5 Collections Best Practices That Improve DSO and Turn Receivables Into Predictable Cash

How Modern Collections Teams Reduce Aging AR, Resolve Disputes Faster, and Improve Cash Predictability

Take the **Collections Maturity Assessment** and see where you stand (page 7)

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Introduction

Collections teams are under pressure to reduce aging AR, resolve disputes faster, and improve the predictability of incoming cash. But for many organizations, the collections process is still too manual, too reactive, and too dependent on static aging reports.

That creates a common problem: collectors spend too much time chasing every overdue invoice the same way, while the accounts that matter most — high-value balances, high-risk customers, disputed invoices, and broken promises to pay — do not always receive the right attention at the right time.

The business impact is significant. APQC (American Productivity & Quality Center) defines DSO (Days Sales Outstanding) as the average number of days it takes an organization to collect payment from customers and notes that higher DSO may signal cash flow issues, customer payment delays, or inefficiencies in the invoicing process. APQC also maintains dedicated benchmarks for accounts receivable, collections, adjustments, deductions, and customer credit, reinforcing the need to manage AR performance through operational KPIs, not just end-state financial reporting.

Late payment pressure is also visible across the broader market. Intuit's 2025 QuickBooks late payments research found that 56% of surveyed U.S. small businesses were owed money from unpaid invoices, and 47% reported that some invoices were overdue by more than 30 days. While that study focuses on small businesses, it reinforces the broader operational reality: unpaid invoices directly pressure cash flow and working capital.

For enterprise AR teams, the answer is not simply more manual follow-up. It is a more intelligent receivables operating model — one that uses automation, payment behavior, dispute context, risk signals, and cash forecasting insight to prioritize work and accelerate cash conversion.

This ebook outlines five best practices that help modern collections teams reduce aging AR, resolve disputes faster, and improve cash predictability.

Why Collections Modernization Matters

Collections teams are being asked to improve cash outcomes without simply adding more manual effort.

- DSO is a core measure of how efficiently a business converts receivables into cash. Higher DSO can indicate payment delays, process inefficiencies, or cash flow challenges.

- APQC tracks accounts receivable and collections KPIs as part of its benchmarking work, highlighting the importance of managing AR performance through measurable operational drivers.

- Late payments remain a visible market issue: Intuit's 2025 research found that 56% of surveyed U.S. small businesses were owed money from unpaid invoices.

- AR automation best-practice guidance increasingly emphasizes reducing manual follow-up so finance teams can focus on higher-value work.

The Implication

Collections teams need more than aging reports and manual reminders. They need automation, prioritization, dispute visibility, and cash-focused intelligence.

BEST PRACTICE 01

Prioritize Collections by Risk, Not Just Aging

Aging reports are useful, but they are not enough.

An invoice that is 45 days past due may represent a serious cash risk. Another invoice in the same aging bucket may already have a valid dispute, an approved payment plan, or a customer with a predictable late-payment pattern. Treating both invoices the same wastes collector time and creates inconsistent outcomes.

Modern collections teams should prioritize work based on a broader set of signals:

- Invoice amount
- Days past due
- Customer payment history
- Credit exposure
- Open disputes
- Promise-to-pay status
- Predicted payment timing
- Account risk
- Strategic customer value
- Cash forecast impact

Operational Takeaway

Aging tells you what is overdue. Risk-based prioritization tells you where to act first.

RecVue Perspective

RecVue Receivables and Cash supports predictive prioritization by helping teams identify invoices and accounts where action can have the greatest cash impact. The solution highlights predictive prioritization, real-time risk scoring, strategic account optimization, and dynamic workload optimization as core capabilities.

BEST PRACTICE 02

Automate and Segment Dunning by Customer Behavior

Many AR teams still rely on collectors to manually determine who should receive reminders, when outreach should happen, and when an account should be escalated. That approach creates inconsistent follow-up and consumes valuable collector time.

Modern receivables teams need dunning that is both automated and segmented.

Automation ensures that routine reminders, follow-ups, and escalation triggers happen consistently. Segmentation ensures that the tone, timing, and action path reflect customer behavior, payment risk, invoice status, and business context.

