

Case Study

Reducing late payments from semiconductor customers



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Project background

An industrial gases company was involved in a series of site engineering projects setting up gas systems for the Far East semiconductor industry. Over the course of a year, payment delays by customers were gradually increasing.



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Problem

Late payments were averaging 46 days, which resulted in extra man hours to chase payment and interest loss totalling €80,000. A Six Sigma project was set up.

The Black Belt and his team discovered that customer credit terms varied indiscriminately from 30-90 days.

Credit department staff were often unaware that special payment terms had been agreed by site project managers. The team discovered incidences of incorrect account numbers and incorrect figures on invoices, resulting in delays and issue of credit notes.

There were some instances of duplicate billing, and no formal monitoring of customer payment times. Hypothesis testing showed differences in cut-off date at month end between customers but no awareness of that difference internally.

Solutions

A new system was implemented to track each customer's purchase order through to the sales invoice. Processes for confirming timely sign off of work at site were set up.

A new procedure was generated to ensure agreed credit terms are communicated to credit control, within predefined limits. A formal review process was implemented for site engineers to monitor payment times in conjunction with credit department.

Credit department failure modes and effects analyses were set up to record and analyse customer complaints leading to possible payment delays. Centralised complaint and payment status data logging was set up in credit department with standard operating procedures for filing, communication and training.

Measurement systems analysis confirmed that after improvements 100% of credit staff were aware of all credit terms for all sites and customers.

Business benefits

Payment times were reduced by an average of 30 days. Not one single credit note was issued in the six months after the changes were implemented allowing staff to be reassigned to other duties.