Working with sales to get to know your customers

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In credit management, the only way to fully understand the risk posed by a customer is to get to know them and their business. From learning their payment habits to the trends in their unique industry, there is a lot of value in knowing who you're working with.

Yes, but: Knowing your customer is not only for the credit department. The task of learning your customers' patterns and operations is shared between the credit and sales teams. As both departments interact with the customer in different ways and interact with distinct parts of their business, each has a unique understanding of the customer.

"While the credit department analyzes the financial information and the payment history, the sales team sees what's happening with the customer in real time," said Brittany Acone, CBA, CICP, credit manager for Seaboard International Forest Products (Nashua, NH). "The financial statements that we're reviewing tell us what has happened, but the sales team often tells us what's happening right now. It's a combination of quantitative analysis from the credit department and the qualitative insights from the sales team, which leads to smarter credit decisions and stronger risk management."

Each team works with a customer differently and sees a different side of the business as a result. "Sales builds relationships that go beyond invoices," said Angie Juarez, CBA, credit manager for CC Wholesale Distributors (Dallas, TX). "Customers often feel comfortable sharing what's happening in their business with their salesperson before they ever mention it to someone in credit. Sales may hear that a major project was canceled, that they're waiting on funding, that a key customer hasn't paid them or that ownership is changing. Those conversations may seem casual, but they can provide valuable insight into what's coming."

Credit teams need to view the sales team's oft-stronger relationship as an advantage. By having a salesperson visiting customers operate as the credit department's eyes and ears, credit can build a deeper understanding of a customer's wellbeing that incorporates hard and soft data. "If I notice that there's an issue on the payment side, then I am going to ask our salesperson to go out and visit the customer and get the lay of the land," Juarez said. "If all the same employees are still working there and everything seems to be about the same, maybe there is less of a cause for concern. At times, customers who are struggling will even dodge salespeople asking to visit, so we can learn a lot by working together."

With salespeople out in the field, it is important that credit managers impart on them what subtle signs can point towards a business in decline. "With newer salespeople, I've been trying to drive home the importance of paying close attention to what they're seeing when visiting a customer," said Acone. "If the inventory in a customer's warehouse is dusty, that might mean it's been sitting there for a while. It could mean they're not turning their inventory and be a sign of a downturn."

The bottom line: Knowing your customer is not only a credit-driven mission, but a shared responsibility between credit and sales. The combined forces of both departments aim to find a balance between protecting their company from risk and enabling sales, and the more information that can be gathered, the easier that task will be.