

State Systems Protects Cash Flow with Lockstep Collect



Company Facts

Overview

- **Website**
www.statesystemsinc.com/
- **Location**
Memphis, TN
- **Industries**
Facilities Services

Success Highlights

Challenges

- Manual processes created collection difficulties, resulting in an inflated DSO

Benefits

- Reduced DSO by 24%, from 99 to 75 days sales outstanding
- Reduced working hours per month by 80 hours
- Enabled customer self-service with portal access

State Systems specializes in life safety for a range of businesses from hotels and restaurants to hospitals and nursing care, providing servicing for fire protection equipment, training, and cleaning services. With their wide range of customers and service offerings, State Systems' finance team is dealing with high volumes of invoices and a two person collections team.

Logan Hale, CFO of State Systems, knew that their collections process without automation was unsustainable. There were two options: outsource to a third-party collections agency that would take a 20 to 30 percent margin or automate in-house with a solution like Lockstep Collect.

Life Before Automation

At any given time, State Systems has around 5,000 customers that owe a balance. They split the collections process between two people; one whose primary function was to apply cash or check payments all day and the other made calls and sent out statements. Even with one person dedicated solely to statements, it was impossible for all this work to be completed.

In an attempt to offload some of the work, State Systems created a rule that an invoice had to be over \$1,000 and over 30 days past due to receive a statement. Additionally, they assigned customer numbers – odd numbered customers receive their statements one month and even numbered customers receive their statements the next month. Even with this process, not every customer was touched and invoices continued to go past due.

Hale implemented folding parties at State Systems. Ten to 15 people were gathered in a room, they would print 4,500 statements and spend the day folding and stuffing envelopes.

"We were at 99 days sales outstanding and that was not sustainable...it wasn't budging the needle a lot," Hale said of the folding parties.



Folding parties were expensive. Not only was it costly to be printing and mailing 4,500 statements, but there was a large opportunity cost of gathering 10-15 employees to stuff the envelopes rather than their real work. Hale estimates that among all the employees, this amounted to about 80 working hours.

Decreasing DSO

Finally, Hale decided it was time to automate. With Lockstep Collect, State Systems has automated the process of sending statements. Instead of only receiving a statement every other month, every customer is receiving a statement every 14 days. With the automation available in Anytime Collect, no customer of State Systems is left untouched. "We went from 4,500 statements we needed to mail out to 600 statements we had to mail out," Hale said.

State Systems has gone from barely being able to reach all their customers to now tailoring their collections process to fit the needs of their customers. With Lockstep Collect sequencing, State Systems can create different business rules based on the customer receiving the statement. General contractors using State System's services typically have different terms set, so Hale can send their statements less frequently than the rest of their customers. Debbie Jones, Shared Services Manager at State Systems who took the lead on the Lockstep Collect implementation, explained, "With a customer base of 25,000 customers, we would have to have an extremely large staff to accomplish the same level of interaction Lockstep Collect provides. Additionally, we can be sure that with the templates, we are communicating with a consistent branded message each time we touch the customer."

This use of sequencing and statement automation has decreased State System's days sales outstanding from 99 days to 75 days, a 24% decrease.

Accelerating Cash Flow with Self-service

Before implementing Lockstep Collect, Hale made a big push to move State System's customers to online payments. The finance team sent out letters with their monthly customer statements introducing Lockstep Collect and encouraging customers to get familiar with the new online portal and making payments online. Hale explained that customers jumped on the opportunity and they have seen huge utilization rates for online payments coming in via credit card.

Additionally, customers have become self-reliant in using the portal. Using Lockstep Collect's self-service portal features, customers have taken initiative to view supporting documents like invoices, statements and purchase orders. Some customers had missing payments from two or three years back and, after seeing this in the online portal, started to remit payment without additional push from the State Systems finance team.

"It's been a total transformation on cash flow," Hale said.

