

# Perspective by CRF

2<sup>nd</sup> Quarter, 2024

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## 9 Best Practices: How Sales Teams Can Support Corporate Goals for Credit and Collections

*Written by: Frank Buck, Carixa*

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*By: Erikk Kropp, Experian Business Information Services*

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# 9 Best Practices: How Sales Teams Can Support Corporate Goals for Credit and Collections

By: Frank Buck, Director of Product, Carixa

Managing accounts receivable effectively is crucial for maintaining a healthy cash flow in any company, and sales teams should play a “partner” role by assisting Finance with credit, collections, and customer payment deductions.

There is often tension between Sales and Credit & Collection teams. The two teams frequently point fingers at each other for problems related to credit and accounts receivable but both share the responsibility for the financial viability of the customer. Several of the recommendations below require sales to play a supporting role while AR drives much of the execution – so while it may seem like a lot on sales, in actuality it is the minimum needed for securing the relationship.

Sales and Credit & Collection teams interact with clients throughout the order-to-collection process, making coordinated efforts essential for optimal results. Sales is responsible for securing orders, but their job isn't complete until revenue is collected, requiring support from the Credit and Collection teams. Credit and Collection monitors aging receivables and should alert Sales when issues arise, and leverage Sales' client relationships to expedite payments or gather feedback.

Actions by one team can impact the other; for instance, aggressive collection tactics can harm client relations, while promises made by Sales can exacerbate overdue balances. Therefore, alignment between the two teams is crucial, ideally through shared objectives and rewards for meeting collection and revenue targets.

Here are nine best practices for the sales force to help ensure accounts receivable remain current and delinquencies are minimized, thus maximizing credit lines for new sales.

## 1. Onboard New Customers Thoroughly

**Comprehensive Onboarding:** It all begins with the proper onboarding of a new customer at the beginning of a relationship. This includes properly filling out a credit application and providing detailed information for billing. Sharing and explaining the seller's policies and rules concerning credit, collections, and deductions is essential. It's good practice to have the buyer sign your policy documents to ensure understanding and agreement. This link provides a sample [Deduction Policy Statement](#) to present to the customer. Other policy statements are available by contacting us.

## 2. Leverage Automated Credit Application Systems

**Automate the Credit Approval:** Start with an automated credit application system to streamline the credit data gathering and approval process and speed approvals. Utilize automated credit scoring tools to quickly assess a customer's creditworthiness based on predefined criteria, reducing the time and effort needed for manual evaluations. With a good system, you can achieve a less than 24-hour turnaround for credit approvals.

**Integrate Credit Applications with CRM:** Ensure the credit application system is integrated with the company's CRM. This integration allows sales representatives to initiate credit applications, access real-time credit status updates and helps them make informed decisions about customer orders.

## 3. Sales' Proactive Involvement in Credit Management

**Monitor Credit Limits:** Salespeople should regularly monitor their customers' credit limits. If a customer's purchasing activity approaches their limit, the salesperson should proactively discuss this with the custom-

er and with Finance to find solutions that facilitate continued sales. Conversely, accounts with high credit scores and underutilized on credit limits need special attention for possible upsell.

**Flag Potential Risks:** Ensure Sales teams are trained to identify early warning signs of credit issues, such as changes in facilities, key employees, ownership, purchasing patterns or delays in payment. They should promptly report these to Finance for further action.

#### 4. Assistance with Accounts Receivable Collections

**Early Engagement:** Salespeople should engage with customers early in the collection process. A friendly reminder from a trusted sales representative can often prompt quicker payment without straining the customer relationship. There are a number of (correctable) reasons for late payments, which the salesperson should be on the alert for, including:

- The vendor master account was set up with the wrong terms, discounts or FOB.
- Issues with supplier order processing, compliance and billing procedures.
- Occasional overlooked invoices.
- Financial problems.
- Ingrained or intentional late payment habits.

