



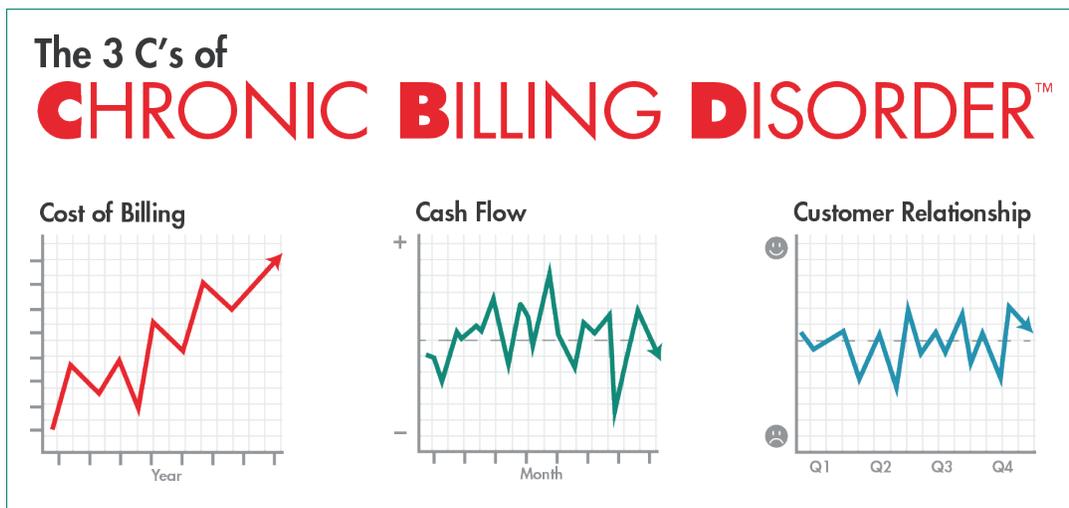
Chronic Billing Disorder:
The Silent Bottom Line Killer

The billing process is a necessary part of any business operation. But as business processes have become more complex and specialized, billing has lagged behind. Far too often businesses fail to capitalize on opportunities in the billing process with financial executives failing to see a strategic value in billing. They assume the billing process is a utility, not something that can be leveraged to achieve business goals.

Far too often businesses and even billing executives fail to capitalize on opportunities in the billing process...

This is especially troubling considering the economic challenges many businesses now face. External pressures have forced company leaders to look for new ways to cut costs, increase profits, and maintain brand value. Yet many are missing out on opportunities to do so through billing. It's not an intentional oversight. In many cases, companies are simply unaware that advantages in the billing process exist.

The lack of awareness and understanding about billing has led to a perpetual and enduring epidemic that plagues the business world known as Chronic Billing Disorder, or CBD. CBD negatively impacts all aspects of the billing process but chiefly the three C's: cost, cash flow, and customer relationships. When billing practices are bad, costs go up, cash flow goes down and customer relationships are volatile.



Chronic Billing Disorder can have a drastic effect on every aspect of a business. When CBD strikes, costs increase, cash flow is inconsistent, and customer relationships are volatile. These graphs show the role that CBD plays in each individual process.

THE THREE C's

COST

Since most businesses consider billing a needed utility, they often don't think about the cost of the process. They assume that whatever money they put into billing is a necessary and required amount that can't vary much. They fail to see that there are a number of ways to actually decrease costs in the billing process. Businesses with inefficient billing practices are hit where it hurts the most, in their wallets. In cases of CBD a number of factors contribute to soaring costs.

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The most costly part of billing for businesses is the bill itself. Every paper bill costs a significant amount of money. Labor, supplies, and postage account for an unnecessary financial burden in a 21st century digital environment. Every bill stuffed in an envelope is time and money wasted. Postage rates come at a significant cost, especially to companies distributing a large number of bills. CBD is characterized by an over-reliance on paper billing and a lack of focus on more cost-effective strategies, such as e-billing.

The costs associated with paper bills are fairly obvious. But there are also hidden costs that manifest when businesses are faced with CBD. Every bill sent out late or to the wrong location comes at a price. In some cases the wrong bills are sent to the wrong customers. When these mistakes are made more money is wasted not just on costs and postage, but also management time. Billing delivery errors are avoidable mistakes made by billing departments that are often overwhelmed by a large number of bills. Inevitably, when a customer receives the wrong bill a call is placed to a customer service line. The same is true when a bill is received late. The more errors and late bills, the more money a business must pour into its customer service. Every phone call represents valuable time and money wasted.

CBD doesn't just impact billing, it hurts the bottom line. It's an unfortunate paradox as the billing process should add to a company's value. But when the costs of billing aren't considered and practices are inefficient, it can negate profitability.

CASH FLOW

Cash flow is a critical consideration for any business. Even profitable businesses can fail if they don't have enough cash on hand. The billing process has a direct effect on cash flow and DSOs. But companies with CBD fail to consistently control cash flow and can often see troubling decreases.

