



What CFO's Want from Their Credit Departments

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Introduction to TCD & Pam Krank

- *38 Years of Managing Trade Receivables*
- *Leads a 20-person Credit Department providing expert receivables management for mid-market companies since 1993*
- *Work for dozens of CFO's in various industries*
- *Portfolio is mostly manufacturing with some larger service and distribution companies*
- *Manage over 200,000 open items on 50,000 bill-tos with 30,000 credit parents.*



What do CFO's want?

- **Data to drive finance strategies**
- **Accurate cash forecasts**
- **Efficient asset management**
- **NO SURPRISES!**



It's All About the Data!

- Which customers are at highest risk of defaulting?
- What are the payment trends in my customer groups?
- Of my top past dues, why are they past due?
- What threats exist to the quality of the A/R?



DATA



KNOWLEDGE



ACTION



Why is the Data Difficult to Provide?

- Unsure which data is helpful
- Time-consuming to provide data
- Credit managers strapped with poor/non-existent technology for reporting



What Can Be Done?

1. Stop using spreadsheets to do what a database is designed to do.
2. Track aged A/R totals by customer, by division the first of every month
3. Invest a few thousand dollars a month on cloud-based collection technology to track all notes, statuses, trends



Examples of Top Reporting

- Major Delinquent Reports
- Receivables Status
- Payment Trends
- Top Credit risks to the Portfolio





Major Delinquent Report

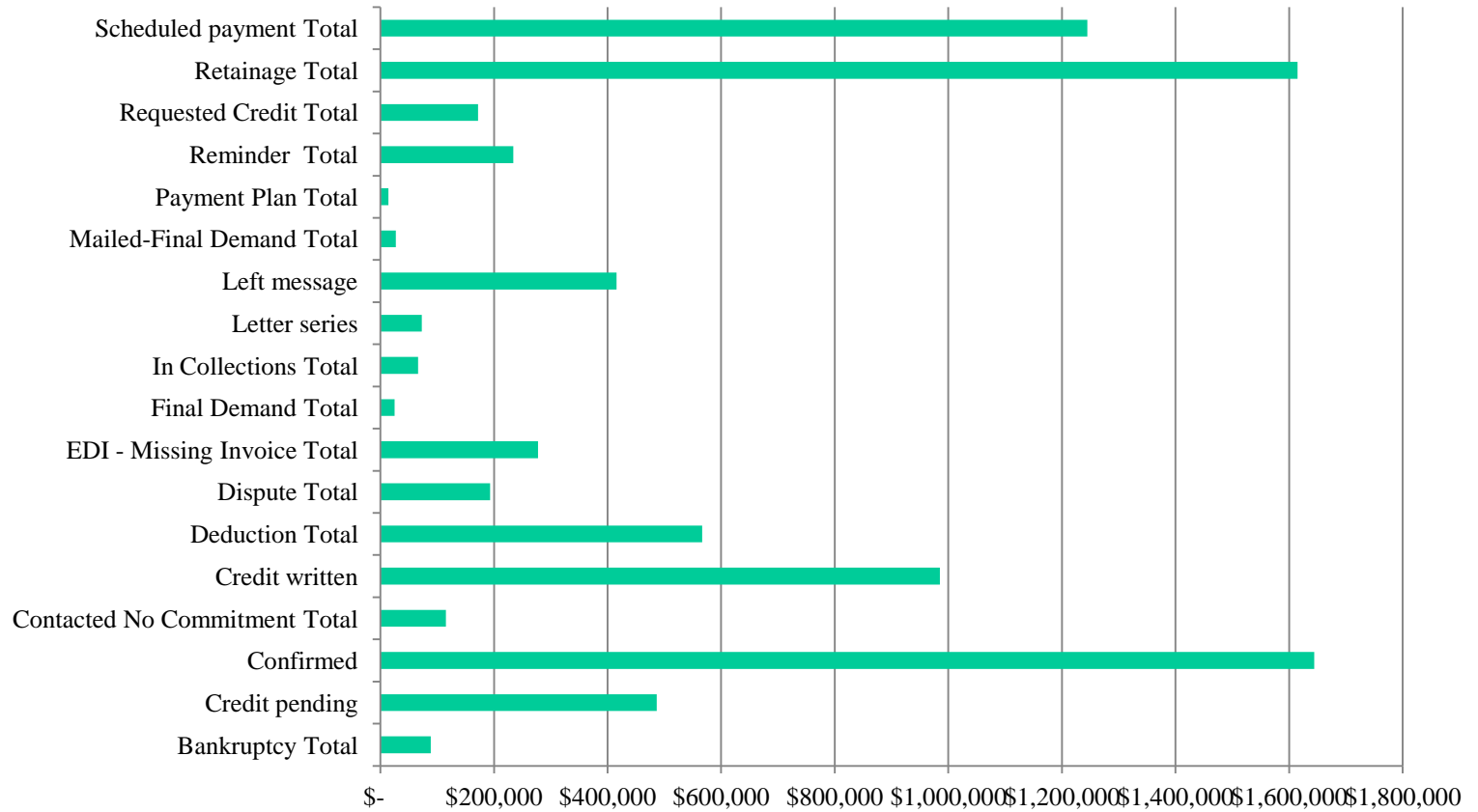
Exception Reporting Example

Past dues:

	Customer Name	Amount	Status	Notes
93ANA002	EG Controls	\$ 52,650	Installment note	Customer on \$7500/month payments. Business decision to sell beyond \$10,000 line.
93LUX001	ABC Hotel & Casino	\$ 52,477	No PO	Work done without approved purchase order; working with buyer to create
29DR00	B-RAND COMPANY	\$ 34,857	Project delays	Still waiting on customer to advise project completion so we can collect



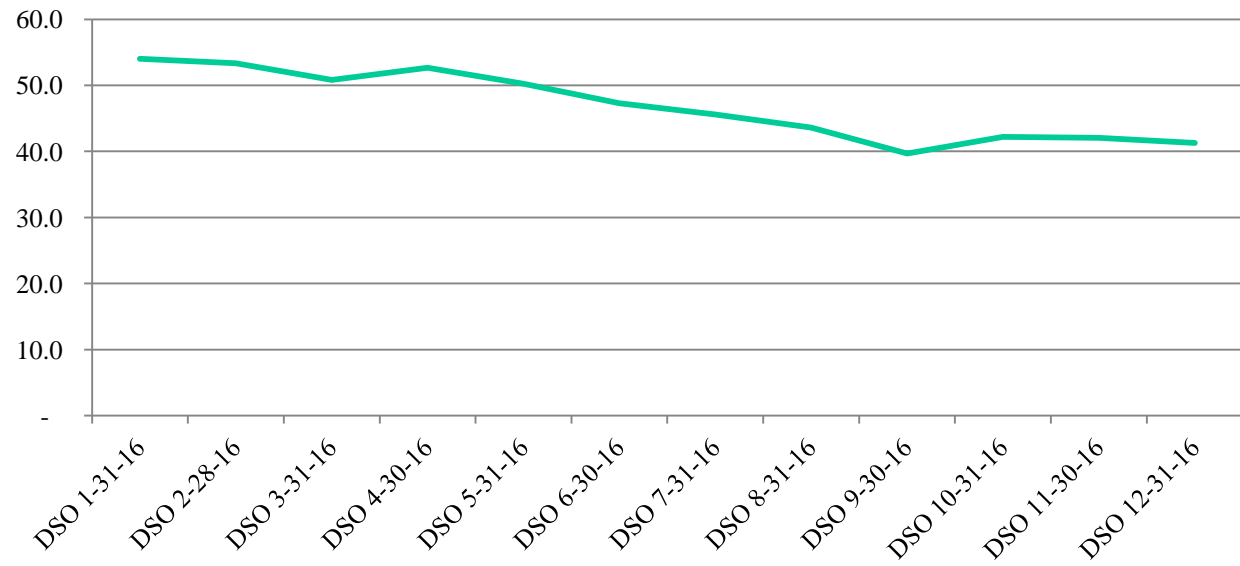
Status of the Receivable





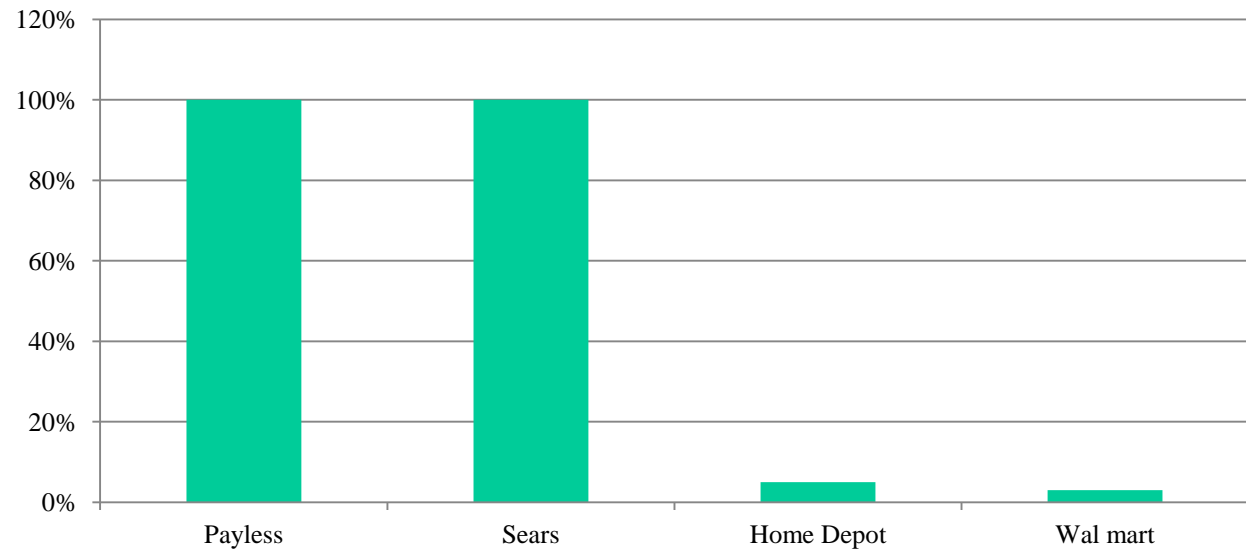
Pay Trends

(by customer, division, company)





Credit Default Risk





They want to know...

- When is my money coming in?
- If it isn't arriving when expected, why not?





Money coming in: Tracking Incoming Cash

- Measure and report monthly customer ADTP
- Apply calculation to populate due dates
- Create daily cash plan





Pay Date Estimator

Div	Inv #	Inv Date	Net Due	Orig Amt	Remaining Amt	Status	Acct #	Pay Date
						Completed Entry in		
203	292002281	2/24/2016	4/9/2016	\$ 239.68	\$ 239.68	Portal	202355P	4/26/2016
203	5003800698	3/11/2016	4/10/2016	\$ 164.33	\$ 164.33	Scheduled payment	262300P	4/27/2016
203	289801822	2/26/2016	4/11/2016	\$ 239.68	\$ 239.68	Dispute	202355P	
						Completed Entry in		
203	289801824	2/26/2016	4/11/2016	\$ 151.51	\$ 151.51	Portal	202355P	4/28/2016
203	5003800705	3/14/2016	4/13/2016	\$ 291.39	\$ 291.39	Dispute	262300P	
203	5003800697	3/14/2016	4/13/2016	\$ 295.00	\$ 295.00	Scheduled payment	262300P	4/30/2016
						Completed Entry in		
203	292002287	2/29/2016	4/14/2016	\$ 659.12	\$ 659.12	Portal	202355P	5/1/2016
203	288302716	3/15/2016	4/14/2016	\$ 198.77	\$ 198.77	Dispute	186460P	
203	237204046	3/16/2016	4/15/2016	\$ 2,561.13	\$ 2,561.13	Emailed	262295P	5/2/2016
206	242906679	3/17/2016	4/16/2016	\$ 370.42	\$ 370.42	Scheduled payment	169615P	5/3/2016
206	242004285	3/17/2016	4/16/2016	\$ 611.67	\$ 611.67	Scheduled payment	169615P	5/3/2016
						Completed Entry in		
