

BCMA

Business Credit Management Association

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E~ Credit News

"SMART CREDIT POLICIES THAT IMPROVE COLLECTIONS" WEBINAR

Tuesday | February 23, 2021

TIME: 9:00 AM—10:00 AM Central Time

In this time of uncertainty, it has never been more important to get things right the first time and to collect money quickly. A great way to accomplish this is to document your credit policies.

In this interactive program, we will discuss appropriate credit policies addressing all of these topics ...

- | | |
|--|-------------------------------------|
| \$ Collections | \$ Extended Dating Requests |
| \$ Disputes and Deductions | \$ Payment Terms |
| \$ Setting Credit Limits | \$ Measuring Collection Performance |
| \$ Risk Mitigation Techniques Credit Reviews | \$ Overrides of Credit Decisions. |

This is a great program to learn best practices, and to get your questions answered in real time. We hope you can join us.

"HOW TO NAVIGATE COMPLEX WISCONSIN CONTRACTOR SALES & USE TAX LAWS" Webinar **A Series of 5, One-Hour On-Line Webinar Based Classes 5 Tuesday Afternoons in March Attend Individually or All 5 (Highly Recommended)**

TIME: 1:00 — 2:00 PM Central Time

This extensive program is designed **SPECIFICALLY FOR CONTRACTORS** who are required to incorporate these law requirements into processes for managing the sales & use tax reporting. Your learning experiences include:

CLASS #1 Tuesday, March 2 | Real vs. Personal Property

- Difference between Real Property Construction Activities and Sales of Tangible Personal Property and Services
- Tax treatment when providing both Real Property Construction Activities and Sales of or Services to Personal Property

CLASS #2 Tuesday, March 9 | Contractor Purchases

- Tax requirements for General Purchases, Supplies, Motor Vehicles, Equipment
- Tax treatment for materials used in providing Real Property Construction Activities vs. Sales of or service to Personal Property

CLASS #3 Tuesday, March 16 | Exemption Certificates

- 90-day rule to relieve Seller of sales tax liability
- Common exemptions and documentation required
- Contracts with Exempt Entities

CLASS #4 Tuesday, March 23 | Complex Exemptions

- Building Materials Exemption
- Construction Contract Exemption
- Temporary Storage Exemption (NEW)

CLASS #5 Tuesday, March 30 | Exam Review & Q&A

- Review exam (interactive)
- Ask your questions!

**Register
Online**



NEW ASSOCIATION REPRESENTATIVE

Amie Morcilio

Goodin Inc

David Kirby

Roland Machinery Company

NEW GROUP REPRESENTATIVE

Construction Industry Credit Group

Amie Morcilio

Goodin Inc

Plumbing & Heating Industry Credit Group

Amie Morcilio

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Credit Group

David Kirby

Roland Machinery Company

**Deb Gamsky, Tidi Products, hope you
enjoy your Retirement.**

THE TIMES THEY ARE A-CHANGIN'...FOR CASH FLOW

BY: KEITH COWART

The great singer songwriter Bob Dylan sang about the times changing, but he probably did not have a global pandemic in mind when he wrote this epic song. The fact remains that no one saw the COVID-19 pandemic as a real possibility and the impacts that it would have on the global economy. Hopefully, the memory of this virus will fade over time just as the Spanish flu of 1918. The real shame will be if, as the memory fades, we have not learned anything from the situation. For the business world to advance, it is imperative that we learn from the past and prepare ourselves for the future. One of the many catch phrases that has come about from the Corona Virus is “the new normal”. For companies to continue to thrive in this new normal, a renewed focus on cash flow is extremely important.

It is amazing how narratives change over the years. During the recession of the early 2000s, companies focused on cash flow and anything they could do to bring cash in the door faster. As economic conditions improved, the narrative shifted (thanks to the help of some very crafty marketing) to lead discussions around improvements to operational expense. Operational expense is very important and a much needed focus area for companies to keep costs in line. However, should it really be the leading initiative? Let us put this into a very real example in the Accounts Receivable/Credit-to-Cash world. If you ask any CFO what is more important, cash flow or operational expense, you will likely get the response, “both”. However, when forced to pick one as the more important focus, it will always be cash flow. When you break down the credit-to-cash process into functional areas (credit, disputes and deductions, cash application, and collections), which areas have the biggest impact on cash flow?

