

# How Does Your Company Measure Receivables Performance?

## The ability to convert AR to cash is the primary job of the Credit Department.

Therefore, the overall performance of the department should be monitored and used to help improve efficiencies of the department and for future considerations.

From a recent NACM Member Survey, most companies use **Days Sales Outstanding (DSO)** as a **Key Performance Indicator (KPI)**. However, there are several other KPIs, that used in conjunction with one another, give a better picture of a company's receivables.

**The Collection Effectiveness Index (CEI)** compares the amount that was collected in a given time period to the amount of receivables that were available for collection in that time period. A result near 100% indicates that a collection department has been very effective in collecting from customers. A CEI near 80% or above indicates a highly effective collections process, while a CEI of around 50% and below is considered low and should be further evaluated.

**Average Days Delinquent (ADD)** is the average day's invoices are past due- the amount of time between invoice due date and the date it is paid. ADD uses DSO and Best Possible DSO for its calculation.

To gain a better understanding of all three collection KPIs, [here is a good article about the pros, cons, and value of using DSO, CEI, and ADD from 9ci.](#)

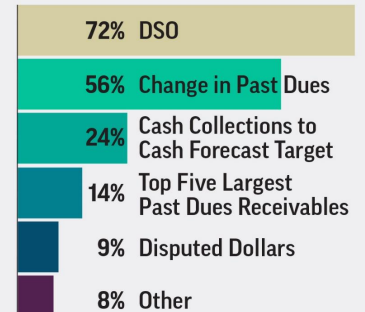
In addition, the Credit Research Foundation (CRF) provides a quarterly measurement for accounts receivable performance to participating companies. This report measures accounts receivable performance across the 6 most common KPIs. See how you fare, *The 2021 Q2 DSO survey is now open until Tuesday, August 10th- [CLICK HERE](#) to participate.*

Additionally, CRF has partnered with Dun & Bradstreet to provide all survey participants with a copy of [D&B's AR/DSO Industry Report.](#)

## 2021 NACM Member Survey

### MEMBER SURVEY RESULTS

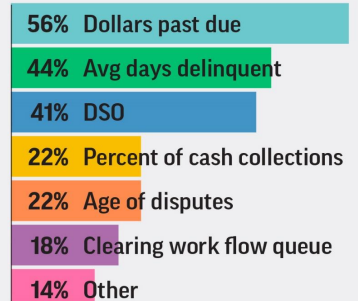
#### How does your company measure receivables performance?



102 responses

### MEMBER SURVEY RESULTS

#### How do you, as a credit leader, measure your team's performance?



78 responses

**If you would like a KPI Calculator in Excel, please contact your DAL Account Manager or Customer Service:**

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