

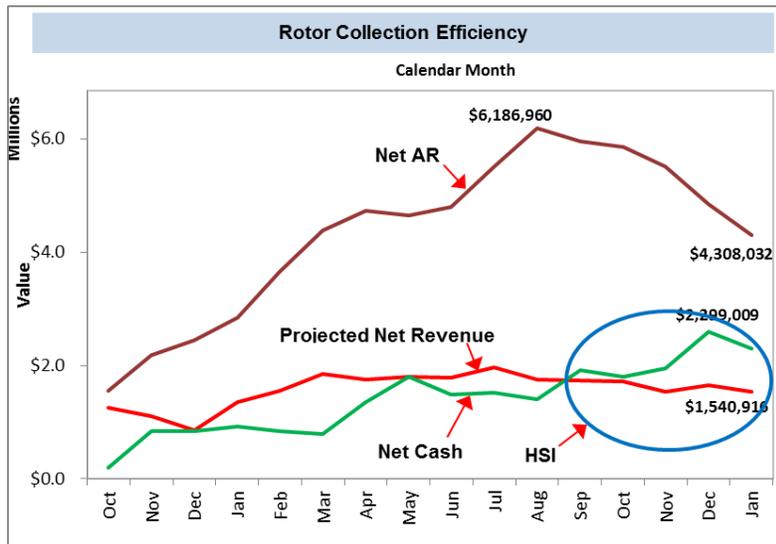
Case Study

How many revenue management companies show you what they are going to do for you, consistently document the process of achieving stated goals, and provide total transparency to the process? Well now you know one – HSI.

Using a snapshot of your revenue database¹ we benchmark your performance over the entire period for which historical data is available. Based on our findings, we inform you what improvements we can make along with the financial value of those improvements to your organization. HSI will track these key performance indicators, along with custom indicators you desire and identify and report progress in detail on your customized month-end close. With HSI and *RPM Analytics*, you can see the results of changes in your market, effects of volume trends, and your accounts receivable – but most importantly you will understand exactly how your revenue management partner is performing with your accounts in real time and benchmarked against past performance, projected revenues, and even publicly traded transport services. This understanding is critically important to make accurate projections of future cash flows and strategic business decisions.

Case Study

In this case study, the customer accounts receivable balance had been growing steadily over the course of a year, including the estimated collectible portion (Net AR, not to be confused with Net Revenue). This can only happen if monthly cash collections consistently lags behind monthly net earnings. In this case, HSI dramatically reversed this trend immediately upon



assuming responsibility for this client's accounts (Chart A). We started collecting *more* each month than the estimated net earnings for that month and quickly reduced the AR balance accordingly. The questions are: how did we do it, and how sustainable is an improvement like this over time?

Clearly it is not possible to collect more than you earn, except in a period of recovery related to poor revenue performance when cash from current period earnings can be supplemented with cash from a bloated AR. Nevertheless, in this case there were (as there generally are) two independent sources of improvement: both

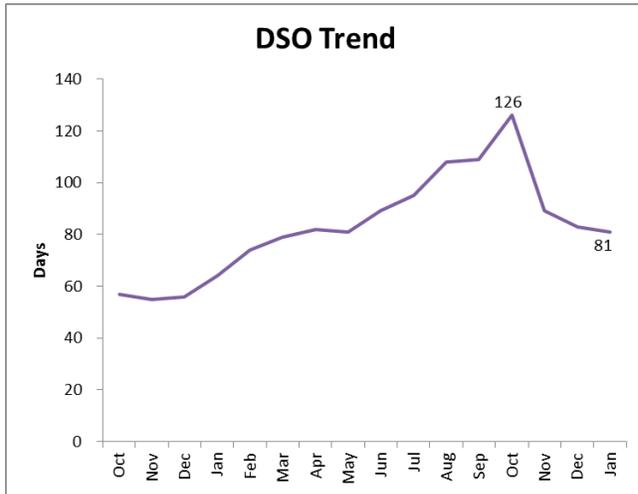
¹ The database must contain sufficient relevant data, which most commercial packages do.



Comprehensive EMS Claims Management

the collection speed and the collection rate were significantly improved (charts B and C). The faster collection speed, measured in fewer days' sales outstanding (DSO), can produce an influx of cash, but there is a limit beyond which substantial further improvement is not possible. When this level of optimum performance is reached, monthly cash collections must equal new monthly net earnings (+/- in a given month), and those increases noted by the early recovery

months will become your new normal.



However, the second source of performance improvement, increasing the collection rate, while less dramatic in the short term lasts indefinitely and will result in greater *earnings per transport* over the life of the improved performance, which you should expect to be forever, given consistent market conditions and billing performance. Compared with DSO improvement, which can produce cash quickly for a limited time, collection rate improvement can generate much more total cash over the long term even if the short

term impact is far less dramatic.

As an executive, your future success is dependent on understanding the particulars of your revenue performance, your business performance, and development strategies. To accomplish all these important tasks you need a revenue management partner that both understands your business operationally and can effectively communicate in a way that provides you tools to drive business decisions. Quality revenue management can't be about just billing it must incorporate and embrace your entire business process. We believe no one does this better than HSI. And we're looking for a few good partners with the desire to build success.