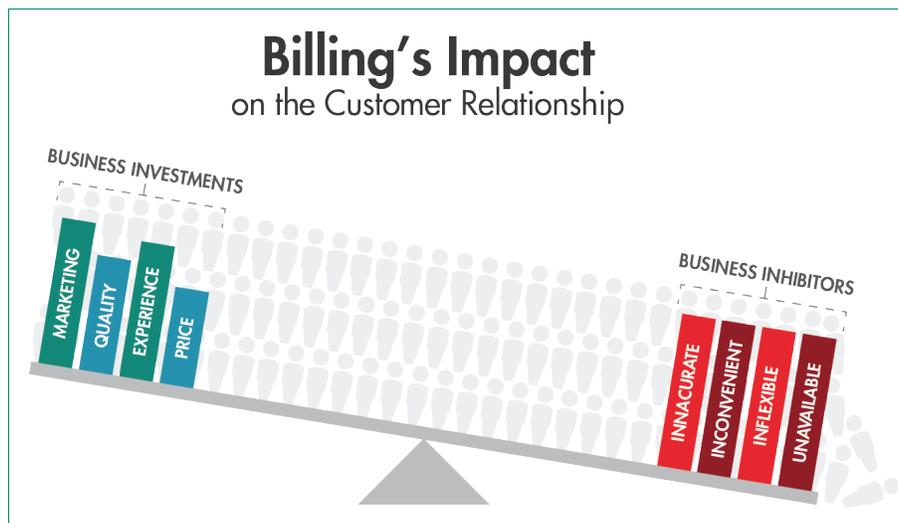
Companies want to be as quick as possible in delivering bills to their customers. But businesses with CBD struggle to get bills to their customers in a timely manner. This could be because they are sending out too many paper bills or because they are sending bills to geographically disparate clients. When businesses use a single location to send their bills, it's not uncommon for some to reach distant customers late. Whatever the reason, sluggish delivery of bills means cash is coming in at a slower rate.

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The importance of delivery accuracy has already been discussed in how it relates to costs. But an inaccurately sent bill also slows or halts the transaction process. Until a customer receives an accurate, easy to understand bill they are not going to pay. This problem must be rectified or money isn't coming in. This underscores how bad billing practices have an effect in multiple areas of business operations.

The relationship between billing and cash flow is understood by billing executives. However, many businesses with CBD fail to understand how they can increase cash flow via improved billing practices. Even in businesses where cash flow is fairly consistent, billing executives should be looking to drive numbers even higher.

CUSTOMER RELATIONSHIPS



A bill is one of the most frequent and important forms of communication between a business and its customers. In some cases it is the only form of communication. Understanding this relationship can be challenging for billing executives who are concerned with the basic functions of billing.

Businesses invest in key areas to establish brand and customer loyalty but the value in these investments can quickly be diminished or outweighed when billing becomes a customer burden. With CBD that's exactly what happens. The billing process transforms to a series of business inhibitors as bills become inaccurate, inconvenient, inflexible and even unavailable.

As long as a bill is delivered and paid on time, they feel their job is complete. But in fact a customer relationship can be built or damaged through the billing process.

A business invests in multiple ways to establish its brand and build customer loyalty. Key areas of investment include putting measures in place to ensure quality, continually investing to create a strong customer experience, pricing products and services aggressively to prompt trial and ensure ongoing adoption, and marketing to drive brand awareness and positive market perception. The value in these investments can be quickly diminished or outweighed when billing becomes a customer burden. Specifically, the following areas erode customer relationships.

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Inaccuracy – It has been established that inaccuracy in CBD effects costs and cash flow. The pervasiveness of CBD does not stop there. Inaccuracy in billing strikes right at the heart of a customer relationship. When the wrong bill goes to the wrong customer or a bill is misplaced it is not only a hindrance to a business; it is a hassle for a customer. Inaccuracy will anger customers and damage their perception of the business.

Inconvenience – Inconvenience can manifest itself in many ways in the billing process. Late bills become a huge inconvenience for customers. They do not want to be saddled with a late payment because the bill didn't reach them on time. Additionally, some companies offer early payment discounts. These are useless to customers if they aren't receiving their bills when they're supposed to. Besides timeliness and accuracy, billing inconvenience can be attributed to anything that puts an additional burden on the customer or creates additional steps, from bad formatting to access issues.

Inflexibility – Businesses understand that they need to be able to change as the environment dictates. While they may be willing to make changes to their overall business goals, businesses that have CBD do not take the same approach to billing. Rigidity in a business's ability to change and adapt the billing process can cause confusion for customers and fail to meet their needs. Something as simple as changing the format of a bill to make information clearer can be a complicated process if flexibility is not built into the billing system.

Unavailability – It seems obvious that a bill should be available for a customer but in cases of CBD availability is limited. When businesses rely solely on paper bills, customers lack the ability to review and manage bills electronically on computers, phones, and mobile devices. In an age when information is available 24/7, on-the-go customers have an expectation that this will also be true of their bills. Similarly, it

behooves a business to make bills quickly and easily available to their employees who handle customer complaints to ensure efficiency in how they handle billing inquiries.

Customer relationships can be difficult to repair once they are damaged. In the worst cases of CBD, customers may actually look to spend their money elsewhere if they are consistently frustrated with the billing process. While a potentially overlooked factor in the billing process, the customer relationship is one that billing executives should not ignore.

RAISING AWARENESS

It's not difficult to understand why CBD exists. Most financial executives take a bare bones approach where billing is concerned. As long as bills are delivered in a timely manner, they're not going to lose sleep over specifics. But as has been shown, specifics can have a direct impact on all aspects of a business operation.

The characteristics of CBD are present in many companies without their knowledge. Without awareness of the strategic value of billing, many of these negative characteristics are seen as necessary side effects of a static business function. While their negative impact is understood, a plan to alleviate these symptoms is often thought of as unattainable or insignificant. But they are hardly insignificant and should not be viewed as unattainable.

The first step toward solving any business problem such as CBD is raising awareness. Billing executives and business leaders need to take the components of the billing process seriously. Not all of the problems that companies face in billing are easy to solve. But they won't be solved at all if businesses aren't even aware they have a problem.

As more businesses understand CBD, they will be more prepared to make changes to improve their billing health. Few executives would refuse the chance to drive down costs and increase revenue. That's even truer in the current economic environment. CBD can be detrimental to a company's bottom line, brand, and ability to grow. By working together billing executives and business leaders can overcome CBD and find a cure.

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