How to Make Your A/R Processes Work Harder for Your Cash Flow

National Media Credit Professionals
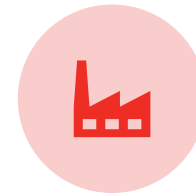
May 16, 2024

WHAT WE'LL COVER

Advertising spending & trends in the U.S.

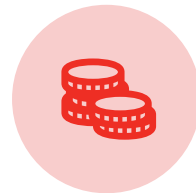Unique spend habits across advertising channels/media

Impact on risk across industries

Segmenting portfolio risk

Optimizing collections based on risk

Improving risk & cash flow

U.S. Media Spend

U.S. media spend to reach $357.3 billion – 6% growth YoY (Forrester)
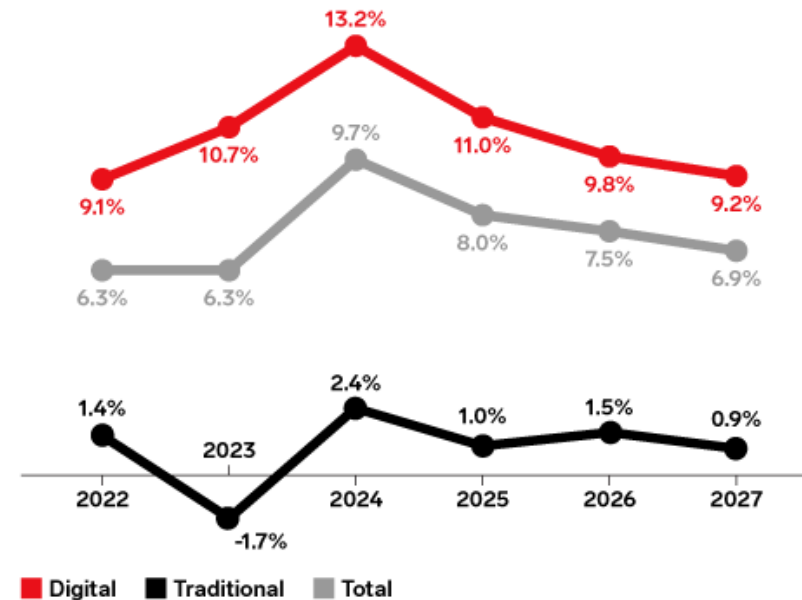
Hot ad categories: retail (9% growth), travel (9% growth), food & drinks (6% growth) and automotive (6% growth)

Overall digital spend growth will slow down to 7% compared to high growth post-COVID in 2021 (39%) and 2022 (13%)

Global Media Spend

Ad Spending Growth for Digital, Traditional, and Total Worldwide, 2022-2027
% change

Digital: 9.1%, 10.7%, 13.2%, 11.0%, 9.8%, 9.2%
Total: 6.3%, 6.3%, 9.7%, 8.0%, 7.5%, 6.9%
Traditional: 1.4%, -1.7%, 2.4%, 1.0%, 1.5%, 0.9%

Years: 2022, 2023, 2024, 2025, 2026, 2027

■ Digital   ■ Traditional   ■ Total

Note: digital ad spending includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; traditional ad spending includes magazines, newspapers, out-of-home, radio, and TV
Source: Insider Intelligence | eMarketer Forecast, Oct 2023

284095   Insider Intelligence | eMarketer

TV ad spend to hit $74.4 billion in 2024*

CTV ad spend expected to grow by 16.2% and surpass $20 billion in 2024**

*Source: WARC
**Source: Advertiser Perceptions

PRINT ADVERTISING

- Ad spending in the Print Advertising market in the United States is forecasted to reach US$10.36bn in 2024.

- The largest market within this market is Magazine Advertising, with a market volume of US$5.34bn in the same year.

- When compared globally, the United States is expected to generate the highest ad spending in 2024, amounting to US$10.36bn.

- By 2029, the number of readers in the Print Advertising market is estimated to reach 85.72m users.

- The average ad spending per reader in the Magazine Advertising market is projected to be US$97.90 in 2024.

