

The Rapidly Changing Roles of Today's Credit Managers

What CFO's Want

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Forum

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Introduction to TCD & Pam Krank

- ▶ 45 Years of Managing Trade Receivables
- ▶ Leads a 35-person Credit Department providing expert receivables management for mid-market companies since 1993
- ▶ Works for dozens of CFO's in mid-market manufacturing and service companies
- ▶ Manages over 1.2 million open items totaling \$1 billion on 150,000 bill-to's



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by HighRadius

Sponsored by

Traditional Credit Management Role

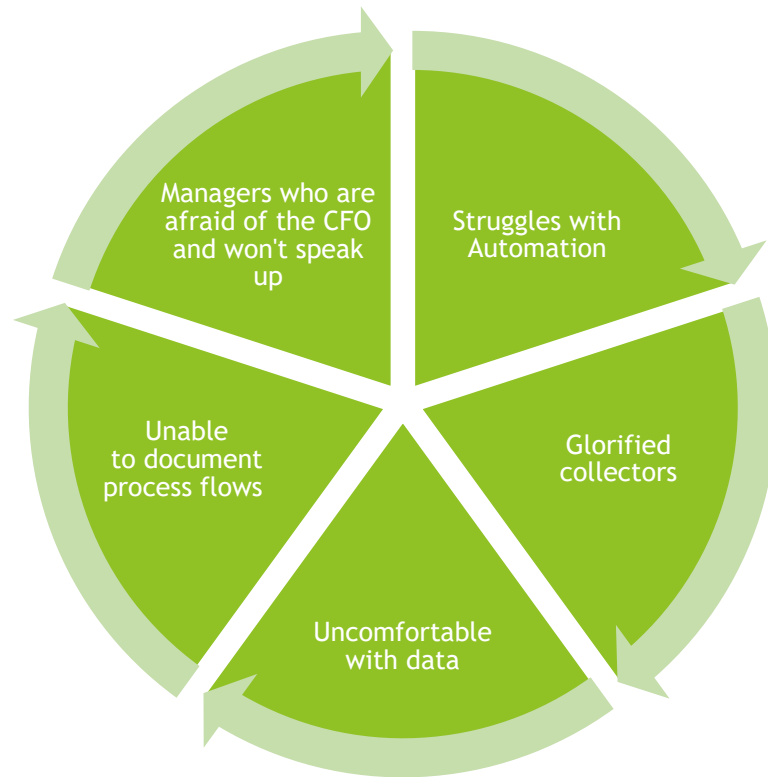
- ▶ Collect on larger past dues
- ▶ Supervise collectors, credit analysts
- ▶ Analyze larger credit lines
- ▶ Reporting results
- ▶ Trouble-shoot customer issues



What do CFO's want now from Credit Managers?

- ▶ Well-engineered, concise, organized data on the Receivables
- ▶ Best-in-Class Results
- ▶ Efficient asset management
- ▶ **NO SURPRISES!**

What DON'T they want in a Credit Manager?



It's All About the Data!

- ▶ Which customers are at highest risk of defaulting?
- ▶ What are the payment trends in my customer groups?
- ▶ Of my top past dues, why are they past due?
- ▶ What threats exist to the quality of the A/R?



Why is the Data Difficult to Provide?

Too much information

Time-consuming

Credit managers strapped with poor/non-existent technology for reporting

Unsure how to categorize



What Can Be Done?

- ▶ Stop using spreadsheets instead of databases
- ▶ Track everything you can.
- ▶ Invest in a cloud-based collection technology to track all notes, statuses, trends


Examples of Top Reporting



- ▶ Major Delinquent Reports
- ▶ Receivables Status
- ▶ Payment Trends
- ▶ Top Credit risks to the Portfolio

Major Delinquent Report Exception Reporting Example

	Customer Name	Amount	Status	Notes
93ANA002	EG Controls	\$ 52,650	Installment note	Customer on \$7500/month payments. Business decision to sell beyond \$10,000 line.
93LUX001	ABC Hotel & Casino	\$ 52,477	No PO	Work done without approved purchase order; working with buyer to create
29DR00	B-RAND COMPANY	\$ 34,857	Project delays	Still waiting on customer to advise project completion so we can collect



*CFO's Want to Know
What **Areas of the
Company Outside of
Credit** Are Affecting the
Quality of the
Receivables*

Status of the Receivable 1-18-23

Status	Total
Contacted No Commitment Total	\$ 890,455
Invoice copy sent Total	\$ 815,957
Statement Sent Total	\$ 643,190
No More Service Approved Total	\$ 635,794
Approved to Pay Total	\$ 629,552
Disputed Total	\$ 620,528
Scheduled payment Total	\$ 590,943

Tracking Pay Trends

Summary Metrics:

