



BASIC CREDIT FUNDAMENTALS

SELF-ASSESSMENT GUIDE
TO BUILDING A
SUCCESSFULL CREDIT
ORGANIZATION

NACM Canada Meeting October 2012

Madeleine Féquière
Corporate Credit Chief

Global Credit Organization
Domtar Corporation

NACM-Canada



National Association of Credit Management

DOMTAR GLOBAL CREDIT ORGANIZATION

- More than 10,000 clients worldwide
- 7 different credit groups
- 40 + employees
- Operating in major geographic regions (North America, Europe, Asia)

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

- Describe in the same manner your credit organization?

NACM-Canada



National Association of Credit Management

OUR GLOBAL RISK PROFILE AT A GLANCE

- \$600M of AR assets monthly
- 90+ % of total AR is current at all times
- 1% of total AR is past due 61+ days at all times
- Global losses as a % of sales stands at less than .5%

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

- Describe your risk profile?
- Are you satisfied with your results?
- Could they be improved?

NACM-Canada



National Association of Credit Management

OUR CHALLENGES FEW YEARS BACK

- Decentralized Credit Risk Management
- Decentralized Collections
- Decentralized Reporting
- Different customer base
- Lack of Common Systems
- Lack of Common Metrics & Processes
- Mixed Skills level

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

- Can you easily identify your own challenges?

NACM-Canada



National Association of Credit Management

IDEA OF SUCCESS

- Centralized AR Risk Management up to X amount
- Centralized Credit Risk Management up to X amount
- Decentralized Internal Partners relationship
- Centralized Consolidated Tool on top of a Decentralized multi systems environment
- Centralized Consolidated Reporting

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

- Can you easily identify your own idea of SUCCESS?

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

- Support
 - Top Finance
 - Accountability
 - Small appetite for loss
 - Top Sales
 - Sales delivers the Revenue
 - Credit delivers the Cash
 - Solid and positive relationship

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

- How do you rate your relationship with Sales?
 - On a scale of 1 to 10
 - 1 being the worse

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

- Build partnerships internally
 - Customer Service
 - Billing
 - Cash Application
 - Deductions
 - Customer
 - Law
 - Master Data etc

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

- Have you developed partnerships across your organization? Can you quickly identify your most valuable internal partners?

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

- Understand the Company Culture
 - Profit oriented
 - Customer focused
 - Sales oriented
- Understand The Company Mission/Values
 - Align with your organization Mission

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

- Can you describe your company culture?
 - Sales focused
 - Customer driven
 - Profit-oriented

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED? MISSION STATEMENT

Credit Groups will support with **Agility** the Goals of the Corporation by applying **Innovative** Technics in Managing the Risk of Financial Losses while Maintaining **Caring** and Trustworthy Relations with its Customers

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

Do you have a Mission Statement? Can you write it down very quickly?

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED? CLEAR VISION

- Go back to the Basics
- Balance Risk vs Reward
- Attain Operational Excellence

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

Do you have a clear vision for your credit organization? Write it down.

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

- Right People, Right Place
 - Hire right
 - Understanding the needs
 - Train purposely
 - Understanding the Core Competencies and proficiencies required
 - Retain
 - Understanding the behavior required for retention

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

Do you have the team on board to achieve success?

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

Understanding the Main Functions:

- Customer Acquisition
- Credit Risk Management
- Order Release
- Collection of Accounts
- Customer relations
- Cash Applications*****
- Reporting

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

Does your organization perform other functions not listed previously?

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

- Credit Policy
 - Important
 - Absolute must have
 - Necessary
 - Critical
 - Apply across all functions to ensure consistency of actions and decisions

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

- Policy & Procedures
 - New customer
 - Existing customer
 - Credit investigations
 - Authority approval level
 - Credit limit
 - Credit terms
 - Payment mechanisms
 - Credit hold
 - Periodic and Annual credit review

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

- Policy & Procedures
 - Collection
 - Conversion to note and payment plan
 - Cash application
 - Dispute resolution
 - Third party collection
 - Allowance for bad debt and write-off
 - Bankruptcy proceedings
 - Credit reports

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

Do you have a credit policy? Is it published? How often is it updated?

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

Basic Legal environment knowledge

- Common Law (CAN)
- Civil Code (CAN)
- Commercial Credit (CAN)
- Fair Credit Reporting Act (US)
- Fair Debt Collection Practices Act (US)
- Anti-Trust Regulations (US)
- Bankruptcy Act (US)

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

Do you have any basic legal knowledge to properly manage your own credit environment?

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

Measure (Reporting)

- Metrics and KPIs (why measure)
 - Measure actual performance
 - Compare against a standard
 - Take corrective actions
 - Promote communication
 - Monitor and plan the future
 - For recognition

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

Basic measurements

- DSO - days sales outstanding
- BPDSO - best possible DSO
- ADD - average days delinquent
- CEI - collection effectiveness index
- % Current
- % over XX days

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

Do you measure at all? How often do you publish your report? Do you have a wide audience? Do you ask for feedback?

NACM-Canada



National Association of Credit Management

WHAT DO I NEED/REQUIRE TO SUCCEED?

Reliable Credit and Collection Software

- Centralized AR data from multi-systems to a single tool
- Daily consolidated view of accounts
- Segmentation of accounts by analyst, products, risk etc
- Prioritization strategy based on various activities/risk factors
- Increase efficiency & productivity

NACM-Canada



National Association of Credit Management

SELF-ASSESSMENT

Do you need to automate your manual processes?

NACM-Canada



National Association of Credit Management

MINDSET CHANGE

Benefits of getting the basics right

- Move from Risk Avoidance to Risk vs Reward
- More quality time to really manage Risk
- Ability to work jointly with Sales to manage Margin
- Contribute to Sales growth
- Achieve **Operational Excellence** accurately and timely.

NACM-Canada



National Association of Credit Management

WHERE DO WE GO FROM HERE?

If you were serious about the self-assessment survey

- Recognize your inefficiencies once back at your desk
- Put together a simple but attainable action plan
- Discuss your findings with your immediate partner/superior
- Proceed to implement corrective measures

NACM-Canada



National Association of Credit Management

IT'S A WRAP! MERCI

e-mail - madelf@videotron.ca

Twitter - @madelfe

Linkedin - Madeleine Féquière

NACM-Canada



National Association of Credit Management