- Print advertising in the United States is seeing a shift towards digital platforms, reflecting changing consumer behavior and technological advancements.   **Statista.com, " Market Insights "**
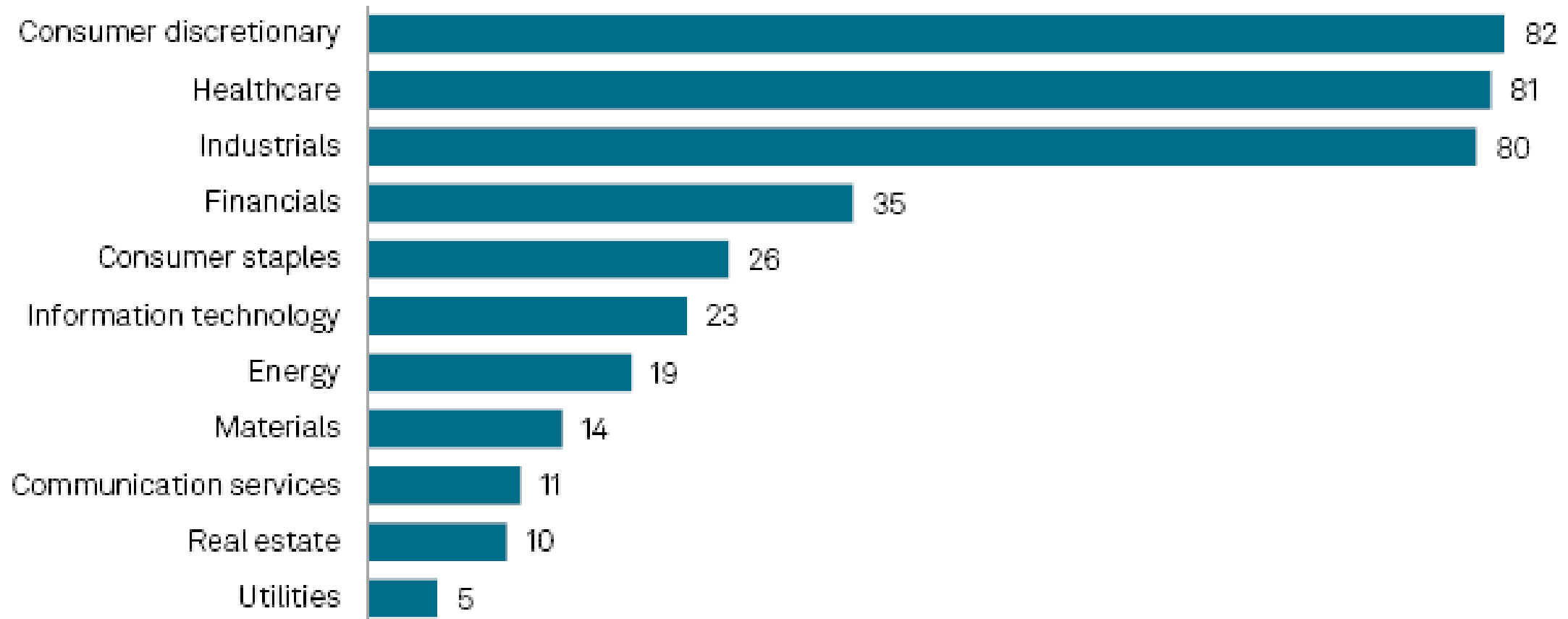
- Total bankruptcy filings in the US rose 16.8%, with significant increases in both business and non-business bankruptcies, in the twelve-month period ending Dec. 31, 2023.

- Business bankruptcy filings rose 40.4% in the year ending Dec. 31, 2023.

- This is the fourth straight quarter that total bankruptcy filings have risen, following over a decade of decline.