Credit

The credit review process is the first line of defense against allowing risk into your portfolio. Establishing sound credit policies that provide for a standardized approach and assessment of risk is extremely important in protecting your cash flow. If your policies are too strict, you run the risk of choking your revenue. If your policies are too relaxed, you open yourself for severe delinquencies and bad debt write-offs. Having a credit policy and process that balances risk and reward has a major impact on cash flow for your company. Leveraging technology that supports on-line credit applications and workflow management for approvals certainly supports operational savings. In addition, introducing technology to help you make better credit decisions, such as predictive risk assessments, is a driver for improved cash flow. Having an automated solution that can leverage external credit bureau data, that is generally providing a snapshot of the past, and a solution that uses internal historical data to predict future risk aids in making stronger, more accurate decisions on where to extend credit lines and where to restrict them. This actively prevents delinquency and bad debt while opening additional revenue opportunities, which is a major component of cash flow.

Dispute & Deduction Management

For some industries, disputes and deductions are a necessary evil. For others, a process that identifies root causes and supports continuous improvement can help eradicate them. In both situations, a strong solution is necessary for a company to get their hands around the situation. Disputes and deductions are a drain on resources and impact days sales outstanding (DSO) and by default, cash flow. There are many

THE TIMES THEY ARE A-CHANGIN'...FOR CASH FLOW (CONTINUED)

different reasons for disputes and deductions. They can be a stall tactic for Accounts Payable organizations, or they can be legitimate issues like pricing errors and defective equipment. Whatever the reason, it is something that can overwhelm an Accounts Receivable department. In most companies, the AR department is not able to resolve all disputes on their own. They must collaborate with billing, sales, support, etc. Having a real-time collaboration portal that links all of these departments together to openly communicate and ultimately resolve the dispute is a best practice in the industry for reducing DSO and improving cash flow. Another best practice that is often overlooked is having collectors encourage customers to pay the non-disputed portion of invoices. Every little bit helps in getting cash in the door.

Cash Application

Cash application can be a massive drain on company resources. The larger a company becomes, the larger the cash application team becomes to handle the influx of payments. At least that was the case with manual processes of the past. Traditional paper (check) payments still make up approximately 40% of all B2B payments. We are seeing another major initiative to transition to electronic payments with the impacts of COVID-19. What this is doing for companies, however, is putting more manual work on their cash application teams. Many companies have invested in keying services/lockbox with their banking partner(s) to help automate check payments. More times than not, the remittance data for check payments is sent with the check to the lockbox service. The bank then keys or uses optical character recognition (OCR) technology to provide the remittance data in an electronic file that can be uploaded by the company in the ERP/accounting system. This does automate most of the check payments. Remember, this only accounts for 40% of the incoming payments. So even if the check payments were 100% automatically cleared in the ERP system, this only reduces the cash application team's effort by 40%. Newer technology around cash application helps companies address the electronic payment methods. Solutions can now consolidate all payment methods together into one view. The more sophisticated solutions can automatically retrieve remittance data for electronic payments from email boxes and server locations. Even more sophisticated solutions can automatically match remittances to the incoming payments from the bank. Some solutions consider matching the remittance against the payments as a "hit". This is a misnomer and really is only minimally helpful. The most important piece of automatically applying payments is being able to match the payment to the remittance data and the open invoice data (from the ERP system) so that the invoices can be cleared automatically. Hit rates should only be calculated by those payments that did not have to be touched by a human at any point. The most sophisticated systems have instituted machine learning to learn new matching/posting methods to continuously improve hit rates. Monitoring user action for clearing exceptions, the AI engine learns what information was used, where it was located and how the user cleared the exception. So the next time a payment arrives from that customer, it knows how to automatically apply the payment.

Cash application is an area where some incredibly smart marketing has incorrectly turned the focus of companies from cash flow to operational expense. Cash application has a minimal impact on cash flow. By its very nature, the cash application process happens after the payment has already arrived from the customer. Cash flow has already been impacted by the upstream processes. Applying the cash faster does not improve cash flow. It impacts reporting and operational expense by reducing the number of cash appliers needed to handle the volume. It can be argued that by clearing invoices faster with the payment that has already arrived will free up collectors from calling on customers that have already paid. Even with this being true, the impact is minimal. As the economy has become extremely volatile with COVID-19, companies are being exposed by this marketing machine that has led them down the wrong path to weathering the storm. The real driver of improved cash flow is having a solution that improves the collection process.