Examples of Segmented Dunning

CUSTOMER OR INVOICE TYPE	RECOMMENDED APPROACH
Reliable customer, occasionally late	Automated friendly reminder with easy payment path
Chronic late payer	Earlier automated reminders and tighter escalation
High-value strategic account	Coordinated outreach with account owner visibility
Disputed invoice	Remove from standard dunning and route to dispute workflow
High-risk customer	Escalate earlier to collections or credit leadership
Broken promise-to-pay	Trigger immediate collector follow-up
Low-risk small balance	Continue automated reminder sequence

The objective is not to send more reminders. The objective is to send the right communication, to the right customer, at the right time — while reserving collector attention for high-value, high-risk, disputed, or strategically important accounts.

Operational Takeaway

Automate routine dunning. Segment outreach by behavior and risk. Focus collectors where human judgment matters most.

RecVue Perspective

RecVue Receivables and Cash supports adaptive dunning strategies and dynamic dunning orchestration. The solution supports automated follow-up based on customer risk profile, payment history, dispute patterns, and contract terms, helping teams ensure the right action at the right time.

BEST PRACTICE 03

Resolve Disputes Faster by Connecting Receivables, Billing, and Customer Context

Disputes are one of the most common causes of delayed payment. A customer may not pay because of a pricing issue, missing purchase order, contract mismatch, tax problem, credit memo delay, service issue, or usage discrepancy. In many cases, the collector is the first person to hear about the problem but not the person who can resolve it.

When dispute information is fragmented across billing, sales, operations, customer service, and finance, collectors lose time and cash gets delayed. Disputes should be managed as cash blockers.

Every dispute should be tracked by:

- Customer
- Invoice
- Amount
- Reason code
- Owner
- Status
- Aging
- Expected resolution date
- Cash forecast impact
- Escalation path

This gives AR leaders a clearer view of why receivables are not converting to cash.

Operational Takeaway

Collectors cannot collect invoices that customers do not believe are accurate. Faster dispute identification, ownership, and resolution can directly improve DSO and cash predictability.

RecVue Perspective

RecVue Receivables and Cash connects receivables activity with customer, payment, dispute, credit, and cash forecasting context, by providing governance over communication, promise-to-pay, and dispute workflows with traceability to support compliance and reduce operational risk

BEST PRACTICE 04

Give Collectors a Complete Customer View

Collections are often managed at the invoice level, but customers pay, delay, dispute, and communicate at the account level. That is why collectors need a complete customer view.

Without it, they are forced to work across ERP systems, spreadsheets, emails, billing platforms, customer portals, CRM notes, and manual trackers. This creates fragmented visibility and inconsistent action.

A complete receivables view should include:

- Open invoices
- Aging balances
- Payment history
- Dispute status
- Credit exposure
- Promise-to-pay history
- Recent communications
- Customer contacts
- Account owner
- Billing history
- Prior escalations
- Predicted payment behavior
- Cash forecast impact

Operational Takeaway

Collectors need more than invoice data. They need customer context, payment behavior, dispute visibility, and next-step guidance.

RecVue Perspective

RecVue Receivables and Cash supports real-time portfolio visibility, payment and risk insights, predictive payment intelligence, risk and credit scoring, and strategic segmentation. These capabilities help teams understand which customers require action, which payments are at risk, and where receivables may impact cash.

BEST PRACTICE 05

Measure the Drivers of DSO, Not Just DSO

DSO is critical, but it is a lagging indicator. It tells finance leaders whether cash is coming in faster or slower, but it does not always explain why.

To improve collections performance, AR teams need to measure the operational drivers behind DSO. APQC's accounts receivable benchmark collections focus on AR, collections, adjustments, deductions, customer credit, and invoicing KPIs, reinforcing the value of managing performance below the headline DSO number.

Key Metrics to Track

METRIC	WHAT IT SHOWS
DSO	How quickly receivables convert to cash
Aging AR by bucket	Where overdue balances are building
Aging AR by risk segment	Which balances require priority attention
Collection Effectiveness Index	How much collectible AR is actually collected
Dispute cycle time	How quickly blockers are resolved
Dispute aging	How long disputed balances remain open
Promise-to-pay kept rate	Whether customers honor commitments
Broken promise rate	Which accounts need escalation
Collector productivity	Workload, activity, and outcomes by collector
Dunning response rate	Which outreach paths drive action
Cash forecast accuracy	Whether expected receipts match actual cash
Bad debt exposure	Which balances may become uncollectible

The best teams do not simply report these metrics. They use them to manage daily work.

Operational Takeaway

DSO is the outcome. Dispute cycle time, payment behavior, collector productivity, and forecast accuracy are the levers that help teams improve it.

