

# Working Capital Analytics



**By Means of a Well-defined, Proven and Effective Methodology, Capgemini Working Capital Analytics can:**

- **Increase liquidity**
- **Reduce debt and cost of capital**
- **Increase return on capital employed**
- **Increase profitability and shareholder value**

## **A Proactive Approach to Cash Optimization**

Working capital (WC) is one of the best indicators of a company's financial well-being, and its cheapest source of finance. Following recent economic developments, companies are looking to release cash trapped in operations to finance their WC. CEOs, CFOs and finance executives should aim for sustainable improvements in the inventory management, accounts receivable and accounts payable processes to reduce working capital and improve return on capital employed (ROCE).

Main challenges that executives face in proactively optimizing working capital are:

- Limited access to information: companies lack the real-time data required to evaluate working capital processes
- Lack of a clear drill-down methodology and cross-functional view
- Lack of time, analytical resources and capability to focus on optimizing working capital

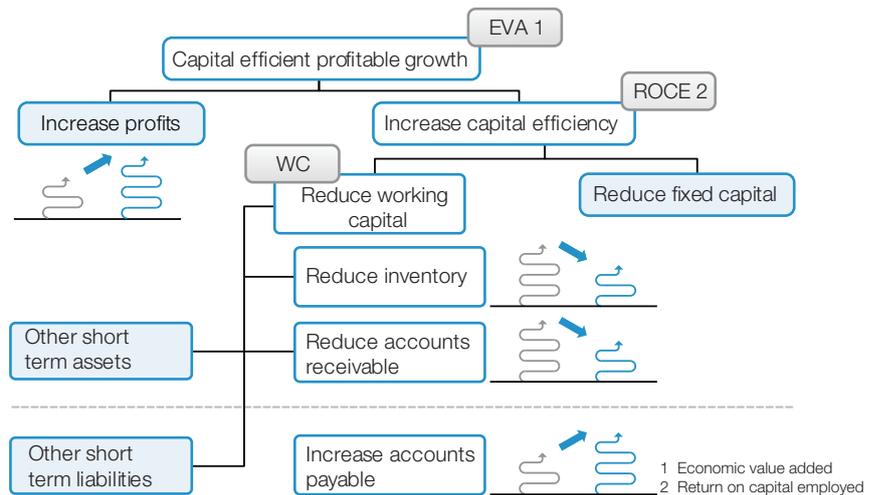
## Working Capital Analytics Eliminates Waste and Improves Cycle Times for Receivables, Payables and Inventory in Order to Reduce Working Capital and Increase ROCE.

### Capgemini's Approach

Improving WC requires a holistic approach to increase efficiency across the entire cash conversion cycle. Capgemini's Working Capital Analytics helps by breaking down the enterprise level problem into a set of discrete transaction level problems and analyzing them to generate practical insights.

For example, companies can discover the exact reasons why they have above-average Days Sales Outstanding – whether those reasons are to do with terms, collections, disputes, or other factors – so that they can take prompt and direct action. In this way, you can gain clear and detailed visibility of lagging and leading key metrics across the WC cycle, enabling more effective control and management.

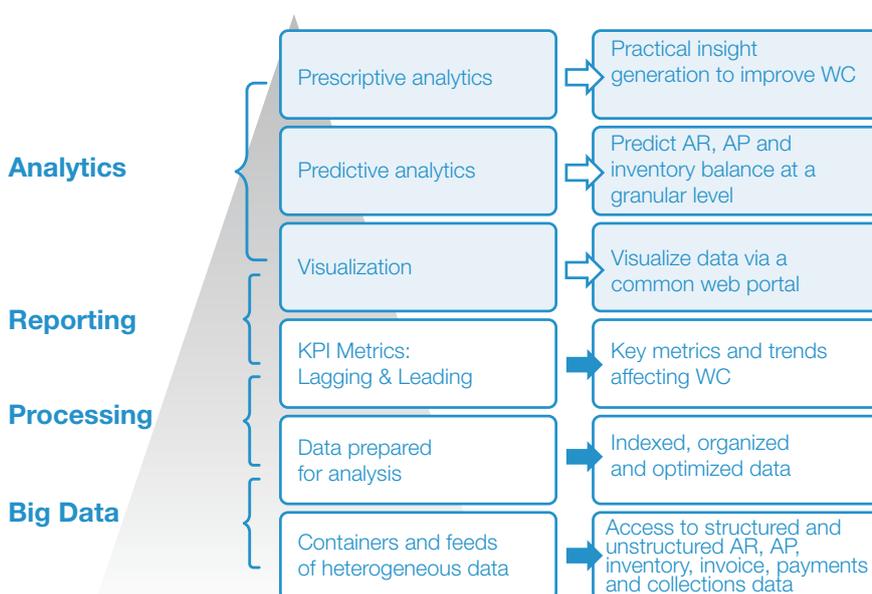
Experience shows that the companies that manage WC best have a number of characteristics. For example, they have clear WC management standards and management processes, with precise roles and responsibilities along the value chain, plus disciplined execution.



They track KPIs top-down and report them from business level to operational level, comparing targets with actuals to identify corrective actions. Finally, they have well-established continuous improvement routines, and share best practice company-wide.

