If the arrival date is too far-fetched, ask for payment through a different mechanism
Payment already initiated	• Ask for remittance information
Cheque sent through the mail	• Track the cheque information and the address to which it was mailed

Capture commitment or promise to pay from the customer

For all the above excuses for delay,

The most important thing that you should end a collection call or email with is to get a commitment of payment & when you can expect it. An agreed promise to pay dates puts an onus on the customer to meet it.

Also, ensure the promise to pay date is reasonable and justifiable. Else, push the customer to accelerate the payment with any alternative options, For example - if an invoice is pending for approval on their end from the POC/Manager who is OOF, a 1 or 2-month timeline for commitment is unfair which you could argue and ask for an earlier date.

Cash Flow Issues for customers

When you offer an extension of credit to a customer for a period, ensure that the collectibility from the customer is not an issue and that it's just a delay in payment (or short-term cash flow issue). The last thing you want is to offer an extension or more credits to high-risk customers.

Disputed Invoices

Dispute Types	Recommended Actions
Invoicing Errors or Issues	• Look for the original conversations/order forms/POs/documents signed/agreed at the time of purchase • If there is wrong billing from your side, correct the same and send a revised invoice • If there is miscommunication, have it resolved by talk
Implementation or Onboarding Delays	• Apologize and make a clear communication of reason for the delay • Offer some considerations
Product or Service Issue	• Have your product specialist solve open issues • Arrange for a demo repeat • Offer some considerations to cover for downtimes/outages • Do not over provide since it may become a practice

Section 3: Handling customers who are delinquent

Delinquent customers are ones who neither pay for the product or service used nor do they respond to your follow-up emails or calls. They might be either dormant on product usage or sometimes might use the product intermittently, or have used the product/service well before.

These are rare situations in the tech startup world to see customers who are super delinquent for whom you need to take action to recover that payment. It does happen rarely and if it has not happened to you, great. But knowing what actions you can do when such a situation arises is critical.

3.1 Step 1 - Account Suspension Warning

If your product or service with the customer is ongoing (and you see they are using it), when you sense potential delinquency (from critical customers) before they become delinquent, the first thing that you do is warn them about a potential termination/suspension of product/service and it's contract agreement if any.

If you sense the customer is still unresponsive to the warning, suspend their account (product or service) and let the customer know. This in general escalates the situation and makes the customer act if they are actively using your product/service.

3.2 Step 2 - Bad debt recovery and collection agencies

If there are customers you have with a sizable invoice value, who may have an impact on the overall cash flow if they become a bad debt, consider using collection agencies or similar services (upfront factoring) to recover the bad debt for you at a certain percentage of the cost of the invoice amount.

This is an option you can consider when you believe the invoice is not collectible or recoverable internally by you. At point engage with a collection agency and give the historic information and all collection activities performed by you to recover the invoice amount.

3.3 Step 3 - Legal Actions for debt recovery

Last line of defense.

This is an option you can consider when you have invested huge resources (time and money) to a customer who becomes entirely delinquent and the invoice value is really high and is now considered a bad debt, where the impact/cost of not collecting the amount is really high that legal route still has ROI. Bear in mind that when you give a legal warning, be prepared for a legal charge to be filed, which would involve the cost of engaging with a counsel, etc.

Similar to account suspension, give multiple warnings on a potential legal action, and then if you are left with no choice then send a legal notice by engaging with a counselor. There are multiple counselors or collection agencies that help you recover bad debts.

The impact of a legal warning/notice has credit implications to the customer as well, hence contractually bound customers would generally respond and try to mitigate or salvage the situation before it goes to court.

Section 4: Key Metrics for measuring Collections performance

Some key recommended metrics for startups to measure their collection performance are,

- Total collected (month to date)
- ADP (average delay in payment)
- There are other standard financial metrics like DSO and ARTR (used across industries and enterprises) that give you a better picture of AR

4.1 Total Collected

Total collected (month to date) is the overall amount that has been collected in a month until a given date. This helps you measure your cash inflow trend over time. It gives you a picture of how much you have collected so far in the current month.

4.2 ADP

The Average Delay in Payment is the average time a customer (or across customers) takes to make a payment from the time it is due for payment.

This metric helps you to understand how long your customers take to pay and when you measure it over time, you will be able to understand your collections performance and whether it is helping reduce the delay in payment/ accelerate collections.

Also, when measuring for every customer you can understand,

1. which customers are low risk (pay on time overtime) and which are high risk.
2. Need for credit reviews/check while onboarding the customer
3. Arresting bad selling behaviors (with wrong credit, billing and payment terms)

4.3 DSO

Days sales outstanding is a metric that helps you understand how long your sales are stuck as outstanding - another way of measuring how long it takes to collect a certain receivable amount.

The difference here is DSO does not care about which customer or invoice has been stuck or paid, from a financial standpoint. It helps you measure how much cash that is owed (receivable) is stuck for how long.

The higher the number, the more the impact on cash flow and working capital management. From a benchmark standpoint, good v/s bad DSO may vary based on the type of business or industry. But a DSO under 45 (with Net 30 terms) is usually considered a good.

