

E~Credit News

The Business Credit
Management
Association Wisconsin

May 2019



International Credit Executives Group
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"GETTING PAID MADE EASIER" ICE MEETING

May 10, 2019 | 8:30 AM - Noon

Your credit & collection efforts could improve greatly by learning what strategies other exporters use to GET PAID. However, as you know, not all decisions result in getting paid on time or in full. We'll look at processes to evaluate customers' credit worthiness to avoid bad debt and how to manage the customer throughout our relationship.

Join us for this lively, interactive session and share YOUR best practices and policies pertaining to International Credit & Collection Strategies along with our panelists from different manufacturers.

This will be the group's first half-day meeting, allowing you to benefit from the program and have half the day for other priorities.

Click [here](#) for the meeting announcement or register [online](#).

"Smart Credit Policies That Improve Collections" Webinar

May 22, 2019 | 9:00 - 10:00 AM



WE WILL EXAMINE:

- How to develop useful guidelines for credit granting/ credit approval
- Ways to manage delinquent accounts more effectively
- How to use credit holds to your best advantage
- When and how to periodically evaluate customer creditworthiness
- How to increase sales without increasing credit risk

We will take a look at examples of policies and work instructions guaranteed to accelerate cash inflows

Click [here](#) for the meeting announcement or register [online](#).

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Wisconsin
Credit
Association

MEMBER NEWS:

If you have something you would like us to announce please send an email to admin@wcacredit.org
Subject line: Member News



HANDLING "RUNAWAY" ACCOUNTS

One credit manager talked to us about runaway DSO accounts at her company. This is what she had to say:

My manager recently asked me, explain the status of certain accounts he referred to as "runaways." Runaway accounts tend to occur when sales management is given the authority to override credit decisions and release orders when the customer is either over their credit limit or past due. My boss asked what could be done to better control these runaway accounts. I responded as follows:

1. I could do a better job if I were in charge of determining how much credit risk we could accept, what orders should be released, and which orders to hold.
2. Since sales management is allowed to override my decisions, I believed my proper role is to document the problems this policy creates & to do my best to collect the open balances after the fact.
3. My department does everything possible to resolve collection problems even though we did not create those problems.

In our business, as in many businesses, if we don't sell on open account our customers are likely to find another distributor who will offer more liberal credit terms or less stringent follow up on delinquent accounts.

I suggested that we accept the fact that customers who want to leave will do so. I commented that all things being equal, if a company has a choice of buying from a vendor that required them to pay on time or one that allowed payments to slip 30, 60, or 90 days the decision about who to buy from becomes relatively simple.

I expressed my opinion that the key is for senior management to agree on an acceptable DSO and what constitutes acceptable bad-debt losses for the company. [I believe that as long as my company is more concerned about making the sale and/or keeping the customer happy than it is about delinquencies and bad debts, the credit department's role in managing "runaways" will remain limited and somewhat ineffective.

I told my manager that by understanding what senior management wants from my department; my department can adjust our internal policies accordingly. I asked my manager to state in writing the specific outcomes they want. This way, if action is taken that causes customers to leave, or action is not taken that result in a cash crunch, we will be less likely to be blamed for not doing our job.

In general, credit professionals need to take responsibility for what they can control, and take appropriate steps to avoid being blamed for situations they are not given authority to control.

FORUM DISCUSSION: I HAVE A CHECK FROM A CUSTOMER THAT IS VERY HIGH RISK. WHAT CAN I DO BEFORE I RELEASE THE ORDER?

I have a check from a customer that is VERY high risk. His order, is of course an emergency & he needs it shipped today. This company couldn't pull \$7K together 2 months ago, but now gave us a check for \$18K. I tried to verify funds, but according to his bank they do not allow this. They will only give that the account is open. What can I do before I release the order? Anything?

Credit Manager, Medical Company

The bank will verify the funds are there today -- they may not be when the check hits. I would request a wire.

Credit Manager, Chemical Company

If you are holding the order for prepayment- just having a check in house does not mean it is paid. As far as the order is concerned no funds have been received so the order cannot be released.

Credit Manager, Brass Manufacturer

I'd call the customer to tell them the check would have to clear before shipping the product.

General Credit Manager, Plastics Company

Unfortunately in the medical industry, we sometimes cannot wait to release an order. I thought the bank would be able to do an instant clearing of the check upon request?

Credit Manager (the inquirer), Medical Company

Have customer stop payment on that check and send funds EFT.

Director of Credit & Collections, Automotive Aftermarket Company

Have the customer get notice from bank that funds are valid and send onto you. If the bank won't provide you with the info, they should be able to provide it to your customer. The customer should understand, based on hardships 2 months ago and the size of this order that verification would be needed and should be able to provide.

