

DPO Analytics



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DPO Analytics improves the way you use working capital by:

- Optimizing use of discounts
- Normalizing payment terms by benchmarking internally and externally
- Eliminating non-compliance with payment terms
- Reducing duplicates and over payments

A typical Global 2000 firm can improve cash flow by \$100m or more just by increasing Days Payable Outstanding.

Optimize Cash Outflow and Improve Working Capital Management

Monitoring Days Payable Outstanding (DPO) is critical to calculating your working capital. If a company has lower DPO than its industry peers, it is, in effect, subsidizing its competitors' cash flow. It is therefore imperative to keep track of DPO and look for opportunities to increase it as much as possible without straining supplier relationships.

Typical reasons preventing CFOs from playing a more proactive role in improving DPO include:

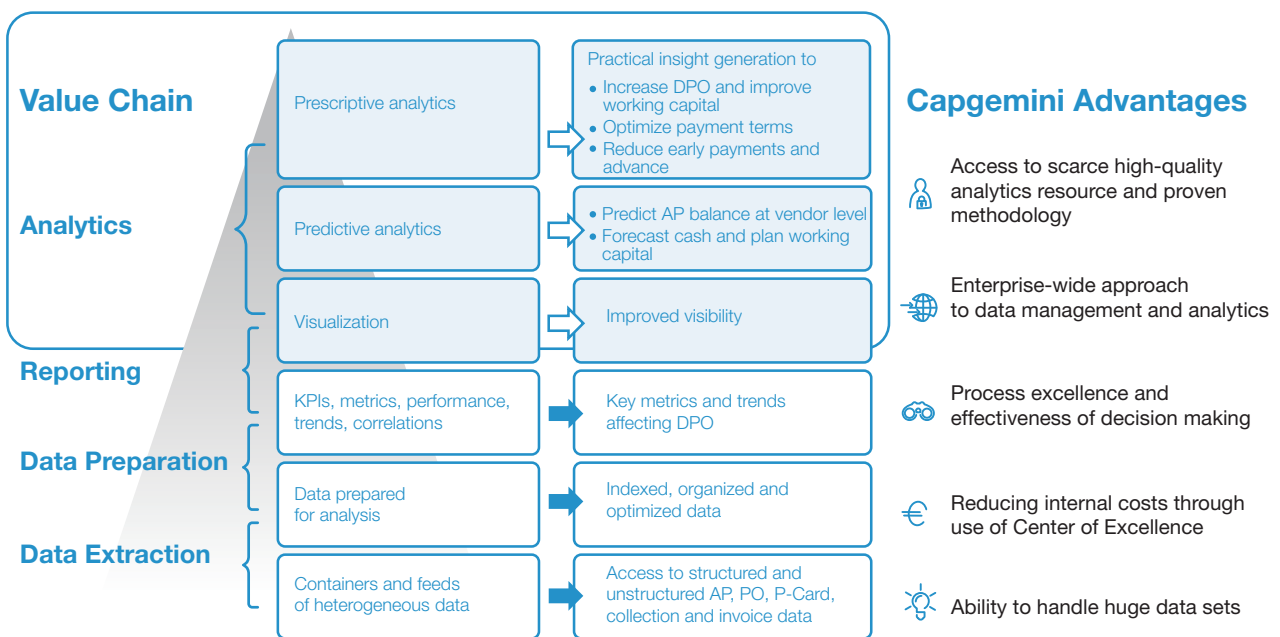
- The difficulty of analyzing huge data sets to obtain visibility across business units and regions
- Lack of analytical resources and time to track and analyze DPO
- Lack of tools to investigate early payments and inconsistent payment terms
- Lack of a clear drill-down methodology

