

BCMA E~CREDIT NEWS

BCMA - It is All About You!

January 2020

1. Clearing the decks for the New Year

By Rob Lawson

This month's topics...

- 1) [Clearing the decks for the New Year](#)
- 2) [Credit Department Turnaround: Systems Are Key](#)
- 3) [Accelerating Payments](#)



By clicking on [TSYS Merchant Solutions'](#) logo, you will be leaving this web site. Products and services accessed through this link are not provided or guaranteed by your Business Credit Management Association (BCMA). [TSYS Merchant Solutions'](#) may have a privacy policy that is different from your BCMA Affiliate. Please review [First National Merchant Solutions](#) privacy policy.

This company often sells on extreme terms, with six to 12 months not being unusual. In one new-product launch, the terms went all the way out to 24 months. Those terms, combined with a cumbersome collections system, created a "payment amnesia" that allowed, or enabled, sales to sell to just about anyone. Then this credit professional arrived.

Controlling risk was Kevin Landry's mandate when he became credit director at [Specialized Bicycle Components](#) in 2015, and there were plenty of risks to control. "You can't manage risk if you're not making the phone calls and collecting the cash and if you don't know who is paying on time and who isn't," he notes. And what he found was a home-grown program developed in the 70s and 80s that failed to accomplish this at an acceptable level. There were three screens and four different systems, with account notes and order release on different screens, and huge paper files on some customers going back 40 years.

Everything seemed to be anecdotal, and, with those extreme credit terms, things were not working. "It can be hard to remember back a year ago," he points out. "We had to rely on our retail finance representatives to remember payment histories. ' Did they pay on time last year? Let us see, what do the notes say? Not good notes? I don't know.'"

Complicating this from a risk control standpoint was the fact that Sales had grown accustomed to the situation of no one saying anything about late payments. They were used to the attitude of "I can't remember so let's give it another try." They could keep selling.

In his credit management career, Landry has searched for years for the best solutions for improving risk management through more effective collections. He notes that technology is driving collections to a different level. "People think you just make the phone call and collect the money, but it's all about data these days," he says. "We're living in a data-driven society."

What credit management may overlook, he adds, is that data systems produce all kinds of reporting and metrics that can be shared with Sales to show Credit as a value-adding member of the team. "That's so important because often we're not seen as adding value," he says. "But we're able to tie these systems directly back to cost savings by making far more accurate risk assessments of our customers. Some ratings are good, and we should sell them more, while others are bad, and we should discontinue our business with them."

BCMA MEMBERS

- [NACS Credit Services, Inc.](#)
- [Wisconsin Credit Association](#)

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@CreditToday.net with your idea!

2. Credit Department Turnaround: Systems Are Key

This company often sells on extreme terms, with six to 12 months not being unusual. In one new-product launch, the terms went all the way out to 24 months. Those terms, combined with a cumbersome collections system, created a "payment amnesia" that allowed, or enabled, sales to sell to just about anyone. Then this credit professional arrived.

Controlling risk was Kevin Landry's mandate when he became credit director at Specialized Bicycle Components in 2015, and there were plenty of risks to control. "You can't manage risk if you're not making the phone calls and collecting the cash and if you don't know who is paying on time and who isn't," he notes. And what he found was a home-grown program developed in the 70s and 80s that failed to accomplish this at an acceptable level. There were three screens and four different systems, with account notes and order release on different screens, and huge paper files on some customers going back 40 years.

Everything seemed to be anecdotal, and, with those extreme credit terms, things were not working. "It can be hard to remember back a year ago," he points out. "We had to rely on our retail finance representatives to remember payment histories. ' Did they pay on time last year? Let us see, what do the notes say? Not good notes? I don't know.'"

Complicating this from a risk control standpoint was the fact that Sales had grown accustomed to the situation of no one saying anything about late payments. They were used to the attitude of "I can't remember so let's give it another try." They could keep selling.

In his credit management career, Landry has searched for years for the best solutions for improving risk management through more effective collections. He notes that technology is driving collections to a different level. "People think you just make the phone call and collect the money, but it's all about data these days," he says. "We're living in a data-driven society."

What credit management may overlook, he adds, is that data systems produce all kinds of reporting and metrics that can be shared with Sales to show Credit as a value-adding member of the team. "That's so important because often we're not seen as adding value," he says. "But we're able to tie these systems directly back to cost savings by making far more accurate risk assessments of our customers. Some ratings are good, and we should sell them more, while others are bad, and we should discontinue our business with them."

With his previous employer, he had succeeded in having GETPAID installed as the collection system. "GETPAID allowed me to do what I'd intended to do and a lot more," he says. "We were able to achieve our collection and risk management goals and, at the same time, drive the metrics in the right direction. We could show the collectors that this success was a direct result of what they were doing and how they were doing it. In some cases, we found superstars and others people who clearly did not understand what their job was."

When he joined Specialized, he found that, despite the creaky collection system, management took a lively interest in what customers owed the company. Specialized bikes can be expensive--up to \$10,000 or more, and the company routinely takes personal guarantees and security interests in its goods.

Day's sales outstanding (DSO) however was very high, and he recommended something be done about the customers most responsible for that. His risk analysis identified 20 of them. "They'd shown they're on a cliff, and we're just keeping them alive," he says. "And as soon as something went wrong, we'd be dragged over the cliff with them."

2. Credit Department Turnaround: Systems Are Key

His recommendation that Specialized invest in GETPAID was initially opposed by his IT department. "They have an ERP system they like, and they wanted to see if the ERP company could devise a collection system that would give us the same results," he says.

After some preparation, the ERP company came in to make a presentation attended by the CFO, CIO, Landry and other managers. "In the middle of the presentation the CFO asked when this could be rolled out," Landry says. "Well you can't," the presenter replied. 'It's not available to you because you don't have the current version of our software,' and this would only work with the current version.' Ten minutes later the Specialized CIO walked out.

It was a hard-fought battle, and it was a year to the day that they finally signed the contract with FIS GETPAID. Then it took just 30 days to get it up and running--feeding information in from the ERP system, getting everything into the right boxes, designing the letters and emails going out to the customers. They had to design how customers would be risk-graded and link that to the payment processing system. There was a lot of that.

"You have to be able to track metrics and the work the collection team is doing," Landry sums up. "You need to set goals and follow up with those goals, producing information around them so that you can go back to the collectors and say, 'Here's the goal, and here's how you can do better. Here are the things you can do to meet or exceed it.'

"Typically there's no system to do that. Most companies keep notes on how many calls are made, then go to another system for a report on how much cash was collected, then to another report--an Excel spreadsheet--to show the DSO and the other metrics.

"We've gone well beyond that, and our DSO is down by 26 days this year."

Thanks to Credit Today's Credit Department Profiles.

3. Government Minimums

I got started in credit as a regional credit manager with the J.M. Smucker Company. Of course, in the food business (as well as many other lines of business), the government has all kinds of rules and regulations to protect consumers from poor, dangerous, or shoddy products.



I recall one of my bosses sharing with me that the Smucker family (though a large public company, the founding family still played prominent roles running the company), had once told him that:

Government mandated minimums will never have any impact on what we make here.

In short, their standards are so far above government-mandated minimums that those standards are totally irrelevant.

Simple and powerful, that statement resonated with me at the time and it still does.

And it brings to mind two questions:

Are *you* doing the minimum? If so, why? Probably not, or you would not be reading this letter. However, if you are, what should you do to inject passion into your work?

A second question: *do you have people around you doing the minimum?*

Why? I cannot imagine a more toxic influence. If so, I would help them find something where they are interested in doing more - much more - than "the minimum."