RecVue Perspective

RecVue Receivables and Cash connects receivables activity to performance visibility, risk insights, cash forecasting, and effort management. The solution highlights outcome-aligned performance metrics that connect collector activity to enterprise KPIs such as DSO, recovery rate, and cash forecast accuracy.

COLLECTIONS MATURITY ASSESSMENT

DIAGNOSTIC: Is Your Collections Process Built For Cash Conversion?

Collections teams are often asked to reduce aging AR, improve follow-up, resolve disputes, and forecast cash more accurately — without adding headcount. Use this quick maturity assessment to evaluate whether your collections process is built for modern cash conversion.

	1 MOSTLY MANUAL	2 BASIC PROCESS	3 LIGHT AUTOMATION	4 AUTOMATION WITH CLEAR VISIBILITY	5 PREDICTIVE, OPTIMIZED, INTEGRATED	
PRIORITIZATION	1	2	3	4	5	**SCORE**
Are collectors focused on the accounts most likely to impact cash?	Collectors mainly work from static aging reports or spreadsheets.	Collectors manually prioritize based on aging, balance size, or personal judgment.	Worklists exist, but prioritization is based on limited criteria.	Accounts are prioritized using risk, value, payment history, dispute status, and payment liklihood.	AI-driven prioritization automatically surfaces the accounts with the greatest cash impact.	
AUTOMATED DUNNING	1	2	3	4	5	**SCORE**
Is routine follow-up automated and tailored to customer behavior?	Dunning is mostly manual and inconsistent across collectors.	Standard reminder templates exist, but follow-up is still manually managed.	Basic automated reminders are in place for common aging milestones	Dunning is automated and segmented by customer type, risk, balance, or behavior.	Dynamic dunning automatically adjusts timing, messaging, and escalation based on payment behavior, risk, dispute status, and account context.	
DISPUTE MANAGEMENT	1	2	3	4	5	**SCORE**
Are disputes identified, routed, and resolved quickly?	Disputes are handled through email, spreadsheets, or informal follow-up.	Disputes are tracked, but ownership, status, and aging are not always clear.	Dispute workflows exist, but they are not fully connected to collections prioritization.	Disputes are tracked by reason, owner, amount, aging, and status, with clear escalation paths.	Dispute insights are connected to collections strategy, root-cause analysis, and cash forecasting.	
CUSTOMER VISIBILITY	1	2	3	4	5	**SCORE**
Do collectors have a complete view of each customer's receivables and payment behavior?	Customer data is fragmented across systems, spreadsheets, emails, and notes.	Collectors can see open invoices but have limited visibility into disputes, promises to pay, or payment behavior.	Collectors have access to most receivables data, but still need to check multiple systems.	Collectors have a consolidated view of invoices, disputes, payment history, contacts, and promises to pay.	Customer-level visibility includes payment behavior, risk, credit exposure, forecast impact, and recommended next actions.	
CASH PREDICTABILITY	1	2	3	4	5	**SCORE**
Can finance teams forecast expected cash using real collections intelligence?	Cash forecasting is based mainly on due dates, aging reports, or manual estimates.	Forecasts include some collector input but are difficult to validate.	Forecasts use receivables data, but payment behavior and dispute risk are not fully reflected.	Forecasts incorporate payment history, dispute status, customer risk, and expected payment timing.	Predictive cash forecasting continuously adjusts based on payment behavior, risk signals, disputes, promises to pay, and real-time portfolio changes.	

What Your Score Means

5-9
REACTIVE

Collections is mostly manual, aging-based, and dependent on individual collector effort. Your team may be spending too much time chasing accounts without clear prioritization.

RECOMMENDED NEXT STEPS

Start by standardizing collections workflows, dunning cadences, dispute

10-14
MANAGED

Core processes exist, but automation, segmentation, and risk-based prioritization are limited. Your team may have visibility into overdue AR but not enough insight into where action will have the greatest cash impact.

RECOMMENDED NEXT STEPS

Add automation and segmentation so collectors are not manually managing every reminder, follow-up, and escalation.

15-19
INTELLIGENT

Your organization uses some automation, segmentation, and performance visibility. The next opportunity is to connect collections activity more directly to payment risk, dispute impact, and cash forecasting.

RECOMMENDED NEXT STEPS

Improve risk-based prioritization, dispute visibility, and customer-level insight so teams can focus on accounts with the greatest cash impact.

20-25
PREDICTIVE

Collections is highly connected to cash conversion. Your team uses automation, risk signals, customer context, and predictive insights to focus effort, reduce aging AR, and improve cash predictability.