2023 bankruptcy filings by primary sector

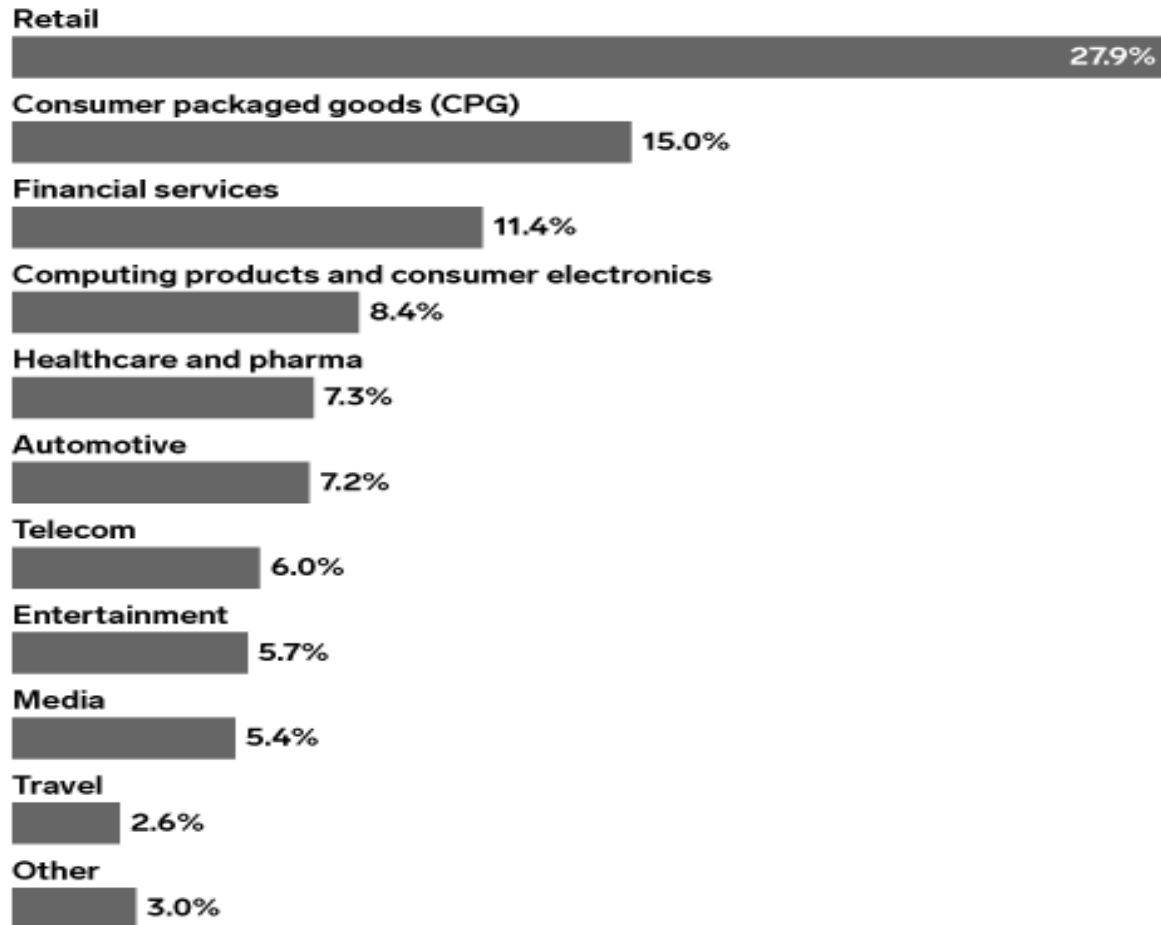| Sector	Filings
Consumer discretionary	82
Healthcare	81
Industrials	80
Financials	35
Consumer staples	26
Information technology	23
Energy	19
Materials	14
Communication services	11
Real estate	10
Utilities	5

Source: S&P Global, data compiled Jan 2, 2024

US Digital Ad Spending Share, by Industry, 2023
% of total digital ad spending

Retail
27.9%

Consumer packaged goods (CPG)
15.0%

Financial services
11.4%

Computing products and consumer electronics
8.4%

Healthcare and pharma
7.3%

Automotive
7.2%

Telecom
6.0%

Entertainment
5.7%

Media
5.4%

Travel
2.6%

Other
3.0%

Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; numbers may not add up to 100% due to rounding
Source: Insider Intelligence | eMarketer, Aug 2023

282883   Insider Intelligence | eMarketer

LARGEST TV ADVERTISERS

Ranked: Top TV Advertising Spenders in 2023

Rank	Parent Company	Industry	Ad Spending June 2023	Impressions
1	Procter & Gamble	Consumer Packaged Goods	$109.3M	27.1B
2	Abbvie	Pharmaceuticals	$81.4M	7.6B
3	GSK	Pharmaceuticals	$52.8M	10.0B
4	Walt Disney	Media / Entertainment	$47.0M	5.7B
5	Novo Nordisk	Pharmaceuticals	$44.4M	4.9B
6	Progressive	Insurance	$38.5M	4.9B
7	Alphabet	Technology	$38.0M	2.5B
8	Warner Bros. Discovery	Media / Entertainment	$34.1M	5.1B
9	Pepsico	Consumer Packaged Goods	$33.7M	6.8B
10	Amazon	Technology / Retail / Media	$31.9M	4.9B

LONG-TERM DEBT & MISSED CUSTOMER PAYMENTS ARE BIG TRIGGERS FOR CASH FLOW ISSUES

Businesses reported long-term debt increased*

58%

Businesses reported DSO has increased*

57%

Most (76-100%) invoices are paid on time*

14%

Source: Creditsafe Research, Perils of Rising Debt & DSO, May 2024

HOW A/R PROCESSES AFFECT CASH FLOW

Send 100+ invoices to customers every week*

62%

Customers pay invoices 31-60 days late*

46%

Customers pay late because of invoicing mistakes*

37%

Segment by:

