When Technology Isn't Enough: Personalizing the Creditor-Customer Relationship

Credit managers are seeing the profound effects of technology in their day-to-day operations. Software programs are conducting credit investigations, sending customers collection notices and even handling payments once they are received. In a job where efficiency is key, technology is certainly beneficial; however, credit professionals are finding there is one task technology cannot replace: personalizing the creditor-customer relationship.

Picture this scenario: A customer of more than 10 years has fallen behind on a payment but has a clean history of making payments on time, with little to no disruption to the credit department's cash flow. Within the past month, the credit department implemented new software to send email alerts to customers for failed payments—a task previously handled by credit managers—that warn the customer incoming orders will be withheld until payment is received. What the email doesn't acknowledge is a prior conversation between the creditor and customer during which the latter explained the reason behind the late payment, which was made shortly after the discussion.

The technology did not go awry and, in fact, did the job it was meant to do; the customer was notified of a late payment. However, the collection email system did not have the capability to include information from the phone call between the creditor and customer upon which the late payment issue was resolved. The one-on-one conversation is a prime example of a personalized discussion that technology cannot replace.

"When you have a customer base of 24,000, you have to have some type of automation. There's no way around it," said Stephen Savino, corporate credit manager for Assa Abloy Americas in New Haven, Connecticut. "We use automatic dunning letters, but we only use them very sparingly on client balances that are below a certain level where you can't physically connect with that person."

Although useful, Savino noted, automatic dunning letters aren't his company's go-to tactic to inform customers their account will be placed on hold. Instead, a person will contact the customer before the automatic alert is sent.

As director of customer operations in finance for UPM-Kymmene Corporation, Pia Porvari, CICP, has several duties, including credit and collections. The forest-based bioindustry company headquartered in Finland began automating its credit process in 2017, with 50% of credit decisions now completed by automation. Credit decisions previously completed by two dozen people are handled by software, she said, but a handful of people remain onboard for certain exceptions.

"If the customer swims through the scoring, the automation makes the credit decision," Porvari said. "But if the scoring model provides a result that isn't efficient enough, then those analysts look over the available information more thoroughly and may go to meet with the customer."

Porvari said she also meets regularly with customers to keep the dialogue open. In return, she is able to stay on top of what's happening in the industry.

"Graphic paper consumption goes down annually, so it's important for me to understand how these customers see the decline and how they address those issues," she said.

Relationship building is critical for businesses that rely on service and pricing, said Savino. For example, in the electrical distribution industry, it is likely there are dozens of electrical distributors who are all selling the same product within a five-mile radius. But where they differ is service and price. High-tech companies, such as Assa Abloy, must focus on what Savino calls the "relationship added."

"Sometimes, the customer will say, 'We can't pay this $200,000 invoice in 60 days,'" the credit manager explained. "The value that I would add to that relationship is, 'I have three different third-party finance sources. Let me give you a quote.' We're dealing with electronic portals and when there are problems, we're dealing with a website that tells us why something hasn't been paid. How do you develop a relationship with a website? You don't. It's critical to connect with a human being."

The days of taking customers out for a round of golf or dinner are infrequent, Savino added. Credit managers are now adapting to new relationship-building strategies, such as establishing the "give-and-take." For instance, if customers operate electronically, creditors should ask customers to explain their electronic process flow, how to operate through an electronic portal and how to proceed when there are issues with billings within the portal. As businesses adapt to their customers' process flow, credit managers are enhancing their customer service. Technology can take care of the menial jobs, Savino said, but it still takes actual people to run the technology.

—Andrew Michaels, editorial associate