RECOMMENDED NEXT STEPS

Optimize predictive cash forecasting, workload balancing, and working capital performance using payment behavior and real-time receivables intelligence.

TOTAL SCORE

If You Scored Below 20, There May Be an Opportunity to Improve Cash Conversion

Many collections teams have solid processes but still rely too heavily on manual prioritization, generic dunning, fragmented dispute management, or static aging reports. RecVue Receivables and Cash helps finance teams move from reactive collections to intelligent cash conversion through AI-driven prioritization, automated dunning, dispute visibility, payment risk insights, effort management, and predictive cash forecasting.

Conclusion

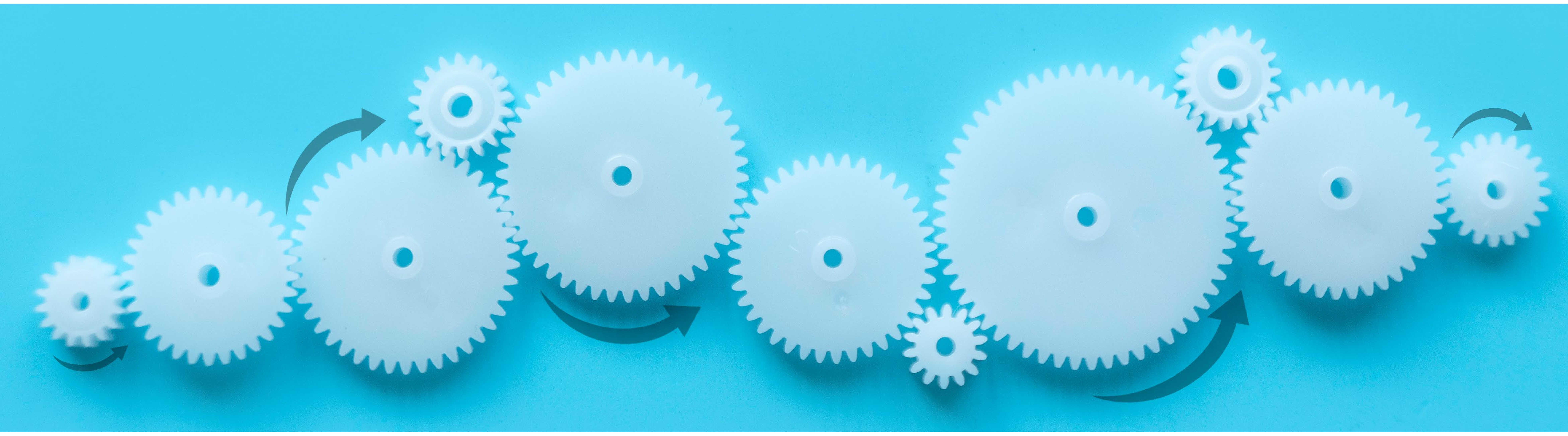
Collections teams are not short on effort. They are short on time, visibility, and prioritization.

As receivables grow more complex, manual collections processes cannot keep pace. Static aging reports, generic reminders, and disconnected dispute workflows make it harder for AR teams to know where to focus and harder for finance leaders to predict cash.

Modern collections teams need to operate differently.

They need automated dunning for routine follow-up. They need risk-based prioritization to focus limited human resources on the most important accounts. They need dispute visibility to remove payment blockers faster. They need customer-level context to guide better outreach. And they need performance metrics that explain the drivers of DSO, not just the final number.

By adopting these five best practices, AR and collections teams can reduce aging receivables, improve collector productivity, resolve disputes faster, and turn receivables into more predictable cash.



Turn Receivables into Predictable Cash with RecVue Receivables and Cash

RecVue Receivables and Cash helps finance teams transform billed revenue and receivables into predictable liquidity.

With AI-driven receivables intelligence, dynamic dunning, credit and risk insights, cash forecasting, and effort management, RecVue helps AR teams prioritize the right accounts, automate routine follow-up, manage exposure, and improve working capital performance.

KEY CAPABILITIES

- Intelligent receivables management
- Predictive payment intelligence
- Automated and adaptive dunning
- Risk-based collections prioritization
- Dispute workflow visibility
- Credit exposure management
- Real-time portfolio visibility
- Predictive cash forecasting
- Dynamic workload optimization
- Collector productivity and performance insights

Ready to reduce aging AR and improve cash predictability?

See how RecVue Receivables and Cash helps modern finance teams accelerate cash conversion, focus collector effort, and turn receivables into predictable liquidity.

Schedule a Demo Today