Our Solution

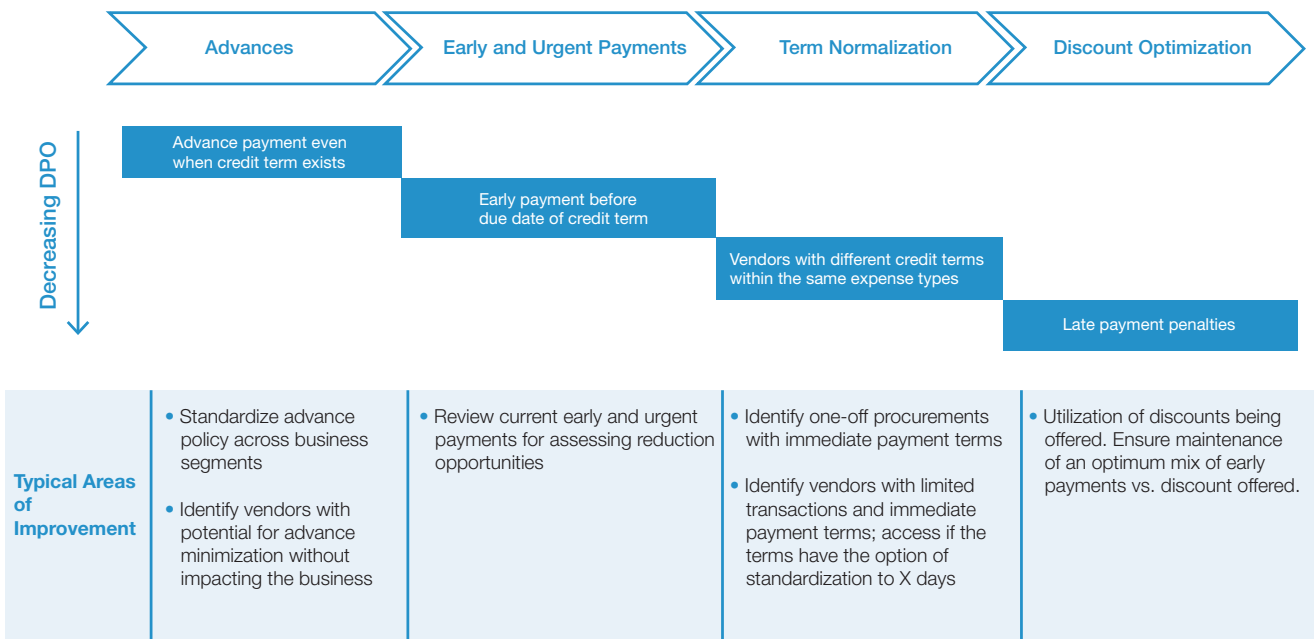
Capgemini Analytics provides not just a tool but a holistic service. You get practical insights at transaction level that you can use to improve DPO. We will help you identify suppliers with whom you can negotiate extension of payment terms in order to improve cash flow for your working capital.

Predictive DPO Analytics will help you to forecast cash flow more accurately and plan your working capital requirements optimally.

Capgemini's Value Proposition



Methodology: Analyzing Payment Terms to Identify Optimization Opportunities and Increase DPO



Highlights

- Limited use of client resources; well established methodology of Capgemini analytics. Ease of implementation
- Actionable insight to business
- Focus on improving working capital and releasing cash flow
- Application of multi-industry experience: manufacturing, consumer packaged goods, services, agribusiness, beverage, automobile and paper
- Application of international experience: Asia, Europe and America

Success Story

DPO Analytics enables a 15% cash flow improvement for a leading agribusiness company

Business Issue

- Higher working capital due to invoice prepayment
- Higher cost due to non utilisation of discounts
- DPO not in line with Industry peer benchmark
- Vendor payments terms not utilised

The client knew it was prepaying invoices frequently, that vendor terms were not being kept up to date in its master records, and that it was not using all the available discounts. It asked Capgemini's CFO Analytics team to analyze its DPO and recommend ways to optimize it.

