

Credit Management Still in Recovery

Social distancing, masks and store closures will haunt the dreams of many for years to come. As the U.S. continues to open for business, so do many industries and companies. The credit department is no exception, and countless credit professionals are on the front lines of protecting their companies. Some have returned to the office, while some never left, fighting to keep their company secure from additional bad debt and slow payments. The job of a credit manager is not for the faint of heart, and the added risks from the pandemic have only made creditors' lives more difficult. However, they are battling back against the invisible threat of this COVID-19.

NACM Survey Results

As goes the economy, so goes the credit department—in recovery mode. In March, nearly 60% credit professionals reported their company lost revenue directly related to COVID-19. In the latest NACM survey, only just over a third said revenues decreased in May. In fact, just over a third actually reported an increase in revenues compared to March and April. Slightly under a quarter said revenues were about the same. Less than 8% had reported a revenue increase in March's survey.

Roughly three-fifths of credit departments are still working from home due to COVID-19. However, almost a quarter never worked at home, and about 18% have since returned to the office after initially working from home. Working from home is only one of the many disruptions credit departments have seen since mid-March.

Nearly half of the respondents to May's survey said they have reduced in-person customer visits. This has been balanced out with increased eCommerce and digital communications with customers and with co-workers. Credit departments have started using programs like Zoom and Microsoft Teams to keep up with business. "Normally, if I had an issue with a customer, I would hop a plane or drive out to see the customer," said Kevin Stinner, CCE, CCRA, credit manager with Simplot AB Retail Sub, Inc. "Right now, that is not an option. Zoom or a phone call is just not the same as sitting in front of a customer and looking him or her in the eyes and trying to discover what the best option is for the customer."

Payments Impacted by COVID-19

Communication isn't the only aspect of the job being impacted. Credit departments reported pushing online bill pay, paperless billing/invoices and more ACH payments. The topic of payments has been widely discussed, and not just in the credit professionals' world. Businesses haven't been making payments to employees and are skipping rent payments among others. But the government assistance has only helped so much.

Payments are a large portion of what a credit department does; it's one of the main reasons they exist. Many credit departments have been greatly impacted by payments during this time—about two-thirds reported customers are requesting or demanding an extension of payment terms. However, slightly more than a third of credit departments are not giving customers the terms extension. The majority are, though, working with customers on a case-by-case basis. "We have learned to be more patient and look at each situation differently and assess each situation based on what the customer is going through," said Brent Heizelman of Mid Kansas Cooperative Association. "Again, it takes a lot of listening and understanding, and I have extended terms and delayed collection efforts. The important thing is making sure you continue to document each conversation that you have with customers and have a future contact date to revisit the customer."

Some Things Have Changed

All-in-all, credit management has evolved parallel to the pandemic, working through numerous problems in the industry, such as the risk of nonpayment. Working at home or working from the office hasn't changed all that much besides the ways of communication. Overall, credit departments are still doing the same job as always—protecting one of their company's most important assets. Departments are still granting credit, but the way about it has only changed slightly. "I have been advised to continue to grant credit the same way we always have; by granting it to 'creditworthy' customers," said one credit manager in the food industry. "I have been a bit more selective about what customers I present for terms versus COD."

—Michael Miller, managing editor