Canadian division

Measure	2022-10	2022-08	2022-06	2022-04	2022-02
Monthend Past Due (000s)	54,589	50,379	47,948	53,804	45,714
Monthly Sales (000s)	93,295	75,543	79,345	73,019	34,870
Days Sales Outstanding (DSO)	71	58	62	76	66
Best Possible DSO	52	38	43	48	42
Days over Best	19	20	19	28	24
Pct A/R Past Due > 60 Days	2	5	4	6	9

Customer	Total A/R	Total Past due	Status	% of Default	Amt to reserve
ABC	\$110,000	\$110,000	Out of business	100%	\$110,000
S-Systems	\$80,200	\$55,000	Payment plan	50%	\$40,100
Proactive Bldg	\$66,500	\$32,700	Contacted	25%	\$16,625
Concordia	\$52,000	\$25,500	Contacted	20%	\$10,400
Total	\$308,700	\$223,200			\$177,125

Credit Default Risk

They want to know...

- ▶ When is my money coming in?
- ▶ If it isn't arriving when expected, why not?



Money coming in: Tracking Incoming Cash

- ▶ Measure and report item pay dates
- ▶ Create daily/weekly cash forecast



Acct #	Cust Name	Ref #	Inv Date	Net Due	6 Month DSO	Amt	Status	Pay Date
HOM240010	Home Depot Usa (Domestic)	41561703	11/8/2022	12/8/2022	65	\$72	Confirmed	12/13/2022

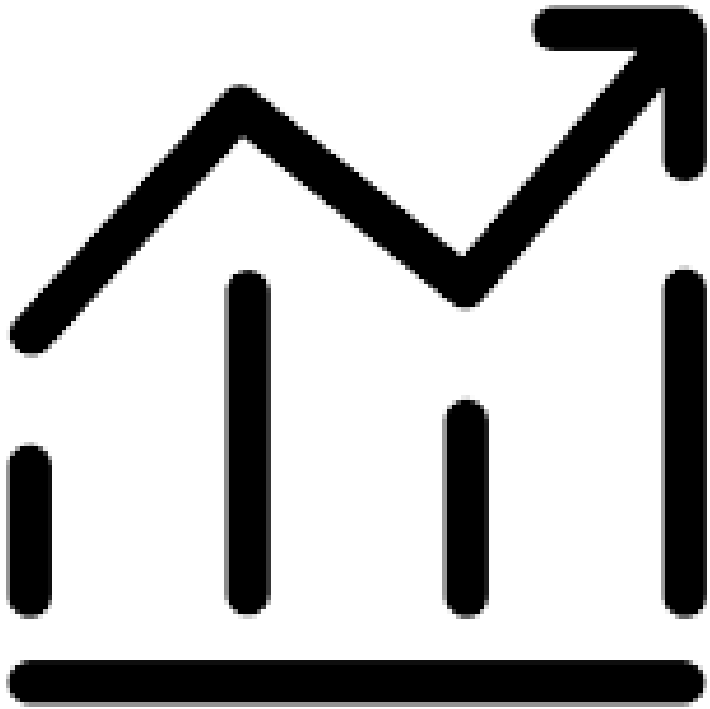
Pay Date Estimator

Cash flow Forecast Example



Sum of Remaining Amt	2023				
Customers	12/31/2022 -	1/7/2023 -	1/14/2023 -	1/21/2023 -	1/28/2023 -
	1/6/2023	1/13/2023	1/20/2023	1/27/2023	2/3/2023
Grand Total	\$ 723,775.43	\$ 1,877,649.68	\$ 1,173,984.16	\$ 1,052,077.20	\$ 2,666,169.70

