

## **Educating Customers About Credit**

A large majority of consumers in the United States are credit card holders. In 2015, the Federal Reserve reported 70% of U.S. consumers had at least one credit card, meaning roughly 174 million people were credit-active. With these types of numbers it would seem it's the norm to charge it, yet this could not be further from the truth in business credit. "It's a privilege to have credit," said Graybar Electric Company Financial Manager Rick Weisman, CCE. This is his No. 1 takeaway when trying to educate his customers about what he does for them as a credit professional.

"It works as a partnership," he added. Weisman is used to dealing in good faith with customers since he is typically unsecured as a supplier on a project. Education is a great tool and can help during the most common scenarios in the credit industry.

In the end, if you extend credit, you are expecting to be repaid. One way to move this process along is to help your customers get paid. "It's important to help them with best practices to ensure they protect their own accounts receivable," said Weisman. Since he doesn't want to step on any toes and tell his customers how to do business, he asks questions first about their processes. "Is there a person assigned to collect A/R such as a bookkeeper? A/R is the lifeblood of a company, so I'll usually ask the owner about this and if there is any training involved."

"Collections is the biggest topic of concern with customers," said Crop Production Services Credit Manager Kevin Stinner, CCE, CCRA. Many of his customers do not know how to collect money or have the education and training for modern credit. This is where Days Sales Outstanding (DSO) becomes a problem. Some of Stinner's wholesale customers are facing year-over-year changes of 20 days. "The end of the year is when DSO should be at its lowest in agriculture," he added.

It is important to help your customer generate income so this money will eventually return to you to pay off the debt. If Weisman's customer isn't getting paid, he usually assists with this by helping with lien and bond claims. This is a "best practice" to help payments flow downstream. Unfortunately, Weisman said, not all his customers take this route. Some don't want to jeopardize their relationship with the general contractor or hurt their chances at future employment. "This is a cautionary tale of how to do business," said Weisman. "This is not the best way to work—it's a death sentence."

Stinner is also shocked that so many of his customers do not have a credit application for their customers. Most large companies have applications, yet Stinner works with smaller, independent businesses that do not follow this practice. "Having a credit application is important when it is time for collections," said Stinner. He is trying to educate his customers to start implementing the credit application as part of their daily business activities. If his customers are not getting paid, Stinner will also refer them to collection agencies that are reputable and not unreliable.

In agriculture there is no mechanic's lien, so Stinner assists his customers with an agriculture security agreement and financing statements. He also wants his customers to have better cash terms to make their relationship a win-win.

Weisman will also educate his customers on contract terms and conditions as well as payment terms. Other items of interest Weisman reveals to his customers include what competitors are doing and certain trends in the industry. Educating customers about potential fraud is a major point he tries to get across to customers, as well.

– Michael Miller, editorial associate