**Regular Check-Ins:** Establish regular check-ins with customers to discuss account statuses. These conversations can help identify any potential issues before they become serious problems and demonstrate the company's commitment to partnership. Building effective relationship score cards is one of many ways to track the partnership with the customer.

**Payment Plans:** If a customer is experiencing temporary cash flow issues, salespeople can work with Finance to establish mutually agreeable payment plans. This approach maintains the relationship while ensuring eventual payment and can avoid hours of collections work on the back end to no avail.

#### 5. Help in Resolving Customer Payment Deductions

**Identify and Resolve Deductions:** Sales teams should be vigilant about customer deductions, ensuring they are valid and promptly addressing any discrepancies. This can involve coordinating with the customer to understand the reason for the deduction, getting appropriate backup, and working with Finance to resolve it. In some cases, only the salesperson can resolve the issue.

- Misunderstanding of trade discount deals
- Contract misalignment
- Purchase Order terms conflict
- Pricing disagreement
- Process errors or compliance related fails
- Excessive ordering (or returns)

**Educate Customers:** Educate your customers on the proper procedures and allowed timelines for deductions to minimize errors and misunderstandings. Clear communication with supporting data can prevent future deductions and streamline the accounts receivable process, especially if it is proactively delivered through automation

#### 6. Internal Communication and Collaboration

**Regular Updates with Finance:** Sales and Finance teams should hold regular meetings to discuss outstanding receivables, credit issues, and any concerns regarding customer payments. This collaboration ensures everyone is aligned and working towards the same goals. Creating a portfolio strategy for sales using dashboards is a healthy process for any sales organization, including key actions based on the account statuses.

**Shared Objectives:** Align sales targets with financial health metrics. Salespeople should understand that keeping accounts current is in their best interest, as it allows for continued sales and demonstrates their value as problem-solving partners to their customers.

**Leverage Direct Relationships:** Salespeople, unlike credit associates, have direct relationships with the buyers, which can help resolve many issues more quickly by acting in partnership with their counterparts, especially when getting customers to complete credit applications. Additionally, salespeople are generally involved in the customer contract and ordering process, placing them in a prime position to influence the accuracy and efficiency of the process.

## 7. Analyze Customer Account Profitability

**Review True Account Profitability - Customer P&L Idea:** Here is an idea that elevates a salesperson to that of a true business partner. Just as the corporation has a P&L, Finance can prepare a "Customer P&L," which could include the impact of late payments, as well as the cost of returns and deductions that reduce the net margins and consequently the value of the relationship from the seller's standpoint. Here is a very simple concept to support your position.

### Simple Example

ABC Retail Chain	Gross Sales	Returns	Damage	Compliance	OTIF	Other	Shortages	Total
Plan \$	\$3,500,000	\$105,000	\$35,000	\$17,500	\$35,000	\$17,500	\$35,000	\$245,000
Plan %	100%	3.0%	1.0%	0.5%	1.0%	0.50%	1.0%	7.0%
Actual %	100%	5.5%	2.0%	1.3%	1.3%	2%	2.0%	14.1%
Actual \$		\$192,500	\$70,000	\$45,500	\$43,750	\$70,000	\$70,000	\$491,750
<b>Deductions Variance</b>		<b>\$297,500</b>	<b>\$105,000</b>	<b>\$63,000</b>	<b>\$78,750</b>	<b>\$87,500</b>	<b>\$105,000</b>	<b>\$246,750</b>
	<b>% of Sales</b>				<b>Late Payments</b>			
<b>Budgeted GP</b>	<b>28.0%</b>	\$980,000			AR Balance	\$475,000		
Excess Valid Deductions		(\$246,750)			1-30 Day balance would be	\$291,667		
Carrying costs for credit in excess of 30 days		(\$14,667)			Excess A/R	\$183,333		
<b>Actual GP</b>	<b>20.5%</b>	\$718,583			Excess Carrying Cost at 8%	\$14,667		

This analysis helps to identify problems that are eroding margins due to excessive deductions and late payments.