THE TIMES THEY ARE A-CHANGIN'...FOR CASH FLOW (CONTINUED)

Collections

Collections was the center of every business case for improving cash flow up until the last few years, until marketing got involved. The reality was masked by good economic times. A rising tide lifts all ships, but a falling tide exposes all inadequacies. A sound collections process that standardizes approaches and focuses on getting cash in the door is the major contributor to improving cash flow and working capital. One of the challenges for companies in good economic times is having the resources to contact their entire portfolio. During poor economic times, it is ensuring that customers are paying bills on time. A solution that accurately identifies future risk of delinquency at the customer level as well as the individual invoice level is paramount to surviving any economic shocks. Risk models that monitor customer behavior and predict future behavior identify issues before they happen. Providing an expected payment date for invoices with 90% or greater accuracy allows the system to automatically prioritize customers for contact, hence improving collection rates. A side but very important benefit is improved cash collection forecasting. Treasury teams are salivating at the improved visibility provided by expected payment dates, which helps them with working capital calculations and ultimately informed decisions around accessing revolving credit lines for running the business. Leveraging a solution that automatically prioritizes accounts allows AR teams to focus collection efforts on high risk customers, preventing delinquency while sending automated messages to the low risk accounts that generally pay regularly. Should any of the low risk accounts begin to change patterns, indicating potential future delinquency, the risk models will automatically adjust to ensure a positive impact on cash flow.

Ultimately, every company needs a technology solution and partner that features all areas (credit, collections, disputes and deductions, and cash application) to drive cash flow improvements. However, the main question during any project in order to find this partner should be, "What truly impacts cash flow? And what capabilities do they have in this area?". It would be a shame if we do not learn a lesson from what we are all experiencing during this new normal. Now that times are a-changin', and companies are experiencing hardships, this question becomes even more important.



About the Author:

Keith Cowart

Sr. Product Marketing Manager

Keith Cowart is a Sr. Product Marketing Manager in FIS' Corporate Liquidity - Receivables group which features the award-winning Credit-to-Cash product, GETPAID and Integrated Receivables. He has over 20 years of professional experience in various accounting and finance leadership roles including Accounts Payable, G/L Accounting, as well as Credit and Collections in large global companies with shared service centers. Keith's focus has always been in continuous improvement and leveraging technology to automate processes to achieve extraordinary results. Keith holds a Bachelor of Business Administration degree from Piedmont College and a Master of Business Administration degree in Management from Georgia State University.



*The above article was originally published
in the Credit Research Foundation
3Q 2020 Credit & Financial
Management Review*

The Association Offers..... Bankruptcy, Claims & Preference Demand Services

Creditors Administrative Claim Preparation and Reclamation Claim Preparation Services:

- Analysis, preparation and communication of creditor's reclamation (bankruptcy or non-bankruptcy) claims.
- Analysis, preparation and communication of creditor's administrative claims.
- Analysis, preparation and filing of proof of claims.
- Flat Fee for all of the above including postage, delivery and handling.

Creditors Preference Demands & Preference Defense Help Services:

Option #1) Per hour for review and analysis of defenses, calculation of payment history when relevant (pre-preference and during preference period), preparation of worksheets documenting defenses, sending preference defense letters and other communications to attorneys' or trustee's attorney, negotiations or settlement of preference demands on behalf of creditors'.

Option #2) Minimum case charge of that provides up to ten (10) hours of time representing the creditor. 99% of these type cases are resolved or settled in an 8-10 hour time frame as long as legal action is not taken by the trustee, receiver or appointed counsel to either. After ten (10) hours of protracted work and negotiations with the Trustee or Trustee's counsel, Additional hours will be billed at an agreed upon rate until conclusion or settlement.

Business Credit, Collection and Accounts Receivable Management Consulting Services

Corporate Consulting and Administrative Procedure Projects:

Consulting provided by the Associations Corporate Counsel, President or Vice President of Business Credit Management Association.

