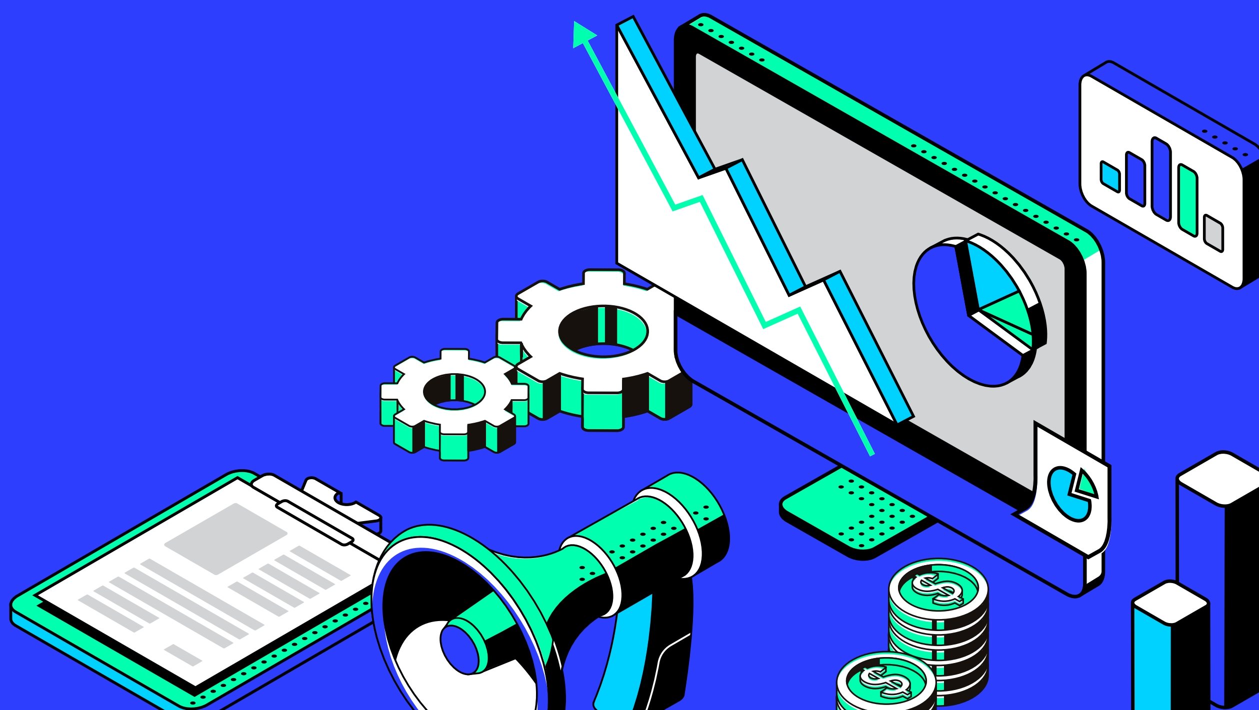
WHITE PAPER

2024 B2B CREDIT INSIGHTS: AN EVOLVING PROFESSION



KEY FINDINGS

Of the credit manager respondents:

29% of credit managers say **adopting digital customer onboarding** is a top priority in 2024.

64% reported **fraud was the major hurdle to doing business online,** 63% relied on their sales team for fraud prevention, and 61% detected fraud every quarter or even more frequently.

The number one priority for B2B credit managers in 2024 is to **undertake more rigorous credit reviews.**

59% stated that their bank reference requests are successful **once in twenty or less.** Accordingly, only 3% listed bank references as their most important data source when assessing credit risk.

33% of credit professionals reassess credit limits **only when they receive a risk signal.**

OVERVIEW

B2B credit management is subject to constant change. With each year comes new tools, trends, and best practices that reshape the trade credit landscape.

However, the heart of credit management remains the same: to protect financial health while creating business opportunities. It aims to judiciously allocate capital to customers according to their true risk profile, reducing nonpayment risk and nurturing business relationships.

Nuvo and NACM have partnered to uncover how credit managers are achieving their goals today, how that is different from their approach yesterday, and how they plan to accomplish their jobs in the future. Here we'll share the modern strategies that credit managers use to complete their core responsibilities and create value for their organizations.

CUSTOMER ONBOARDING

Customer onboarding is arguably the most important part of a business transaction because it's a chance to accelerate revenue and cultivate enduring customer relationships. It is a customer's first impression of a business. Understanding and improving customer onboarding helps ensure customer relationships are always set for long-term success.

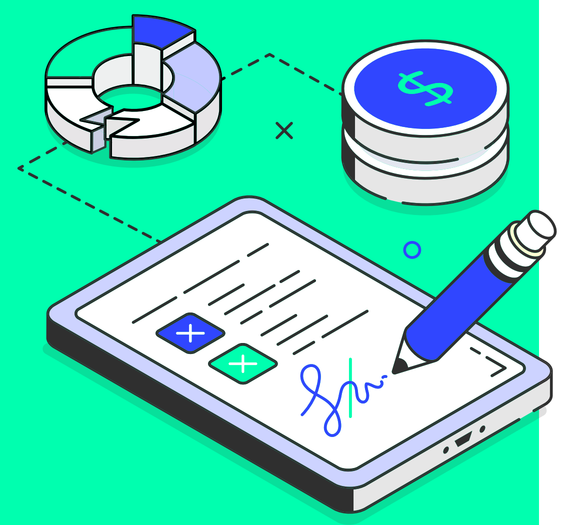
However, the time-consuming onboarding process, coupled with the urgency for swift credit decisions due to sales or competitive pressures, can escalate loss risk. In turn, adopting digital customer onboarding is a top priority for 29% of credit departments.