- Sales channel

- Direct or agency

- Ad format

- Sales rep

- Risk score / payment behaviors

- Sales volume and/or company size

- Geography

QUESTIONS TO ASK *BEFORE* SEGMENTING YOUR PORTFOLIO

- Is my existing A/R or ERP system capable of segmenting my portfolio by risk?
- Do we have the necessary data available to spot risk patterns and trends?
- How do we want to segment risk? Which categories are most important?
- Would it be helpful to have a 3rd party analyze and assess risk for your entire portfolio?
- What tools don't we have that will help us segment our portfolio more effectively and reduce overall risk?
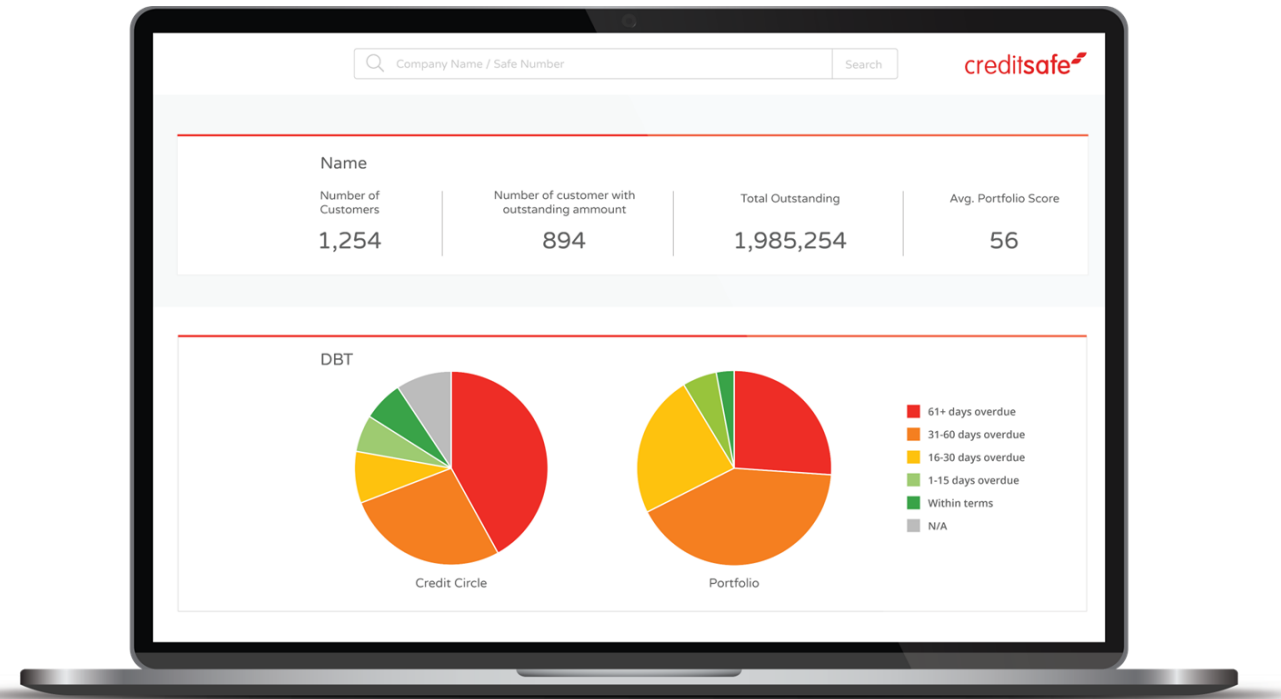
SET COLLECTIONS STRATEGY BASED ON RISK

Current Outstanding Invoices

	Accounts	1-30	31-60	61-90	91+	Total Outstanding
A - Very Low Risk	779	0.00	4,854,613.89	9,652,160.87	9,745,577.25	24,252,352.01
B - Low Risk	579	0.00	3,729,197.72	7,407,401.91	7,427,586.87	18,564,186.50
C - Moderate Risk	267	0.00	1,769,701.42	3,508,442.66	3,518,190.39	8,795,334.47
D - High Risk	108	0.00	732,874.70	1,460,851.51	1,480,374.69	3,674,100.90
E - Not Rated	648	0.00	4,233,880.20	8,444,108.63	8,419,674.02	21,097,662.85
Not matched	407	0.00	2,795,654.59	5,514,078.00	5,552,845.89	13,862,578.48
Total	2,788	0.00	18,115,922.52	35,987,043.58	36,144,249.11	90,427,215.21

Use credit score, DBT and number of legal filings as factors for prioritizing collections

Prioritize invoices based on risk and likelihood of payment, not based on age of debt

Decision

Outcome

Accept

✓

Rule Name	Audit Description
Sales Value	£100,000.00
Product Type	Product A
Customer	Yes
Credit Score	95
International Score	A
Credit Limit	£2,150,000.00
DBT	32.23

Make a new Check & Decide search   Save / Email PDF

Build workflows based on credit policy and risk scores

Automate decisions that are low risk

Deeper analysis of customers identified as high risk

creditsafe

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