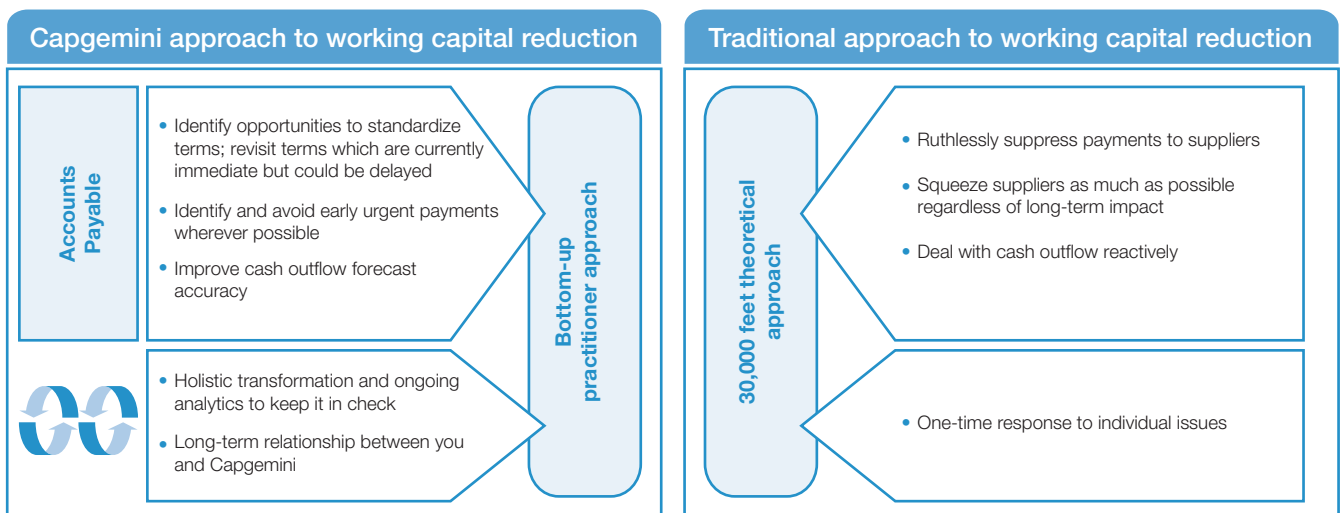
Solution

Analyzing payables data for the two previous years enabled us to:

- Identify plants and locations with above-average DPO
- Compare high-impact vendor terms, highlighting opportunities to normalize them
- Report early payments, and discounts that were available but not being taken
- Model the effectiveness of scheduling payment runs on different days, and recommend the best day
- Pinpoint where payment terms were inconsistent between the vendor master and invoice, and talk to the person approving the invoice to find out which version was right

Outcomes

As a result of our analysis, the client was able to improve DPO by four days and reduce early payments by 16%. Taking advantage of the available discounts generated an inflow of \$10m. The client fixed inconsistencies in payment terms on master data records and normalized payment terms in accordance with its policies, ensuring that the all business units applied the same terms for a given vendor.

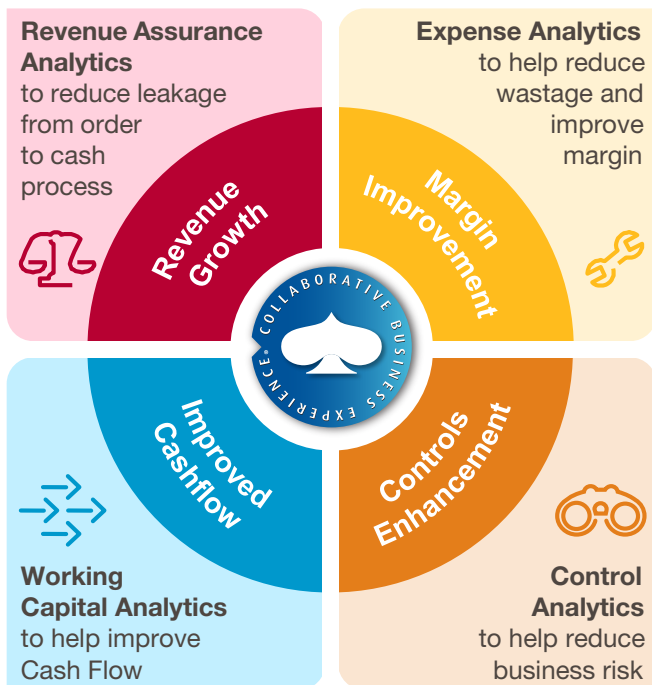


The Capgemini Experience

Our teams are led by senior practitioners and are recognized as specialists in their respective fields. The team has a strong analytical background comprising MBAs, finance graduates, Masters in Statistics with experience in strategy, consulting and 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

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.

Learn more about us at www.capgemini.com