Credit Manager, Textile Manufacturer

Just advise the customer that due to the amount of the check, it has to clear the bank before the order is released. I would advise the customer that if they want to void the check and do a wire transfer. The order can be released when the funds hit the bank and it would be a faster release.

Credit Manager, Brass Manufacturer

If you have a branch near you for his bank, you can take the check and get immediate funds.

Credit & Collections Manager, Environmental Company

Cancelling the check and having the customer to do a wire transfer seems to be the best choice in this situation. Checking account balances change and, even if the check is confirmed to clear today, there's no guarantee that it will when it's presented by your bank.

Director of Credit & Collections, International Manufacturing Company

Forum Discussion: I have a check from a customer that is VERY high risk. What can I do before I release the order?

(continued)

Why don't you ask them for a cashier's check for the order, which will save the trouble of verification of funds?

Corporate Credit Exec, Steel Manufacturer

Run to the bank and deposit it.

Manager - Global Credit, Automotive

I realize it's late in the day in Ohio, and you've probably already had to make a decision. For what it's worth, in the situation you describe, I would only accept a wire transfer. Too many things can go wrong with a check, or even with ACH. It is not easy to determine when a check has actually cleared, and no one is going to tell you. I hope this turns out well for you.

Credit Manager, Global Steel Company

The Four Types of Risk

Do you understand the specific types of risks your customers face? It's an important question.

One global company we spoke with recently has had great success in managing global portfolio because of how they focus on the types of credit risk. He cites this as his single best achievement in his six years with the company.

"Risk management has always been a critical component in supporting sales growth, avoiding losses resulting in bankruptcy or preference lawsuits, and identifying ways to accelerate cash flow," he said. The emphasis on risk management has helped us minimize bad debt levels over the past six years. By the same token, he said, his objective is to support the sales function without restricting sales growth.

The four types of risk he sees for his customer base are:

- Strategic risk, as when a company fails to address competitive moves by other companies.
- External risk, important for global companies, which involves the political and economic demands of doing business in foreign countries.
- Financial risk, meaning a company's inability to service debt levels (a major issue in Ampacet's industry at the moment.)
- Operational risk, which basically involves cost overruns and internal controls.

"Look at these four areas with all of your customers," he emphasizes. He feels strongly that this approach has contributed to their success in keeping bad-debts levels under control.

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Trading overseas increases profit and productivity, yet it also presents significant financial risks. For this reason it is extremely important that you are as informed as much as possible. In order to be informed it is extremely important that you run a credit report. We can help you with that. We have more than one option for you and can even supply you with sample reports so that you have the best information at your finger tips. With each report that we order we have the option to ask questions.

When ordering your next International Credit Report ask us what they are or supply us with your own. By ordering a report you increase your opportunities to your business.

Contact us today and see how we can help you.

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GOT AN IDEA?

Would you like to contribute to the BCMA Newsletter? The most important part is your idea. We can handle the polishing. Just write to us at BCMAEditor@Credit-Today.net with your idea!

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UPCOMING INDUSTRY CREDIT GROUP MEETINGS

MAY 7, 2019

Plumbing & Heating Industry Credit Group
Delafield, WI

MAY 9, 2019

Food Suppliers Industry Credit Group
Madison, WI

Metals & Industrial Suppliers Credit Group
New Berlin, WI

MAY 10, 2019

Electrical Suppliers Industry Credit Group,
Delafield, WI

MAY 14, 2019

Fine Paper/Graphic Arts Industry Credit Group
Teleconference Call

Regional Paper & Packaging Industry Credit Group
Teleconference Call

MAY 15, 2019

Minnesota Electrical Product Suppliers Group
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MAY 17, 2019

IL Fine Paper Industry Credit Group
Lombard, IL



MAY 20, 2019

Western Electrical Suppliers Industry Credit Group
Book of Reports Only

MAY 21, 2019

Building & Construction Materials Credit Group
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Industry Credit Group
Dubuque, IA

Minnesota Fine Paper Credit Group
Teleconference Call

MAY 22, 2019

Construction Industries Credit Group
Appleton, WI

Food Service Supply Hospitality Industry Credit Group
Date & Location TBD

MAY 28, 2019

WI/IL HVAC Industry Credit Group
Rockford, IL



2019 Education

May 10

"Getting Paid Made Easier" ICE Meeting

June 04, 11, 18, 20

"Financial Statement Analysis" Webinar
Session ~ A Six-Hour Online Crash Course

June 18

"Equipment Finance Issues & Bankruptcy"
Webinar

July 17

"Conquering The Challenge Of Overridden
Credit Decisions" Webinar

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