203	305101687	3/2/2016	4/16/2016	\$ 469.94	\$ 469.94	Portal	202355P	5/3/2016



Partial Cash flow

Forecast Example: 4/26/16

Detailed Daily forecast

TERRIBLE HERBST Total	\$	386
THE LINN COMPANIES Total	\$	742
THE PANTRY Total	\$	239
THE ZONE Total	\$	814
THIRSTY'S Total	\$	1,605

Summary Daily forecast

Date Expected	Total # of accounts	Total amount
4/26/2016	726	\$ 348,480
4/27/2016	1297	\$ 539,552



*If it's not in the Forecast,
Why Not?*



Reasons for Cash Delays

- Disputes: pricing, quality, delivery, etc
- Purchase orders not reviewed/confirmed
- Sales offers not communicated to Credit
- Invoices not received/entered
- Pay delays not forecasted in Credit Analysis





Efficiency Measurements: Cost of the Department

- Credit Analysis
- Staff
- Collection Metrics



Credit Analysis Efficiency

Biggest opportunities:

1. Credit report costs
2. Scorecarding
3. Small balance auto lines (free internal pay histories)
4. Public record searches

www.accurint.com



Staffing Efficiency

- *Automate* billing, statements, cash application, small credit approvals, email notifications, customer portals, follow-up queues
- *Focus people* on collection calls, credit analysis exceptions, customer portal management



Efficiency Metrics

- Calls per hour
- Exceptions managed per hour
- Variable costing
 - Per past due file (by type)
 - Per credit analysis (by type)
 - Per deduction managed



CFO's rely on Credit Departments to...

- Act as the **data center** for customer payment/non-payment information
- **Predict payments** based on slow pay analysis and actual payments
- **Minimize expense** of the department
- Ensure efficient (**low cost**) **department**



Most of all, CFO's hate Surprises!

If you provide them with the threats, trends, and predicted cash flow from the Receivable portfolio, you will be seen as a valuable asset to the company.



Questions?

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