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Navigating Credit: Recovering in a Softening Market; What's Impeding Payment?

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Agenda

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Class Synopsis

Effective recovery is par for the course in the Credit and Accounts Receivables industry (AR). In a market where demand is decreasing, or buyers are exiting; it's necessary to identify industry and payment trends that support timely recovery.

At the end of this class, it is expected that you would have uncovered strategies and objectives for effective recovery best practices, leveraging resources, and utilizing the appropriate technology that prevent revenue loss.

Let's beg, borrow or steal together, as we support one another with getting it done!

Ice Breaker

- What are the top three things on your bucket list?
- Who would you choose if you could trade lives with any fictional character?
- What are the first three things you would grab in an emergency?
- What would you do if allowed to be the owner of your company for a day?
- What is your absolute dream job?

How Did We Get Here?

Business Case Exercise:

- **Breakout Session:** Breakout into equal groups; to review a business case together and provide a briefing of the decision.

A Few Things To Consider

- Back to the Basic: KYC
- Identify & Monitor Payment Trends
- Being Proactive In A Reactive Industry
- Leverage Old & Create New Partnerships
- Be Firm: It's No Longer Business as Usual

5 Steps to KYC

Character: What do they look like, history?	Capacity: What is their ability to pay?	Capital: What do they have to leverage the debt?	Collateral: What can they do to provide assurance from a default?	Conditions: How do they measure up?

The 3 C's of a Collection Strategy

Communication – Keep communication with customers clear & consistent

Choice – Provide a variety of payment methods

Control – Offer more ways to manage their payments for better recovery and customer experience

Identify & Monitor Payment Trends

- What level of exposer do you still have outside your safeguards
- Know your risk – $ & %
  - By knowing the potential dollar amount and percentage of risk involved in various transactions, you can make more informed decisions and avoid potential pitfalls.
- Know your high rollers – VIP's, FOB, etc.
  - Not all customers are created equal. Identifying your high rollers, such as VIP clients or frequent buyers, it will help you prioritize their needs and ensure a better customer experience.
- By knowing who your most valuable customers are, you can focus your efforts on building and maintaining those relationships too!

- Know your company's tolerance – **ARE YOU OUTSIDE THE BULLSEYE?**
- Every business has its limits. By understanding your company's tolerance for risk and exposure, you can ensure that you stay within your comfort zone.
- Knowing when you are outside the bullseye can help you make strategic adjustments to protect your business and maintain stability.

Being Proactive In a Reactive Market

- Strategic Planning: Strategic planning is the foundation of any successful business. Balancing the need for timely payments with keeping customers happy can be a challenging task. However, with the right strategies in place, businesses can achieve financial viability while also ensuring customer satisfaction and driving sales growth.

- Group customers by credit line exposure to understand the most at risk group.
  - This approach can help reduce the likelihood of bad debt and improve overall cash flow.
- Don’t make a practice of focusing solely on highest exposure and known high risk customer. You don’t want an unwelcomed surprise!
- Read between the lines
  - It's crucial to look beyond the numbers and read between the lines. If a customer shows signs of financial struggles or inconsistent payment behavior, it may be wise to limit credit exposure or require additional security.

- What safeguards do you have in place for your customer base?
  - Liens, bonds, credit insurance, UCC’s, deposits, etc.
  - Set clear goals to identify potential obstacles
  - Developing a roadmap can ensure your business is on track to meet financial goals.
  - **Go Beyond the KPI’s**

Leverage Old & Create New Partnerships

- Fostering relationships with internal & external partners (customers)
  - Listen to their needs
  - Where are their struggles?
  - What obstacles are they trying to overcome?
  - Cash flow, slowed payments, equipment down, contracts terminated
- Regular touchpoints with Sales & Customers
  - May provide early sign detection of challenges they are facing
  - Their customers not paying, terms not allied with obligations, contracts terminated

Be Firm: It's No Longer Business As Usual

- Do not overextend credit to customers who show signs of financial distress
  - By proactively managing credit risk and implementing sound credit policies, businesses can protect their bottom line
- Financial viability of customer
  - Regular review of customer trends
  - Did payment source change: could indicate a shift in their financial situation. For example, if a customer switches from paying by check to credit card, it may be worth investigating.
  - Did average DBT change may be a sign that the customer is facing financial difficulties and may need additional support or payment options.

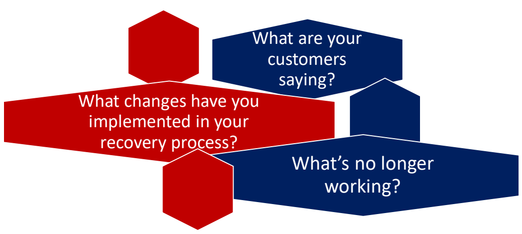
- Credit Reviews – How Often?
  - Regular credit reviews are crucial for assessing the risk associated with each customer.
  - **Evaluating Factors:** payment history & trends, credit utilization, and credit scores, updated trade references, SOS
- Do you have a standard policy in place for credit reviews?
  - Having a standard policy for conducting credit reviews can help ensure consistency and fairness in the decision-making process. This policy should outline the criteria for evaluating customer creditworthiness and the frequency of reviews.

- Is there a different policy during economic downturns?
  - During economic downturns or periods of uncertainty, businesses may need to adjust their credit review policies to account for increased risk. It may be necessary to conduct more frequent reviews or tighten credit terms to reduce the risk of non-payment.

Business Case Exercise: After

- **After the Presentation:** In the same groups review the same business case provide a briefing of the decision; would you make the same decision based on what you have learned?

Q&A Session-Let's Chat



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