



10 credit management best practices for selling to business customers

When it comes to managing credit today, nothing gives CFOs more pause than the chance of financial risk. Is a prospective customer going to pay on time, or are they going to be delinquent and bring stress to the table?

Over the last few decades, many processes and practices have become the standard when it comes to managing and approving credit, especially in the world of B2B. Yet, in the dawn of automation, a wide variety of new best practices have emerged for organizations to adopt and implement to ensure they're doing everything they can to best manage customer credit and increase the bottom line.

Here are 10 best practices that your organization can bring to your accounts receivable (AR) and credit teams to help optimize your overall credit management process:



1 RECOGNIZING THE IMPORTANCE OF CREDIT MANAGEMENT

First and foremost, it's essential that your organization recognizes the importance of credit management and collections processes. These processes, unfairly viewed

as backend and administrative, can quickly become the gatekeepers to a business' accessibility to cash flow.

As a whole, credit management is intertwined with other functional areas both internally and externally. Examples would be the areas of sales, order management, invoicing, promotions and deductions, among others. Collections is similarly intertwined within the payments lifecycle,

depending on a wide variety of external and internal variables. Once your organization recognizes this, you can begin the journey towards streamlining processes and ensuring efficient cash flow.



2 BUILDING RELATIONSHIPS

We all know that having meaningful relationships with your customers is essential to a healthy business. You want to obviously understand their wants and needs as an organization, but you also want to learn about their own operational challenges which includes the need for an unsecured line of credit from their suppliers. This is where you can learn the customer business practices that impact prompt payments, and eliminate barriers to prompt payment in your own processes. You can work with them to help provide training across all departments that deal with customers and their payment behaviors. This ensures an understanding of company policy for payment and objectives in order to provide a consistent message to your customer.



3 TRAINING

You should never stop learning, and neither should those working within your business. Every business should have a training team. You can work with them to help provide training across all departments that deal with customers and their payment behaviors to ensure understanding of company policy for payment and objectives, in order to provide a consistent message to your customer.



4 AUTOMATING THE AR PROCESS

Since you want to ensure that you're supporting your credit management process from all angles, it's crucial to properly support other aspects of the order-to-cash chain. As stated before, these days there are a wide variety of tools that you can provide your internal teams to streamline previously inefficient and tedious processes.

By implementing an automated AR work-flow system such



as those provided by Billtrust to assist financial teams with invoicing, payments, cash application, collections and even credit, you're giving, departments are equipped to ensure timely payment and guaranteed cash flow. Plus, with cross-trained team members and solution users, any customer-facing employee can resolve an issue when a customer calls about a payment, deduction, dispute or credit-related problem rather than delaying action with call-backs and emails.



5 ACCESSING TECHNOLOGY AND DATA

Having access to up-to-date data is essential when it comes to credit management. How else can you really know the true state of affairs when it comes to your available cash flow without it? Luckily, as technology gets more advanced, you and your business can attain this view.

With functionalities like Billtrust's peer-to-peer trade data exchange or online credit applications portals, your employees can view the latest customer information at the click of a button. You can further adopt and use a system for timely identification and validation of disputes and deductions. The process must include timetables, routing of collection problems and deductions, and management escalation for serious issues. Tracking of collections

and deductions with a robustly designed deduction management system will provide valuable insight on gaps in compliance or service levels vis-a-vis customer expectations, particularly useful in identifying systemic, recurring problems.



6 SCORING CREDIT & PAYMENT

There are many circumstantial questions surrounding credit and delinquency that will require actions from you and your team. For example, at what point should a customer be sent to your collections department?

By using a credit and payment scoring model that triggers workflow actions within your solution set, you can more proactively manage credit lines and payment delinquency with your customers. The scores should reflect credit risk, industry payment data, as well as your own collected data and experience with any customer. You can also adopt a credit and payment scoring model that evolves to reflect business needs and actual customer behaviors over time.



7 IMPLEMENTING CREDIT POLICIES

Like most actions taken in business, implementing a credit policy should be a tool used to expand company revenue as well as better secure your customer relationships. In

difficult situations, credit lines and payments that follow a strict policy can be worked out collaboratively with the customer. In general, credit policies drive consistency and understanding. This is beneficial to both of you, as it establishes communication but also works to achieve the objectives of both parties. This may require creativity on the part of the credit manager though, and use of security, documentation and other credit management tools.



8 SETTING GOALS

It's important that everyone in a business is marching to the same beat. Probably the most meaningful goal is onboarding customers faster through online platforms that allow for customers, third-party business information companies, suppliers and banks to provide up-to-date information on the customer's financial situation. As an example, you can agree to approve customers for credit on defined Service Level Agreements ("SLAs") and keep an accurate record of the customer on file. In addition, you need to be sure that collector performance goals are written down and that team members are held accountable for their results. These goals should be in sync with those that drive senior levels of management but focus on more targeted metrics to draw team concentration to what's important - ensuring that delinquency is prevented and your company is paid. Transparency between credit and



collections is key so that the customer has a seamless experience.



9 PRIORITIZING COLLECTIONS EFFORTS

There is only so much time in the day. That's why when it comes to supporting your organization's credit management efforts, it's essential that you prioritize your collection activities. Whether triggered by predictive payment scoring systems and solutions, such as those offered by Billtrust, or by manual ledger review, you have to organize and plan your collection targets toward outcomes that will provide the highest return for your organization.

This prioritization can be by the employee as well, as some are better suited for volume collections as opposed to complex collections. If you do decide to look towards an automated collections solution, there are smart ways to go about it. For example, Billtrust ensures your collections policies remain proactive instead of reactive, while also helping to support your customer relationships. This allows you to more efficiently manage the company's AR investment while keeping your customers happy.



10 MOVING AWAY FROM OLD PROCESSES

Finally, if you are experiencing an unacceptably high level of bad debts, perhaps your credit processes are inadequate to the task. The turnkey solutions of old to this have included credit and collection outsourcing or even factoring. Another possibility is credit insurance, although a credit insurer will also require that you implement effective credit controls and policies.

Yet as companies look for further efficiency and less back and forth with service providers, turning to automated solutions is the obvious decision. These days, there is easy access to solutions that integrate with your ERP, automate and streamline your entire order-to-cash cycle, provide access to live credit and trade supplier data and ultimately enhance your ability to manage your credit lines. In addition, these solutions provide customers easy access through online portals to provide you information on their businesses saving you tremendous time in trying to do this over the fax and phone. These solutions put you in the driver seat to help you better ensure that your company gets paid for what it does best.

About Billtrust

As the leading provider of order-to-cash solutions, Billtrust has always focused on making it easier for companies to get paid. Through consistent evolution and iteration, our integrated, cloud-based AR platform drives customer efficiencies, grows revenue and increases profitability for businesses across several industries.

With more than 18 years' experience and expertise – and a culture dedicated to our customers – we help businesses implement AR best practices, resulting in greater operational efficiency, accelerated cash flow and most importantly, happier customers.



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