

## **Use a Variety of Techniques to Get to Yes Decision on Limited Credit Information**

You've probably experienced a scenario like the following when a customer just won't give you the information you need to conduct a proper credit investigation. A credit manager colleague of Kevin Stinner's had a client who was hesitant about revealing financial information. The client called the credit professional into his office and allowed him five minutes to review the financial statement. He was not allowed to take any notes and instead had to rely on memory. So what did the credit manager do? He pulled out a calculator, figured out the important ratios—working capital, debt-to-equity and so on—then ran to his car and jotted down the ratios while he still had them fresh in his mind. "Where there's a will, there's always a way," said Stinner, CCE, CCRA, area credit manager with Crop Production Services, Inc., of Loveland, CO.

Whatever the reason the customer has for not being forthcoming, Stinner recommends a few strategies you can use to pry more information loose.

When asking a customer for more information, attempt to adapt your personality to that of your customer, as it will help to establish trust. For instance, if you have a laid-back, informal customer, try to be less formal, as appearing overly professional may alienate the customer. In some cases, you may need to assume a more professional or even a mildly aggressive tone. Whatever the case, don't practice this technique on customers, but do so in a casual conversation outside of work until you feel comfortable using it.

Try to identify a customer's reasons for not revealing credit information and then allay their concerns. If a customer has been a victim of ID theft, assure them their credit information is for the credit department only. Talk about the safeguards you've put in place to protect their private information.

Ask around the question. It's a great way to solicit information without the customer realizing it. If you're trying to identify a customer's operating lender, ask them if they self-finance or if they have an operating loan. If they have an operating loan, ask them if it's from the same bank where they have a checking account. If it is, ask them if the checking account is with the same lender from which they issued a prepay check. If the answer is yes, then you know the operating lender.

### **Getting to Yes, or No**

Now that you have gathered bits and pieces of information after scouring the available resources, including participating in credit groups, analyzing NACM's National Trade Credit Reports, chatting with sales staff members and conducting online searches, including social media, what do you do? Stinner suggests beginning by "writing the story" of your customer.

This is like putting a jigsaw puzzle together. Writing out the information you do have allows you to understand more clearly the gaps that need to be filled in order to make a quality credit decision, he said. Using information you already have from similar customers in the same industry may be helpful. For example, think about what happens to customers who pay slower and slower as evinced by a trade

credit report or who expend large amounts of capital on new projects without having new orders to back it up.

If you still can't fit the pieces of the puzzle together, consider what your gut instinct has to say based on your company's ultimate goal in making this credit decision. Are you simply trying to check off an incomplete list of requirements? Draw on your experience to see if you're making a good decision about whether the customer will make payment. Ask yourself if the customer should be keeping this information from you or what details you need to make a better decision. "In general, I'm always trying to get to yes," Stinner said. Other alternatives include getting a personal guarantee or lowering the requested amount of the credit line.

When all else fails, look at your company's tolerance for risk. Maybe you can approve the account for a lower amount and more slowly establish trust with the customer. Perhaps you can approve the credit line, but you need some form of security, such as a UCC filing on the final product. If you're still not sure, in some cases, you may be left with no other choice than to deny the account. "That is a final solution and should never be the first choice," Stinner said.

- Nicholas Stern, editorial associate