

Dunning run: systematic management of overdue receivables and purchase orders

The dunning run refers to the systematic, usually automated process of working through dunning levels to collect overdue receivables or to follow up on open purchase orders and delivery dates. In a procurement context, it concerns the outbound side on the one hand – when the company dunes customers for payments or rebates – and on the other hand the inbound side, when suppliers or internal departments must respond to open order confirmations, missing deliveries or unpaid incoming invoices. A structured dunning run replaces case-by-case reaction with rules, responsibilities and documented escalation paths. It is therefore an essential instrument of operational procurement controlling and liquidity assurance.

Key facts

- A dunning run is a recurring, mostly automated process for following up on overdue payments, deliveries or responses.
- It is typically divided into two to four dunning levels with escalating intensity, often as dunning levels 1 to 3.
- In procurement, it affects open purchase orders, missing delivery dates, unprocessed order confirmations and unpaid invoices.
- Deadlines and escalation levels should be anchored contractually, for example in general terms and conditions of purchase.
- Key figures such as dunning rate, Days Sales Outstanding and on-time delivery make effectiveness measurable.
- Legal dunning notices from level 2 or 3 often have default relevance and should be legally reviewed on a case-by-case basis.

Definition: dunning run

A dunning run is a standardised, regularly repeated process in which open items are systematically reviewed and requested by dunning notice for payment, delivery or response. It follows a defined staged model with fixed deadlines, responsibilities and escalation paths.

Distinction from individual dunning

Individual dunning responds to a specific individual case, such as an overdue invoice. The dunning run, by contrast, is organised as a rule-based process: a system selects daily or weekly all due or overdue matters based on defined criteria such as due date, amount or transaction type and feeds them automatically into the process. This eliminates manual searching, and no overdue item goes unnoticed. In larger organisations, the dunning run usually runs weekly; in companies with a high invoice volume, often daily.

Direction in procurement: inward and outward

Dunning runs relevant to buyers affect three directions: supplier dunning for undelivered goods or missing order confirmations, internal dunning of specialist departments that, for example, have not processed demand confirmations or approvals in the procurement approval workflow, and outbound dunning when the company enforces claims against customers. In conjunction with procurement controlling, the dunning run also serves as an early-warning indicator: frequently dunned suppliers signal potential supply problems and feed into the supplier landscape analysis.

Process and methods of a dunning run

An effective dunning run follows a clear staged model. Each level defines the trigger, channel, tone and consequence. The higher the level, the more formal and consequential the communication.

Typical staged model

In practice, a three-level model has become established: dunning level 1 usually occurs 7 to 14 days after the due date as a friendly payment reminder by email. Dunning level 2 typically follows after a further 10 to 14 days with a concrete deadline and an announcement of further steps. Dunning level 3 is the legally grounded dunning notice, often with a deadline of around 8 to 14 days and the threat of court proceedings, default interest or a delivery stop. For delivery dunning in procurement, the escalation follows an analogous path: from a brief due-date enquiry via a formal dunning notice with a deadline to the threat of contractual penalties or a change of supplier.

- Level 1: payment reminder or due-date enquiry, low-threshold channel
- Level 2: formal dunning notice with deadline and announcement of consequences
- Level 3: legal dunning notice, if applicable default interest, escalation to management

Anchoring in contracts and terms and conditions

For dunning notices to be effective, deadlines and consequences must already be defined contractually. General terms and conditions of purchase, framework agreements and purchase orders should contain provisions on delivery dates, default, contractual penalties and rights of withdrawal. Where there are price differences between purchase order and invoice, the dunning run should sensibly only start after the price discrepancy workflow, so that disputed amounts are not dunned. For long-running project procurement initiatives, a separate consideration of payment milestones and delivery milestones is advisable, since a single purchase order can generate several dunning objects with different deadlines.

Automation and system support

Modern ERP and e-procurement systems support the dunning run through automatic due-date calculation, batch selection, template-based dunning letters and logging of all actions. Clean master data maintenance is important: blocking indicators, complaint cases and disputed services must be able to be suspended from the dunning run, otherwise unnecessary conflicts arise. The approval of higher dunning levels should run through a procurement approval workflow, especially before legal steps or a delivery stop are triggered.

Key KPIs for steering the dunning run

Without measurable key figures, the dunning run remains routine administration. The following indicators show whether the process is working and where friction lies.

Key figures on the receivables side

The central figure is Days Sales Outstanding (DSO), which indicates how many days pass on average until payment is received; in manufacturing, typical benchmarks range between 30 and 60 days depending on the industry. The dunning rate describes the proportion of dunned items as a share of total volume, while the write-off rate shows irreversible losses. In addition, the ageing structure of open items provides indications of which dunning levels volumes are accumulating in and where the process is faltering.

Key figures on the procurement side

In procurement, the focus is on on-time delivery, order confirmation compliance and the number of open purchase orders without a supplier response. Frequently dunned suppliers should become visible in the supplier evaluation and lead to consequences in the supplier landscape analysis. The inventory coverage of critical materials can also be impaired by delayed deliveries; a comparison with the ABC analysis shows for which A-parts dunning runs must be prioritised. These key figures are part of the standard toolkit of procurement controlling.

Risks and controls in the dunning run

A dunning run can damage relationships, trigger legal pitfalls or come to nothing if controls and exceptions are lacking.

