

Credit Management Wall Chart

Build long-term customer relationship,
whilst protecting your cash flow

“The best way to learn
geography is on foot...”



Be positive

- Clear your mind of can't!
- Cooperate with your colleagues

You can:

1. Enhance customer service
2. Build long-term customer relationship
3. Maintain a satisfied customer base
4. Increase 'profitable' sales
5. Minimise the risk associated with credit
6. Protect cash flow
7. Ensure long-term profit
8. Maintain synergy with other business units – sales, distribution, finance

REMEMBER:

The sales people trigger and make the sale, and the credit practitioners complete the process by agreeing competitive credit terms with the customers

We are dealing with people & people are different

Ensure:

- You listen to your customers
- You know your customers' credit needs and requests

- You visit your customers whenever possible. Face-to-face relationship lasts
- You are the first to know that your customers need assistance

Credit costs money Be proactive

Always:

- Use a Credit Application Form – signed appropriately
- Be sure of the status: Consumer; Sole Trader; Partnership; Limited Company
- Identify the customer – ID Card Number / Company Registration Number

- Ask for the contact name/s and for who will be receiving the goods
- Explain and affirm clearly the stated credit terms and conditions of sale
- Send 'Welcome Letter' together with the signed copy of the credit agreement to customer

Credit carries an element of Risk Analyse the credit worthiness of your customers

Minimise the risk:

- Segment the market and target the potential 'profitable' customers
- Ask your potential customers to provide Bank and Trade References
- Ask your potential customers to provide recent receipts of utility bills
- Make use of the MACM Website wisely

- Interpret the information provided by MACM correctly
- Make sure that you know who is behind a company
- Use the Tools provided by MACM
- Request Credit Rating Report through MACM if you are dealing with a foreign company

The Science and Art of Invoicing

Invoices should be legal, showing:

- Date, Full Supplier's Name & Address, VAT Number, Invoice Number
- Correct Customer Name & Address, corresponding VAT number
- Clear description of goods & delivery address if different from the above
- Accurate Quantities, Prices (Net & Gross) & any Discounts applicable
- Payment Terms and Payment Due Date
- Make reference to interest charging in case of late payment - LN272 of 2012
- Include Caveat provided by MACM to get the necessary customer's consent in accordance to GDPR

Relentlessly:

- Issue an invoice as soon as you deliver the goods or provide services
- All the customers' requests should appear on the invoice
- Deal with disputes immediately and resolve quickly
- Keep record of all disputes. Identify customers who log in disputes repetitively
- Use an efficient and effective accounting software

Customers' Paying Behaviour may change Monitor Accounts

Be diligent by:

- Sending Monthly Statements to all customers
- Segmenting accounts according to the Risk, Payment Behaviour & Credit Amounts – forget about ABC or 123
- Identifying the large accounts and establishing their total value - €
- Establishing the major accounts accounting for 80% of the total value €
- Visiting large accounts frequently
- Monitoring every major account daily by using 'My Accounts' facility: MACM website

- Communicating with the sales team & discussing accounts with them
- Producing Debtors Reports showing accounts movements
- Calculating DSO (Days Sales Outstanding) in relation with the Turnover
- Taking proactive action when and as necessary

Always keep good relations with all customers – invest in satisfied customer base

Set Targets Measure Performance

Establish

- The cost of the credit period;
- The cost of late payment;
- The cost of bad debt losses
- The cost of the product at point of sale

Calculate:

- The Average Payment Period for all accounts;
- Working Capital

Measure:

- Days Sales Outstanding (DSO) in relation with Revenue;
- Current Ratio;
- Quick Ratio;
- Operating Cash Flow Ratio

Continuous Improvement Innovate

Be efficient and reduce costs: Improve systems, procedures and processes by:

- Flattening the organisational structure
- Sound internal communication: Horizontal and Vertical
- Employees' continuous development – invest in MACM Credit Training

- Customer-focus attitude and culture – this should include 'internal customers'
- Team work: Synergy between the sales and the credit teams
- Setting deadlines and priorities
- Staff incentives to motivate employees

Collection of Dues Collection of Cash is highly competitive The operational cost can only be paid by Cash

For effective collection, be:

- Polite but firm: never guilty of rudeness. The customer remains the focus of our business;
- Good communicator: find effective ways of getting the message over;
- Outgoing, but not over talkative: establish a brisk rapport but do listen to customers' needs;
- Persuasive: try to succeed at the first attempt;
- Persistent: do not be distracted, do not give up on obstacles;

- Target-oriented: find efficient ways to collect the totals required;
- Keen to beat deadlines: prioritise, arrange time effectively;
- Good listener & problem solver: help customers to gain their loyalty;
- Confident: Customers respect suppliers with a professional approach;
- Authoritative: rarely have to refer to others for decisions;
- Well-trained: knowledgeable in other key areas.

Visits

Pay regular visits to major customers – maintain loyalty

Phone Calls

- Be prepared** Plan your call carefully
- Be persistent** Don't be deflected
- Be prompt** Ring when you intend to
- Be urgent** Make the customer feel he must pay today
- Be courteous** Build goodwill and enhance company's image
- Be tactful** Acknowledge comments
- Be businesslike** be friendly but firm
- Be cooperative** Show you want to help
- Be repetitive** – Keep mentioning the amount required

Collection Letters

- Address it to a named individual
- Sign it personally
- Show the sender's job title as one with authority
- Show telephone & e-mail
- Make sure it is accurate
- Keep it simple and easy to read
- Keep it to one page
- The amount claimed should be prominent
- Show how the debt is made up
- Keep the sales person informed of the collection letter

We have all learnt the big lesson from the Covid-19 economic crisis: 'Cash is King'