Digitizing and automating customer onboarding, along with cross-departmental cooperation, can speed up approvals while ensuring informed credit decisions. Streamline customer onboarding by reducing paperwork, using digital tools, and automating tasks. This makes it simpler for customers to begin using your products and services.

According to an *eNews* poll, it takes most credit managers one to three days to approve new customers (41%), while others said it takes them 24 hours or less (29%) to do so. Fewer said it takes them one week or more (16%).

Developing a checklist or questionnaire for onboarding customers will help you stay organized and collect meaningful information. For example:

- **Collect** basic information about the customer, including company name, address, contact details, and legal entity status.
- **Verify** the customer's identity and legitimacy through official documents and databases.
- **Request** the completion of a credit application form providing essential business details, trade references, banking information, and authorized signatories.
- **Contact** and verify trade references provided by the customer to assess their payment history and reliability.
- **Prepare** and finalize contractual agreements, including credit terms, payment terms, and any additional terms and conditions.
- **Obtain** approval from the appropriate authority within the organization to extend credit to the customer.
- **Set up** the customer account in internal systems and databases, including billing systems and customer relationship management (CRM) software.



THE CREDIT REVIEW

Credit managers industry-wide are seeking to undertake deeper due diligence as 45% say more rigorous credit reviews are their top priority in 2024. This shift begs the question: why the sudden emphasis on more stringent evaluations?

The last several years have been characterized by an underlying feeling of economic uncertainty. Credit professionals find themselves mitigating more and different risk, including:

- **Supply chain disruptions**
- **Heightened geopolitical tensions**
- **Extreme weather events**
- **Fraud**
- **High interest rates**

Despite these increased risks and the recognized need for tighter credit reviews, 49% of credit managers reassess credit limits on an annual basis. One in three review credit limits only when they receive a risk signal and 9% reconsider credit limits upon customer request.

Credit reviews are one of the most-procrastinated tasks as professionals are forced to prioritize different responsibilities under heavy workloads. However, credit managers clearly understand the value of ongoing reviews to mitigate surprise losses from customers.

"Although I've been in credit for a long time, it takes time to research and review the data as well as make sure that the credit application is filled out properly with the correct signatures."

Dawn Collar, CBF, credit manager
Southern Plumbing & Heating Supply Corp.
(Gloucester, VA)

OFFERING NET TERMS

By extending credit terms to customers, businesses empower them with greater flexibility in payment. In many ways, net terms translate to more business opportunity. That is likely why 15% of credit managers say their top priority is to transition more customers to net terms.

For many businesses, the ability to offer credit terms is a decisive factor in attracting and retaining customers, especially in competitive markets. It is a powerful tool that can expand the current customer base, drive sales, and improve customer loyalty.

Despite the importance of timely feedback in assessing creditworthiness and mitigating risk, delays in obtaining reference responses can slow the process and create bottlenecks. Half of credit managers require three or more credit references on applications for net terms. However, while obtaining these references is crucial, credit managers are encountering a huge barrier: response time.

Proactive communication and collaboration with credit references are key. Providing necessary documentation upfront and maintaining open lines of communication can help expedite the reference process and minimize delays.

Leveraging technology and automation tools can also streamline the credit reference verification process, reducing manual effort and improving response times. From electronic request forms to automated reminders and notifications, these digital solutions offer efficiency gains and enhanced visibility into the status of credit references.

What causes the greatest delay in approving net terms?

CUSTOMER RESEARCH IN THE AGE OF INFORMATION OVERLOAD

In today's digital age, credit managers are inundated with vast amounts of data and information about customers, making the process of conducting effective research a heavy task. While access to information provides valuable insights, the sheer volume of data can be overwhelming and lead to analysis paralysis.

Before diving into customer research, credit managers should define clear objectives and questions they seek to answer. By having a specific focus, they can streamline their research efforts and avoid getting lost in the sea of information. For example:

- **Is the customer compliant with relevant laws and regulations?**
- **How important is the customer to our business in terms of revenue and strategic value?**
- **Are there any external factors or market conditions that may affect the customer's business?**
- **How does the customer's financial health compare to industry benchmarks?**
- **How does the customer's credit risk profile align with our risk tolerance?**

Risk tolerance refers to an organization's willingness and ability to endure or accept uncertainty or potential losses in pursuit of its financial goals. Assessing the level of risk is essential for credit professionals to make sound lending decisions.

The riskier the customer is, the more research needed to approve an account. Missing or insufficient customer information, such as contact information, financials, or references, can slow the onboarding process. Incomplete data hinders credit professionals from accurately assessing risks.