Legal and operational risks

Erroneous dunning notices – for example for items already paid or disputed – cause unnecessary aggravation and, in extreme cases, liability-relevant misinformation. Legal dunning levels with a deadline can constitute default and thereby trigger rights such as withdrawal or contractual penalties; the exact consequences depend on the individual case and should be legally reviewed. A supplier stop also threatens consequences for one's own production, especially with single-source items or critical materials.

Organisational controls

Effective controls include: clear responsibilities and delegation rules per dunning level, blocking mechanisms for disputed items, a four-eyes check before level 3 and complete documentation of all dunning actions for potential legal disputes. Regular evaluations show which suppliers are dunned repeatedly – here requalification or a renewed suitability assessment may be indicated. With strategic suppliers, it is advisable to combine the dunning run with a joint account reconciliation and defined escalation contacts in order to avoid escalation spirals.

Current developments surrounding the dunning run

Digitalisation, shorter lead times and volatility in supply chains are also changing the practice of the dunning run.

Automation and AI support

Conventional batch dunning is increasingly being supplemented by intelligent processes: systems prioritise matters by amount, criticality and supplier history, recognise patterns such as repeated deadline violations and suggest individualised escalation paths. In practice, such approaches significantly reduce manual effort, but do not replace personal escalation with strategic partners. In

APQP projects for automotive supplier parts, too, dunning processes are increasingly being integrated into project-related deadline tracking.

Supply chain risks and preventive approaches

In view of volatile supply chains, the focus is shifting from reactive dunning to preventive deadline monitoring: advance shipping notices (ASN) and supplier portals make delivery delays visible before the due date is reached. In this way, the dunning run can start earlier and escalations can be coordinated with substitution options or inventory strategies. Certain developments such as payment service providers, factoring and dynamic early-payment discount models are also shifting parts of receivables management to specialised players, which complements the classic dunning run but does not make it obsolete.

Typical metrics

Dunning rate: < 10 %

Proportion of dunned items as a share of total volume; typical benchmark varies by industry

Days Sales Outstanding (DSO): 30–60 days

Usual industry range in manufacturing; lower is better

Supplier on-time delivery: > 95 %

High on-time delivery significantly reduces delivery dunning

Open purchase orders without response: < 5 %

Proportion of purchase orders without supplier confirmation after a defined deadline

Practical example

A medium-sized mechanical engineering company with around 6,000 open purchase order items suffered from the fact that supplier order confirmations and delivery dates were only tracked on an ad hoc basis. Delays only came to light when the assembly line was missing material. The company introduced a weekly dunning run for order confirmations and delivery dates, combined with a three-level escalation model and a link to supplier evaluation.

- Automatic selection of all purchase orders without order confirmation after 5 working days (dunning level 1)
- Formal dunning notice with deadline after a further 10 days, copy to the clerk (dunning level 2)
- From level 3, escalation to the category manager and a note in the supplier evaluation
- Release of complaint cases and price discrepancy cases from the dunning run via defined blocking indicators

Conclusion

The dunning run is more than an administrative process: it safeguards liquidity, the ability to deliver and negotiating position. What matters is a clear staged model with defined deadlines, responsibilities and escalation paths, underpinned contractually and supported systemically. On the procurement side, the dunning run should be closely interlinked with procurement controlling, supplier evaluation and deadline monitoring. Those who automate dunning runs, manage exceptions cleanly and evaluate KPIs regularly sustainably reduce losses and delays. At the same time, tact in dealing with strategic partners remains important, so that escalation does not damage the collaboration.

Frequently asked questions

What is a dunning run?

A dunning run is a recurring, mostly automated process in which overdue payments, deliveries or responses are systematically identified and tracked through defined dunning levels. It comprises due-date checks, dunning letters in escalating order and documentation of all steps. In procurement it affects open purchase orders, delivery dates and invoices alike.

What dunning levels are typical?

Three levels are customary: a payment reminder or friendly due-date enquiry, a formal dunning notice with a deadline, and a legal dunning notice threatening further action. Deadlines in practice are often around 10 to 14 days per level, but vary by industry and type of matter. From level 3 onwards, legal review should be carried out on a case-by-case basis.

When is a debtor in default?

As a rule, default requires that the due date has passed and that a dunning notice or otherwise clearly documented deadline has been set; where deadlines are fixed by calendar date, default may occur even without a dunning notice. The exact requirements and consequences depend on the respective contract and individual case. Binding statements should always be subject to legal review.

How should suppliers be dunned correctly for late delivery?

Key elements are a clear reference to the purchase order date, documented communication, a concrete deadline and an announcement of possible consequences such as contractual penalties or a delivery stop. Dunning notices should be logged and, from a certain level onwards, released via the procurement approval workflow. With strategic suppliers, a personal conversation is advisable before formal steps are taken.

Which key figures are measured in a dunning run?

Typical KPIs are the dunning rate, Days Sales Outstanding, the ageing structure of open items, supplier on-time delivery and the number of open purchase orders without a response. These figures form part of procurement controlling and show whether the dunning run is effective. Benchmarks differ considerably depending on industry and business model.

Which dunning notices can be excluded from the dunning run?

Excluded should be disputed or complaint-related deliveries, items in the price discrepancy workflow, legally contested claims and matters with a blocking indicator. Purchase orders still awaiting demand confirmation or internal approval also do not belong in the standard run. Such exceptions should be maintained systematically and reviewed regularly.