

## Pushing the Credit Limits

As a golfer, the philosophy of laying up means taking the safer and often shorter shot to better position yourself to hit the ball in the hole on a later stroke. Credit departments often don't have the ability or luxury of laying up when selling to customers and working with the sales team and others within their company. Creditors many times must push the limits to achieve goals despite hurdles and challenges in their way. Instead of using a 9-iron and safely landing in front of the sand trap, creditors pull out the 3-wood and hit over it, aiming for the green. Not every shot is perfect, but at least credit professionals are able to put their knowledge and best-practice skills to the test to solve these challenges in the industry.

"Step No. 1 is to be informed and understand your rights, your customers rights and the laws," said Lynnette Warman, Esq., partner with Culhane Meadows PLLC, during "Push the Limits!" a session at Credit Congress this past May. "The laws are always changing. There's always some legislation coming down the pike that affects how you do business and what your customers expect from you."

Creditors must be informed, aware and decisive to push the limits. Besides being informed of their rights and customers' rights, creditors must be able to recognize trends in the industry and signs of distress. They also have to make a plan and follow through. Trends in the industry include the recent trade war and tariffs, which affect credit decisions, said Warman. "You never know when things might change."

According to session co-panelist Kenny Wine, CCE, director of credit-South/East with Joseph T Ryerson & Son, Inc., "Always be looking and learning—go to Credit Congress, go to [NACM's] Grad School, listen to the news and check in with industry credit groups to beware of a change in the environment." Wine gave the recent example of credit card surcharging and solar companies in regard to changes in laws and the environment. "I'm listening to new programs. I've got to stay involved. Solar companies were big five to 10 years ago, but there was a change in the administration, and you can be hung out to dry on receivables."

It's the job of the credit department to plan for such challenges. "There is no crystal ball to know when to stop shipping. That's what we get paid for. We get paid to evaluate the risk and give recommendations to management," said Wine. Pushing the limits starts at the beginning of the customer relationship.

A credit application is a must. "Actually use the credit application, not just as a check box," said Warman. Call references and rely on it as part of the credit decision." Stay on top of information. Credit applications can be a great tool for credit professionals if used correctly. Strong, written credit policies are also important to go along with the signed and dated credit application.

Knowledge is an important aspect for credit professionals. "Don't sell yourself short on what you know," said Wine. Credit professionals turn out to become knowledgeable throughout the business—order-to-cash, risk management, etc." Another way to gather information about a customer is with visits. "I'm a big proponent of 'if you can visit your customer, you need to go visit.' But if you don't, ask the sales person to look at the property and other items." This can include the cars in the parking lot as well as any potential red flags from safety or environmental issues.

It is important to act quickly to protect the rights of the credit department. Creditors can reduce credit limits, stop production and shipments, and sell on cash in advance. But it is vital for credit departments not to lay up. Aim for the green and push the limits.

-Michael Miller, NACM managing editor