Credit managers should prioritize high-quality data from reliable sources over a vast amount of irrelevant information. Half of credit managers say credit bureau reports are the most important data source when assessing credit, followed by trade credit references (26%), financial statements (18%), bank references (3%), and firmographics (3%).

> **"Applicants with limited business report information, no personal guarantee and delayed responses from trade references will delay my credit decision. For qualified applicants, we use business credit reports, trade reports and trade references from our local and national groups to process applications quickly."**
>
> Laura Castillo, CBA, territory credit manager
> Crawford Electric Supply Company, Inc.
> (San Antonio, TX)

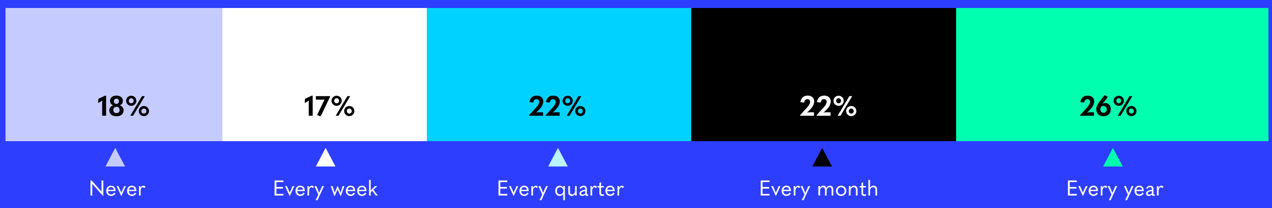
FRAUD PREVENTION

As fraudulent schemes become increasingly sophisticated and widespread, credit managers have become the final line of defense, tasked with identifying and preventing fraudulent activities before they inflict irreparable harm on their companies.

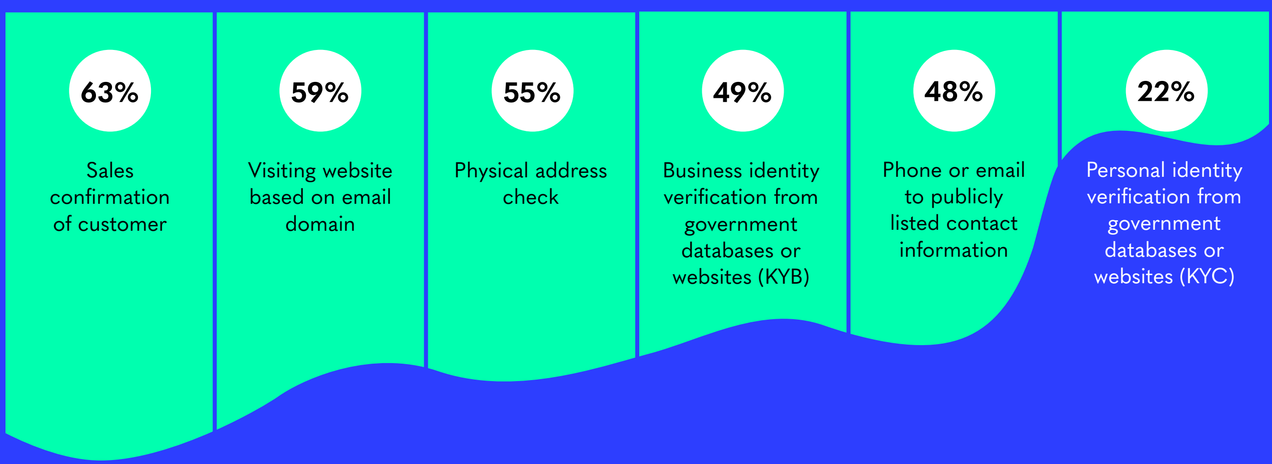
Fraudulent activities in B2B trade encompass a wide range of schemes, including invoice fraud, identity theft, payment diversion, and procurement fraud, among others. These schemes can result in substantial financial losses, damage to reputation, and operational disruptions for businesses. For 64% of organizations, fraud concerns are the biggest hurdle to conducting business online.

As gatekeepers of credit and risk management, credit managers possess unique insights into the financial health and behavior of customers, enabling them to detect anomalies and suspicious activities that may indicate fraudulent intent.

How often do you detect fraud attempts?



Which fraud prevention mechanisms do you use today?



LOOKING AHEAD AND BUILDING RESILIENCE

The path forward is clear: a relentless pursuit of excellence in risk management practices. By embracing the imperative for thorough assessments, organizations can fortify their financial foundations, navigate regulatory complexities, and chart a course toward sustainable growth and resilience in an ever-changing world. In the journey ahead, the commitment to excellence in credit management will serve as the compass guiding organizations toward brighter horizons.

Credit professionals are tasked with helping their companies build resilience and drive long-term sustainability. From proactive risk management and customer relationship building to cash flow optimization and regulatory compliance, credit managers contribute to the overall strength of their businesses. Credit managers can help their organizations thrive in the face of adversity and emerge stronger than ever before.

nuvo

hello@nuvo.com

www.nuvo.com

415-612-3596

NACM
National Association of Credit Management

nacm_national@nacm.org

www.nacm.org

410-740-5560