There is a per hour charge to discuss, investigate, analyze and deliver documented options, procedures, forms and generally accepted legal and enforceable documents related to Business Credit, Collection, Accounts Receivable, Agreements including Dealership and Customer Agreements, Terms and Conditions and all documents or agreements that creditors may wish to have viewed and or updated. There is a minimum charge of up to ten (10) hours of time on an assignment. Then there is a per hour charge to discuss, investigate and work with Credit Associations Corporate Counsel to receive consulting on options framed in the legal aspects and framework of Business Credit, Collection and Accounts Receivable Agreements including Dealership and Customer Agreements, Terms and Conditions and all documents or agreements that a creditor may wish to have renewed, updated and/or verified that such documents are enforceable. There is a minimum charge of up to four (4) hours. Additional hours billed at per hour under the direction of client.

Contact Wisconsin Credit Association for Pricing

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Would you like to contribute to the BCMA
 Newsletter? Just write to us at
admin@wcacredit.org with your idea!

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Need credit card payment solutions for your business? Whether large or small, TSYS has the customized solutions to fit your business needs. BCMA partners with TSYS because they are focused on creating more value in our client relationships than ever before, and their voice has emerged as one of the most trusted in the payments industry. This true spirit of partnership, and the accompanying understanding that our success is determined by our clients' success, infuse everything we do. Whether you're LOOKING TO BEGIN ACCEPTING CREDIT CARDS, or LOOKING TO LOWER YOUR CREDIT CARD SURCHARGE FEES...TSYS will help. Contact the Association at 262.827.2880. We'll put you in touch with a representative that will assist you. **TSYS was named to Ethisphere's 2013, 2014-2018 World's Most Ethical Companies List!**

- ◆ [NACS Credit Services, Inc](#)
- ◆ [The Business Credit Management Association Wisconsin](#)
- ◆ [Business Credit Intelligence](#)
- ◆ [Mountain States Commercial](#)
- ◆ [NACS Credit Services, Inc.](#)
- ◆ [SWB Credit Services](#)



UPCOMING INDUSTRY CREDIT GROUP MEETINGS

FEBRUARY 9, 2021

Fine Paper/Graphic Arts Industry Credit Group
Book of Reports Only

FEBRUARY 10, 2021

Plumbing & Heating Industry Credit Group
Teleconference Call

FEBRUARY 12, 2021

Electrical Suppliers Industry Credit Group
Teleconference Call

FEBRUARY 15, 2021

Western Electrical Suppliers Industry Credit Group
Book of Reports Only

FEBRUARY 16, 2021

Building & Construction Materials Credit Group
Teleconference Call

Regional Paper & Packaging Industry Credit Group
Book of Reports Only

FEBRUARY 17, 2021

Food Service Supply Hospitality & Food Suppliers
Industry Credit Groups
Teleconference Call

Minnesota Electrical Suppliers Credit Group
Teleconference Call



FEBRUARY 18, 2021

Construction Industries Credit Group
Teleconference Call

FEBRUARY 19, 2021

IL Fine Paper Industry Credit Group
Teleconference Call

No Meeting this month

Iowa Plumbing Heating Electrical & Construction Industry
Credit Group

Minnesota Fine Paper Credit Group

Metals & Industrial Suppliers Credit Group

BCMA

Business Credit
Management Association

Education Events

February 23

Smart Credit Policies That Improve Collections

March 2, 9, 16, 23, 30, 2021

How To Navigate Complex Wisconsin Contractor
Sales & Use Tax Laws

Details are still being ironed out

“Increasing Sales Without Increasing Risk” Webinar
March 24, 2021 | Time TBD

“Bankruptcy Essentials ” Webinar

April 2021 | Time TBD

“DSO Use and Abuse” Webinar

May 20, 2021 | Time TBD

“Credit Decision Making” Webinar

June 16, 2021 | Time TBD

“How the Credit Department can Damage Its Relationship With Sales” Webinar

July 20, 2021 | Time TBD

CHECK OUT OUR [CALENDAR](#) FOR MORE UPCOMING EVENTS.

YOU CAN TRUST THE ASSOCIATION TO ASSIST IN [COLLECTION RECOVERY](#) FROM YOUR
DEBTORS ANYWHERE IN THE WORLD.