Capgemini can equip you with everything you need to achieve this type of approach, such as:

- Access to high-quality and proven analytics resources that are normally hard to find
- An enterprise-wide approach to data management and analytics
- Cost reductions through use of our Centers of Excellence
- Ability to handle very large data sets



### Capgemini Advantages

- Access to scarce, high-quality and proven analytics resources
- Enterprise-wide approach to data management and analytics
- Process excellence and effective decision-making
- Reduction in internal costs through leveraging the Center of Excellence platform
- Ability to handle huge data sets

## Highlights

- Benchmarking across business units and with peers
- Diagnosis across the WC value chain to identify immediate improvement opportunities
- Detailed action plan for change implementation
- Ongoing analytics for sustainable improvements

	Capgemini's Approach to WC Reduction	Traditional Approach to WC Reduction
Accounts Receivable	<ul style="list-style-type: none"> <li>• Improve credit and collection process</li> <li>• Improve internal/customer behaviour</li> <li>• Cross-departmental cooperation</li> <li>• Term Normalisation</li> <li>• Invoice error deductions</li> </ul>	<p>30,000 feet theoretical approach</p> <ul style="list-style-type: none"> <li>• Price cuts on previous payments</li> <li>• Aggressively collect receivables</li> <li>• Adjust customer payment terms</li> </ul>
Accounts Payable	<ul style="list-style-type: none"> <li>• Standardize terms / re-negotiation</li> <li>• Avoid early / urgent payments</li> <li>• Improve cash outflow forecast</li> <li>• Discount rules analysis</li> <li>• Optimum payment run cycle</li> </ul>	
Inventory	<ul style="list-style-type: none"> <li>• Total inventory visibility</li> <li>• Improve logistics KPI's</li> <li>• Supplier Risk Management</li> <li>• Network optimization</li> <li>• Stocking policies</li> </ul>	
	<ul style="list-style-type: none"> <li>• Holistic transformation approach</li> <li>• Ongoing analytics; Long term relationship.</li> </ul>	<ul style="list-style-type: none"> <li>• Suppress payments to suppliers</li> <li>• Press suppliers, affect relationship</li> <li>• Reactive approach to cash outflow</li> </ul>
		<ul style="list-style-type: none"> <li>• Fixed replenishment parameters</li> <li>• Change logistics providers</li> <li>• Expediting and constant follow ups</li> </ul>
		<ul style="list-style-type: none"> <li>• Singular treatment – one time action</li> </ul>

We have a regression-based prediction model that can be applied to accounts receivable balances, Days Sales Outstanding (DSO), Days Purchases Outstanding (DPO), Days Sales of Inventory (DSI), cash and other target variables. We measure WC in a centralized, standardized way, enabling comparison between entities. This makes it straightforward to implement an approach to WC that is both proactive and reactive. We conduct structured analysis of KPIs that facilitates incorporation in optimization programs.

Capgemini's expert team can assess WC inefficiencies using a wide range of technologies and industry-specific frameworks and approaches. Our success stories span many industries, processes and domains.

## Success Stories

### Working Capital Analytics Improves DSO by 12 Days with a Cash Impact of €184m

This global beverage company needed to free up additional cash flow. By focusing on its top 10 late-paying customers and the root causes of late payments, our analysis helped bring overall DSO down by 16 days. Term normalization helped to reduce DSO by four days. The resultant cash flow improvements were worth €184m.

### Benchmarking WC and Optimizing DPO Improves Cash Flow by 15%

Benchmarking at this leading agribusiness company showed that its DPO was lower than its competitors'. By fixing inconsistent term data in vendor records, we were able to help improve DPO from 29 to 34 days. We also helped set up a process to deal with prepayments.

### End-to-end Supply Chain Optimization Releases €15m and Increases Profitability

This consumer packaged goods (CPG) company had a complex supply chain. Until recently, its focus had been more on fill rate and availability than on wastage, but now it had concerns over slow and non-moving stocks. They asked us to investigate, and we analyzed DSI and other key variables. It gave them a better understanding of stock movements that enabled the client to release €15m of working capital by reducing stock wastage and rationalizing warehouse space.

## The Capgemini Experience

Our teams led by senior practitioners are recognized as specialist in their respective fields. The Working Capital Analytics team has a strong analytical background comprising of MBA's, Finance Graduates, Master in Statistics with experiences in Strategy, Consulting, Finance.

Our clients get lasting value because we engage directly and meaningfully with stakeholders at each level of the enterprise – from boardroom to shop floor and warehouse.

## Our Other Analytics Offerings



The key components of the CFO Analytics solution include:

### Revenue Assurance Analytics:

- Improved customer query to order conversion
- Enhanced credit and collection performance
- Reduced billing leakage and more sell-ons

### Expenses and Payables Analytics:

- Recovery of erroneous or duplicate payments
- Increased compliance with procurement policy
- Informed views of global spend

### Control Analytics:

- Dynamic real-time monitoring of key controls
- Predictive leading indicators to prevent failures
- Lower cost of better, broader risk mitigation

### Working Capital Analytics:

- Optimized treasury performance
- Reduced write off of stock and bad debt
- Effective use of discounts and promotions

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## Analytical Tools and Capabilities

- Huge data sets handled by our SQL data warehouses
- Efficiently analyzed using statistical tools like



- Visualization-focused business intelligence



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### About Capgemini

With more than 125,000 people in 44 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2012 global revenues of EUR 10.3 billion.

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want.

A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

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