

Using master data in accounts-receivable management

Having access to, and making the best use of, data metrics is the key to developing a successful credit strategy

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Master data management (MDM) is a comprehensive method of enabling an enterprise to link all of its critical data to one file, called a master file, which provides a common point of reference.

We will tell you how we dramatically increased cashflow from account receivables based on changing the tools and the processes according to customer data.

Analysing overdue accounts

We found that our customers were paying later than the agreed payment terms. So why did customers refuse to pay? Was poor credit the only reason?

We can all agree that knowing your customer is key to further enhancing their experience of your service, and to expanding your business in a safe manner. The same thing goes for diminishing your outstanding receivables, and preventing more bad customers from getting credit that you do not want to give out.

There are several ways to approach this – ways to go about both preventing it from happening, and to secure a speedy collection timeframe when it does.

Our total overdues were about 20%. So should we send all these claims directly to a collection agency? We decided to look at the details to figure out the reasons for them.

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What is hidden from sight?

When analysing the invoices, we found several errors on the customers' details. There were non-existing and wrong addresses, no VAT number, no reference person and so on.

We asked ourselves: what would happen if this customer changed their company structure? How could we know if they have payment problems? How could we know the financial situation of the company so that we could take the best collections action?

Building a strategy

Who are our recurrent problem customers? We found there were quite few customers with many invoices, and they represented

80% of the problems. We also found that the hotels did a lot of manual work on these customers. If they had not done that manual work, the results would have been even worse.

Firstly, having correct customer information is essential for a speedy and clean collections process. Without the basic tools, collecting money will be an exponentially longer process for each day that passes.

In the hotel industry, where customers come and go, it is key to have systems supporting a dynamic customer database.

So what are the major areas impacting this? It occurs in the booking system, but starts at the front desk.

The turnover rate for front-desk employees is the highest in the industry. A regular front-desk employee stays for three to nine months on average. This information can be used wisely. Obviously the front desk is the customer's first physical interaction with the hotel – it is crucial that the customer is given a good first impression. Other than making the customer feel welcome, experienced professionalism is the second most important factor to the customer.

Having a system that does not require months of training to understand is, therefore, very important. The more secure



the employee feels in handling matters, the more professional the total experience of the stay will be for the customer, and they will remember that. This will result in an increased chance of retention.

Upon arrival, the guest has already made their reservation. Checking the information at the front desk is where the problems begin.

An issue arises of not being able to check if the company actually has an agreement with us, such as a fixed room rate (which is the normal agreement), or having the stay being paid for by invoice. Most customers believe that this second agreement is in place, when the agreement may only be reduced pricing.

Even if the front desk is not 100% certain about the facts, being in the service industry they have to live and breathe the rule that 'the customer is always right', resulting in sending more invoices and increasing your total credit.

Changing the tools

We have customers from all over the world. We connected our systems into a worldwide

database that was able to provide us with a DUNS number. Now, the hotels are able to look up customers and then choose the correct company, address, and credit rating. Then we connected the external information with our own information, such as outstanding amounts, and our historical payment experience with that particular customer.

We also merged duplicates, closed wrong accounts, and established a system for monitoring. This work took a lot of time and effort.

Training

So were there occasions when the hotel was not able to find a particular company? Yes, indeed!

Firstly, we found that the customers themselves did not always have the correct information about their own company.

Then we understood another reason for all the wrong data: the front-desk people, with their hospitality mindset, did not want to discuss this, and trusted the customer. However, now we had to teach them that,

if the company was not on the system, it was important to find out why.

Every company in the world is on that database so, if they simply accepted the wrong data which the customer had provided, the result would be manual work to retrieve their money, and yet another wrong record on our system.

Results

Today we are making our own tools to make better decisions. We are working on combining our data and the external data. After all, we know our customers best, and we want them to feel that we know them.

In our opinion, this will give us the opportunity to provide the best service – and this will have a knock-on positive effect when it comes to claiming payment.

We all know that our data quality is important. Still we believe that we are not alone in having challenges similar to these. The cleaning of data is time consuming, but valuable. Clean and monitored data will give a competitive advantage in the long run. **CCR**