Weekly Forecasting



*If it's not in
the Forecast,
Why Not?*

Reasons for Cash Delays

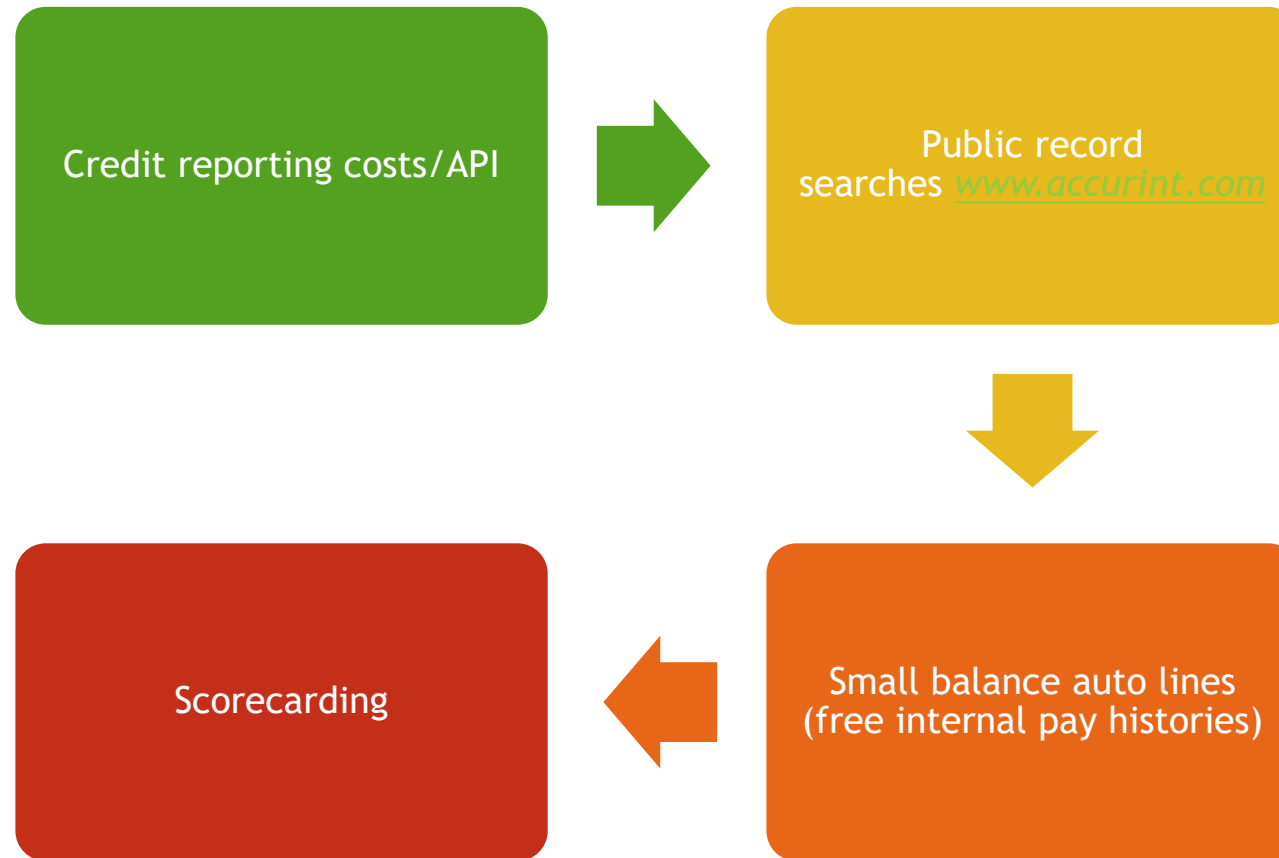
- ▶ Disputes: pricing, quality, delivery, etc.
- ▶ Purchase orders not reviewed/confirmed
- ▶ Sales offers not communicated to Credit
- ▶ Invoices not received/entered
- ▶ Doubtful accounts

Efficiency Measurements: Cost of the Department



- ▶ Credit Analysis
- ▶ Staff
- ▶ Collection Metrics

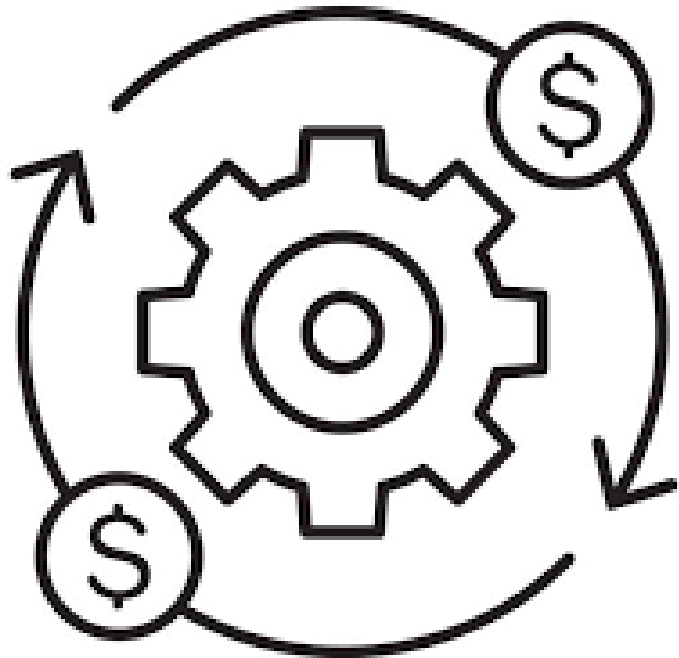
Credit Analysis Efficiency



Staff Around Your Automation

- ▶ Automate billing, statements, cash application, small credit approvals, email notifications, customer portals, follow-up queues
- ▶ Focus people on collection calls, credit analysis exceptions, customer portal management





Efficiency Metrics

- ▶ Calls per hour
- ▶ Exceptions managed per hour
- ▶ Per past due file (by type)
- ▶ Per credit analysis (by type)
- ▶ Per deduction managed

CFO's rely on Credit Managers to...

- ▶ Act as the **data center** for customer payment/non-payment information
- ▶ **Predict payments** based on payment status and actual payments scheduled
- ▶ **Minimize expense** of the department
- ▶ **Ensure efficient** (low cost) department

Most of all, CFO's hate Surprises!

if you provide them with the threats, trends, and predicted cash flow from the Receivable portfolio, you will be seen as a valuable asset to the company!



Questions?

Thank you!

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