

THE ACCOUNTANT



CREDIT IN TODAY'S BUSINESS COMMERCE

JOSEF BUSUTTIL | [WINTER 2017, FEATURES](#)

Irrespective of the industry sector that we do business in, we are often being faced with a hostile commercial environment. Who is in business knows well that in some industries, supply is exceeding demand and customers are becoming more knowledgeable and powerful. Customers are dictating the markets and those firms that are not meeting or exceeding customers' expectations are indeed struggling.

Moreover, the products that firms provide are becoming more and more homogenous with little scope for differentiation.

The western world is also finding it more challenging to compete with the Asian producers. The latter's products are competing well in international markets in terms of product features and quality, yet still much cheaper in terms of price! Besides, technological developments are resulting in shorter lifecycles for many products and hence more difficulties in establishing sustainable competitive advantage in the markets.

To add insult to injury, the e-commerce phenomenon knocked down the traditional barriers that once may have existed in international trade. From the comfort of the office or sitting room, one can shop around the world online, compare product features, product warranties, and prices. One can then place an order, pay for the goods by using a credit card or internet banking, and while still in the comfort of the office or sitting room, the buyer will receive the purchased goods at his doorstep in no time. This implies that firms are no longer competing with those firms in the same neighbourhood but also with other competitors from all over the world with little or no trade barriers.

This hostile commercial environment simply means that the name of the game in today's business is striving to gain and sustain competitive advantage in the market. But what does this entail?

To be successful in achieving competitive advantage in the market, the firm should convince its customers that it offers the better, if not the best, solutions that exist in the

market. The firm should invest in its customers and should employ a customer-oriented attitude by:

- *Understanding the needs and expectations of customers – ‘Know your customers’ is always commendable*
- *Communicating with customers – and this includes listening to what the customers have to say*

From the above, it transpires that the credit function has an important role to play in gaining and sustaining competitive advantage in the market, if and only if, it is not considered as being the necessary evil function!

The Credit people are the ones who are in direct contact with customers from the beginning up to the very end of the business transactions. They are in an ideal position to build good business relationship with customers. They are the employees who can foster trust between the customers and the firm. Hence, the credit team can be instrumental to build the good image and the desired unique reputation in the market.

The credit function is a people’s function. The way they communicate and deal with customers differ from that of their competitors. And this is a strong differentiating factor in today’s business.

Therefore, the credit practitioners should be trained and skilled to be flexible in meeting customers’ needs and expectations. They should provide good customer service by which they help the firm to create a relevant and defensible image and reputation in the eyes of the customers. This is what branding is all about after all!

It is people and people-driven processes that are the real source of sustained competitive advantage – this is the reason why the credit function and the credit employees have an important role to play in today’s commercial world.

Investing in the credit function does pay back.

ABOUT JOSEF BUSUTTIL



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