## 8. Customer Update or Problem-Solving Meetings

**Periodic Meetings:** Let the customer know that you would like to meet to identify and work out any issues in processes and the relationship, so you both can take proactive measures to keep the partnership soundly based. Let them know this will include an evaluation of billing and receivables issues, and that you would also want to hear of any issues from their side.

**Review Accounts Receivable Statements:** Before calling on a customer, salespeople should access or request a copy of the accounts receivable statement, discuss it with the credit manager, and be prepared to discuss some details with the customer. This consultative approach will impress the customer, who will see

the salesperson as a professional partner in the business relationship.

**Review the Customer's Supplier Ratings:** Before meeting a large customer, the salesperson should review the customer's supplier ratings for the vendor, which are generally published on the customer's Supplier Portal. Rather than be blindsided by negative comments, the salesperson can be prepared with proactive actions ahead of time. In addition, go prepared with a list of any issues that you need to present to improve the relationship.

**Customer P&L Review.** Review and present your evaluation of the relationship based on the P&L idea presented in #7 above, if your analysis shows that some corrective action is necessary.

## 9. Training and Incentives

**Training Programs:** Provide training for sales teams on the importance of credit management, collections, and handling deductions. Equip them with the necessary skills and knowledge to address these issues effectively.

**Incentive Programs:** Implement incentive programs that reward sales representatives for maintaining low levels of delinquency, profitability and effectively managing their accounts receivable. This approach encourages proactive behavior and underscores the importance of financial health.

## Conclusion

While discussing business problems, late payments and deductions with a customer may not be a favorite task for salespeople, it is essential for maintaining a healthy cash flow, as well as productive customer relationships. By adopting these best practices, sales teams can significantly support Finance in managing credit and collections, ensuring accounts remain current and providing more room in the credit line for new sales. This proactive approach not only secures the company's financial stability but also strengthens the partnership with customers, fostering long-term business success for both parties.

## About the Author



Frank is responsible for Carixa Cloud Suite product management with deep experience in invoice-to-cash automation. Previously, he served in senior product management roles with Avalara, a tax compliance software company, Billtrust, an invoice-to-payments company, and SunGard Availability Services. He has early-career experience with FedEx Ground and Amazon fulfillment. Frank has a B.A. Sociology from Bloomsburg University of Pennsylvania.



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# The Importance of a World Class Payments Policy

By: Chad Bruffey, Vice President, Corporate Sales, Billtrust

Managing accounts receivable (AR) is a constant juggling act for businesses – optimizing cash flow, minimizing costs, and keeping customers happy. One powerful strategy for striking this tricky balance? Implementing a world-class payments policy.

A well-designed payments policy does more than just give AR teams the right tools to manage company finances effectively. It aligns payment processes with overarching business goals to drive holistic success. This article reveals why a robust payments policy is so critical, how it elevates the customer experience, and the role technology plays in crafting and executing effective policies.

## The Strategic Importance of a Payments Policy

Crafting a comprehensive payments policy is pivotal for effective expense management within AR teams. In our digital era, AR teams have access to a suite of software services that allow them to control and govern how a company's money is spent. However, without a structured payments policy, these tools may not reach their full potential.

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## About the Author



Chad Bruffey is Vice President, Corporate Sales at Billtrust. His focus is helping organizations drive value through automation, optimization and standardization. Before Billtrust, he had senior-level positions with C2FO, Tungsten Network (formerly OB10), Verian and Kofax.

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## Getting Started on the Path to Modernization

By: *Erikk J. Kropp, Expert Product Manager and Product Owner, Experian BIS*

Enjoy this “Digital Article” powered by Experian!

The following video article will provide insights and a framework for how you can commence the path toward modernizing the customer acquisition process. Erikk Kropp will discuss input on what data sources should be considered, alternative sources and how to include international credit risk into the process.

