

Three Things to Do When You Can't Get a Customer's Financials

Obtaining a customer's financial documents is of great assistance in making sound credit decisions about a potential or existing customer. Some would argue there is virtually no substitute for a good set of financials, but getting financials that are accurate and relatively up-to-date can be difficult, if not impossible. Some may flatly refuse to provide them. So then what should the customer actually pay within terms, especially if the sale is considered significant? Here are three of the many things today's credit manager can do to get around the lack of financials.

Use Technology

Surf websites to find information, especially on smaller companies trying to get more out of your company or a first shipment. Facebook, LinkedIn, Twitter and dozens of other sites can provide a lot of information about a person or company. It's truly amazing how much people, including seemingly savvy business-owners, share or over-share details about their lives, including financial information. To verify place of business, use tools like Google Earth, which provide a bird's eye and street views of a given address. Does it look like a business or a valid shipping location? Do you see a company sign? Acquiring this information can prevent your company from being scammed. If a provided address looks like a single-family home in a residential neighborhood, when you were led to believe there was a warehouse, you may have a problem.

Join an Industry Credit Group

One of the first answers a credit professional might get when questioning how to improve collections or reduce bad debts is "Join a credit group." In an industry credit group, you get to exchange information on shared customers with other companies in your area of business—in a legal and monitored setting. At the outset, the group members are instructed as to what can and cannot be discussed, such as pricing and what you think the customer will do. It provides the opportunity to ask questions such as, "What was your experience with this customer?" You can come away knowing if a current or potential customer has been performing on terms or is generally a problem.

Take a Look

"Know your customer" is an adage touted again and again in credit education. Visiting a customer or potential customer where they operate can paint a good picture of how that company is doing. Are there only four people working in an area where there should be triple that or more? Is machinery sitting idle? Are shelves stocked? These are red flags. Don't wait for the customer to change order or payment habits to make a visit. Let the customer know early in the relationship that site visits from your company are a normal part of business. If you visit them in good times, it won't come as a shock that you want to visit should things start going poorly. It'll help to develop the relationship and, importantly, may provide some control in the negotiations down the road. In addition, being an outside observer, you may notice and be able to provide suggestions to help the company be more efficient.

Source: NACM

INSERT AFFILIATE MESSAGE OF CHOICE, IF WISHED.