DSO is the most widely measured metric for AR performance measurement by finance teams, it is applicable across industries and sizes. But it is a bit tricky when it comes to SaaS companies.

Now, these KPIs measured over time (trend) will help you understand the collections performance of your company.

Section 5: Checklist for Operationalizing your Collection Process

Once you have figured out your collection process specific to your business, how do you go about operationalizing it?

5.1 Step 1 - Choosing the right software

Identify your needs upfront and choose a software that best fits your needs. For example, you might want to have better visibility in terms of your collector's actions or a dashboard to track receivables. A software's capability does not just stop there. It can help you prioritize your accounts based on your collection strategy, give you live tracking of receivables' statuses, know customer disputes, also automate a lot of collection follow-ups and manual reporting, etc.

Alternatively, we have put a simple template tracker for you to get a feeler and get started on operationalizing collections. A tracker gives you a trial of what you can do though it has serious limitations in automating or streamlining the process. Download Sample Tracker

	Customer_Name	Aging (Days)	due_amount ($)	Status	ADP	No. of followups	Relationship Warmth	Segments	customer_id
	SEGMENTS Critical Accounts Count 5	Avg 111	Avg 46722.94		Avg 82	Max 2			
1	White Duck	64	48738.68	DISPUTE	98	0	Low	Critical Accounts	C016
2	Peace Inc	272	48681.02	PARTIAL_PAYMENT	88	0	Bad	Critical Accounts	C001
3	FireWire Tyres	97	46620.04	RESPONDED	120	1	High	Critical Accounts	C005
4	Idly Beer	66	45350.92	RESPONDED	85	0	Medium	Critical Accounts	C018
5	White Duck	58	44224.02	EMAIL_SENT	17	2	Low	Critical Accounts	C016
	SEGMENTS Low hanging fruits Count 4	Avg 145	Avg 37898.27		Avg 6	Max 1			
6	Take it n Go	47	45160.61	PARTIAL_PAYMENT	12	0	High	Low hanging fruits	C019
7	Salmon Tank	136	44334.30	ESCALATION	1	1	High	Low hanging fruits	C008
8	Apex Education	313	40697.10	EMAIL_SENT	11	1	Medium	Low hanging fruits	C022
9	White Duck	84	21401.06	RESPONDED	1	1	High	Low hanging fruits	C016
	SEGMENTS Long tail Count 7	Avg 174	Avg 7037.35		Avg 42	Max 3			
10	Green Apple	249	9982.34	PARTIAL_PAYMENT	33	3	Low	Long tail	C010
11	Bio Technica	58	8861.89	WAITING_ON_CU...	90	2	Bad	Long tail	C021
12	Apex Education	117	8459.74	ESCALATION	57	3	Low	Long tail	C022
13	Bell Inc	321	6532.38	WAITING_ON_CU...	11	2	Low	Long tail	C002
14	Commonman Health	150	5691.97	ESCALATION	62	3	Low	Long tail	C003
15	Ginger Pipes	130	5153.24	YET TO FOLLOW-...	4	2	Low	Long tail	C017
16	Bargefree	193	4579.89	EMAIL_SENT	34	3	Bad	Long tail	C015

A quick snapshot of the tracker template that you can use designed for this framework

But as you grow, managing this tracker cleanly and updating it manually by different stakeholders and users can be a great challenge. Choosing the right software can save you from such shortcomings.

Advantages of using the software are:

- Provide you better visibility
- Help you prioritize accounts
- Track statuses of your receivables
- Track customer follow-ups and responses

5.2 Step 2 - Define your collection strategy and Automate by setting it up in the software

Based on the nature of your business and the type of customers you serve, define your different collection strategies

- Define your different customer segments for prioritization and categorize them in the tool or tracker
- Define your follow-up cadence for each segment from reminders to escalations.

- Define possible email templates or call checklists based on cadence

To operationalize your collection strategies, you can set them up as filters and workflows in the tool and automate some of the collection follow-ups based on different strategies.

5.3 Step 3 - Align your Teams to your Collection Strategy

- Align all the stakeholders (finance, sales and customer success) on the collection strategy and their role in it
- Setup reminders/tasks using a tool to remind them of their action at the right time
- Train them on collection related communication with customers
- Train them on the tool as well

5.4 Step 4 - Set up your dashboard

Set up your dashboard to measure Collection KPIs. Using software can help you track your metrics in real-time and help you analyze data. There are methods to calculate DSO manually like Countback Method, Quarterly Averaging Method, Annual Average Method, Aged Debt Method. The recommended method is the Countback Method. You can refer to this article on measuring DSO.

It is key you measure your current DSO, ADP and also a trend of DSO and ADP month on month to measure how your collection performance has been over months/quarters.

Get on a free 30 min consultation call with us

I believe this blog gives you a simple yet detailed framework and a good checklist for you to operationalize it.

If you are looking for further assistance to streamline your collections and operationalize them for your business - we are offering a 30 min free consultation with our expert committee of finance folks who have been there and done that multiple times, feel free to block our time.

Aravind Gopalan
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Previously a product guy at Freshworks built Freshteam, an HR management software from scratch to the growth phase. Before Freshworks, co-founded Frilp in 2012 which was later acquired by Freshworks in 2015.