To access the full presentation, [CLICK HERE](#)



### About the Author

Erikk J. Kropp, Expert Product Manager and Product Owner at Experian BIS has spent the last 17 years in the business credit industry, helping clients mitigate risk through the use of Experian data, analytics, software, and consulting services. He currently manages the day-to-day operation and strategic road map for DecisionIQ, an automated decisioning and application processing software used for B2B credit approvals.

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# Enhancing Credit Risk Management: The Crucial Role of Stress Testing

By: Chris Woodard, CMO & Co-Founder, Handle.com

In the intricate world of finance, where uncertainties abound, the ability to anticipate and mitigate risks is paramount. Credit risk, the potential loss arising from the failure of a borrower to honor their financial obligations, stands as one of the most significant risks faced by financial institutions. To navigate this terrain effectively, institutions employ various risk management tools, with stress testing emerging as a cornerstone of their arsenal. In this article, we delve into the critical role of stress testing in credit risk management, exploring its methodologies, implications, and future prospects.

## Overview of Credit Risk Management

At its core, credit risk management involves the assessment, monitoring, and mitigation of risks associated with lending activities. Financial institutions employ a range of techniques to manage credit risk, including credit scoring models, collateral requirements, and loan covenants. While these traditional methods provide valuable insights into borrower creditworthiness, they often fall short in predicting the impact of severe economic downturns or adverse events.

## Introduction to Stress Testing

Enter stress testing – a proactive approach to risk management that goes beyond traditional methods by assessing the resilience of financial institutions under adverse scenarios. Stress tests simulate a range of adverse scenarios, from...

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## About the Author



Chris Woodard is the CMO and Co-Founder of Handle.com. Handle's software powers the largest credit and finance teams in construction. Fortune 500 material suppliers and contractors trust Handle on a daily basis to provide their credit and collections departments with an end-to-end solution that saves their staff 10-12 hours per week.



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# How to Forfeit a Bankruptcy Dividend

By: *Kenneth A. Rosen, Esq.*

This is a story about what can happen when you assume too much without sufficient justification and also what can happen when you stop paying attention to a matter.

After its Chapter 11 plan of reorganization was confirmed by the Bankruptcy Court, Pier 1 Imports filed a motion to reject a real estate lease between Pier 1 and a lessor of retail space ("Lessor"). The motion was unopposed by the Lessor and was granted.

The Lessor timely filed a proof of general unsecured claim (the "Claim") in the amount of \$461,698.96 on account of damages suffered as a result of the Lease rejection.

The Lessor communicated with Pier 1 with respect to the Claim and requested a status report on the Claim. The Chapter 11 plan administrator, Pier 1's representative, told the Lessor they expected no distribution to general unsecured creditors. Apparently, the Lessor relied on the advice of Pier 1's representative. Thereafter communications between Pier 1 and the Lessor ceased. Subsequently Pier 1 objected to the Lessor's claim and the Claim was reduced to zero. The objection was unopposed, presumably because the Lessor assumed that there would be no dividend.

Thirty-fourth months after the Lessor's prior communication with Pier 1...

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## About the Author



Kenneth A. Rosen, Esq - Lowenstein Sandler Chair Emeritus, Bankruptcy & Restructuring Department with more than 35 years of proven experience, Ken is the first call for companies seeking a strategic plan for recovery from financial distress.

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# The Evolution of Compliance: Key Events and Their Impact

By: Silvia Aguirre, CEO Tax CSA LLC

I've noticed that companies face increasing challenges in navigating regulations and registration requirements to remain tax compliant in indirect taxes. Tax complexity has always existed, but it is now more pronounced as more companies expand their business across state lines. States are demanding more thorough information to determine if companies are benefiting from selling within their jurisdiction.

