Credit and Sales: Pursuing a Partnership

There are many terms credit managers and sales people may use to describe one another during times of tension, one of them likely being "frenemies." A combination of "friend" and "enemy," the oxymoron not only recognizes the importance of a strong credit-sales relationship, but also the rivalry that occurs when pursuing or maintaining customer relationships. Although disagreements are inevitable between the two parties, it is how the credit department handles said disputes that is half the battle for the good of the company.

Establishing a healthy relationship between credit and sales is tough to navigate, which is why more than 100 credit professionals were eager to hear Credit Manager Kevin Stinner, CCE, CCRA, of Pinnacle Agriculture Distribution, answer the question, "Why Did My Salesman Do That?" during NACM's 123rd Credit Congress in May. What could have easily been a room full of ranting credit managers was instead a productive session that reviewed the roles of the credit and sales departments in any given company as well as how to form and maintain the crucial credit-sales relationship.

"What's the common goal of both credit and sales? Profitability," Stinner said. "Every single person in your company—the only reason they're there is to make money for the company. That is everybody from the CEO of the company all the way to the custodian; they're there for the company to become more profitable."

During the session, several credit managers were vocal about the situations they have encountered with sales people who make questionable decisions, which included shipping on an account that is not credit approved, offering net never terms, or selling to a deceased customer. A salesman's No. 1 motivation is to get the sale, Stinner said, even if it means little commission. An example he used was about a salesman who sold $24 million worth of product to a single customer, only to receive $87,000 in profit. So how can credit managers avoid these scenarios? Cooperation, communication and courtesy.

At M-L Holdings Company Crane Group in New Mexico, Credit Manager Nicole Boesch said managing point-of-sale (POS) transactions became more like a point of contention between credit and sales, the latter not keeping track of projects or adhering to POS policies. The credit department made the decision to strengthen its relationship with sales within the last six months—a relationship Boesch described as "very, very strained." Boesch confronted the POS issue head-on by asking the billing department to help manage POS transactions in addition to asking sales to communicate with both credit and billing.

"So far, this has helped. My team and I have worked very hard to rebuild relationships both with sales and customers," she said. "It has been a rough road, but we have come a long way with most of our branches. [We want] open communication between the departments."

Communication between the departments must happen in a professional and timely fashion, Boesch explained. Credit managers shouldn't fear reaching out to sales for help with a customer just as sales shouldn't fear credit managers turning down or ignoring a potential sale. Each department must respect and understand what the other is trying to accomplish.

Credit Manager Alan Bush, of Helena Agri-Enterprises in Indiana, said he lives by the wise words of previous credit managers: Maximize sales and minimize losses. In recent years, the agriculture business has become more challenging. Customers are having trouble getting credit approval, in turn, creating a domino affect that reduces sales and then commissions.

“There has been a lot of learning on both sales and credit’s parts [at Helena Agri-Enterprises],” Bush said. “The most important thing is for all parties to understand why certain decisions are made. Keeping the communication lines open and positive are imperative.”

—Andrew Michaels, editorial associate