In my opinion, the one reason for the increased challenges came about because of the United States Supreme Court case *South Dakota v. Wayfair, Inc.* ("Wayfair") which fundamentally changed the rules by establishing a more comprehensive definition of economic nexus. Before this ruling, physical nexus was mainly determined by whether a company needed to register in a state. Physical nexus includes, but is not limited to, having an office, employees, or conducting physical work within the state. While physical nexus was occasionally challenged, it was generally accepted that a company needed to register for indirect taxes, such as sales tax, when it had a physical presence within a state.

With the Wayfair decision, companies now need to conduct regular due diligence to determine if they have crossed a threshold that requires registration. Previously, an established company only had to register and start collecting and reporting sales taxes if it physically expanded into another state. This meant the company acknowledged benefiting from doing business in the new state and willingly collected and remitted taxes to that state. However, five years after Wayfair, companies must monitor the volume of sales or transactions in each state to see if they have crossed the registration threshold. Essentially, this has shifted from evaluating one state at a time to continuously evaluating all states.

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## About the Author



Silvia Aguirre is a recognized expert in indirect tax with over 30 years of experience. Prior to founding Tax CSA, LLC, she co-founded and served as the General Manager and Chief Certificate Officer of Avalara CertCapture, where she oversaw the product direction of the CertCapture suite of products. Silvia was also the co-founder and Principal of Tax Technology Services, LLC (TTS), where she managed the operational efficiency of the organization and the tax knowledge base. Her previous roles include serving as an Auditor for the State of Texas and as a Tax Manager for national companies in manufacturing, retail, and software industries.



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## Cash Flow Complacency: How to Avoid Falling into the Trap

By: Danny Wheeler, Invoice-to-Cash Solutions Manager, BlackLine

In today's economy, finance and accounting (F&A) teams have navigated through a period marked by supply chain interruptions, inflationary pressures, fluctuating interest rates, geopolitical tensions, energy shortages, banking instabilities, and workforce deficits. These factors have collectively forged one of the most challenging economic landscapes for F&A professionals in recent history.

Despite the downward trend in inflation and the stabilization of interest rates hinting at potentially healthier times for the economy ahead, persistent economic frailties underscore the ongoing uncertainty businesses may face. Considering these conditions, it is imperative for organizations to prioritize financial resilience and liquidity – and ensure they remain in a strong cash position at all times.

### Secure Foundations to Build On

F&A teams are tasked with the critical role of managing [cash flow](#) to ensure organizational stability and position their companies to seize growth opportunities that may arise. Maintaining a robust financial footing amidst such volatility is...

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### About the Author



Danny Wheeler is an accomplished technology professional with over 15 years of experience in product management, business analysis, and project management within the financial automation space. With a background in Accounts Receivable, he is currently the Solutions Strategy and Marketing Manager for Accounts Receivable Automation at BlackLine, a leading financial automation software company.

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## When a Claim Goes to Court

*By: Annette M. Waggoner, Executive Director, Commercial Collection Agencies of America*

When a creditor places a delinquent receivable with a certified commercial collection agency for collection, the creditor may authorize the agency, when necessary, to retain an attorney in the area where the debtor is located. The attorney is selected by the creditor and/or the agency with a specific provision that a lawsuit will not be filed without the creditor's prior authorization. It is incumbent on the creditor to determine whether the likelihood of recovery on the claim, and the probable amount of recovery, will justify the time and expense of litigation. Consultation by an agency and attorney can assist in that task. The agency and attorney can evaluate the claim for suit worthiness, establish the viability of the corporate entity (and personal guarantor, if applicable), determine if the statute of limitations has expired, examine the risks of initiating a lawsuit and discuss the willingness to defend a counterclaim if brought against the creditor.

Agencies forward claims to a network of attorneys across the United States and abroad. The advantage of using an agency's network is that attorneys receive many claims in their locale from the agency and represent many of the agency's clients. A tenured, certified commercial collection agency has long-standing relationships with attorneys who specialize in creditors' rights within each state. These relationships ensure that the attorneys handle each matter in an...

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### About the Author



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