



White Paper

Credit vs. Collections.. Who Do You Trust?

Learn how receivable dashboards allow you to keep track of your customers' payment more efficiently and improve your agribusiness cash flow. Find out how a good collections management system could significantly increase your ROI.

Selling on credit attracts customers and expands your customer base. However, not all customers are worthy of the credit you offer and some are not worthy at all. Bad credit decisions can be both expensive to your bottom line and damaging to your cash flow and your ability to operate. But how do you determine who to give credit to and at what level?

Setting Credit Limits. For new customers, you are dependent on credit references and the credit reporting agencies. This gives you a snapshot of their credit worthiness. However, this can change over time with the result that each customer's credit status needs to be periodically reviewed. This is particularly important where sales occur over a short period once or twice a year ... or, they are talking about a new large project.

Periodic Credit Reviews. Tracking an existing customer's credit limit and status should be part of your Receivables system. This should provide a pre-set review date with an auto reminder plus the ability to quickly review your receivables aging to detect changes in payment behavior. A panel in your Receivables Dashboard might highlight customers who have just become a credit risk. The resulting credit review, however it is triggered, allows you to update your credit limit for the customer and the opportunity to reset customer expectations, either positively or negatively. Certainly, there are times when pre-payment (or COD) is the only option you should offer.

Monitoring for Early Signs of Trouble. It is important to monitor your payment experience with each customer. Of particular importance is how each customer meets your terms and how this is changing over time. For example, do they always pay by the due date or are they always late? What are the average days to pay and is this going up or down? Sometimes this requires comparisons between periods, such as between years, or deviations from their lifetime performance. Again, a panel in your Receivables Dashboard might be used for this purpose.

Enforcing Your Credit Limits. Credit limits must be monitored on a sale by sale basis. This means that once you have taken an order that your sales system determines whether or not they are within the limit. If they are not, then what rules do you apply? Does the order go "on hold" while accounting handles the issue? Or, is a manager allowed to "override" the limit? Compliance with your credit limit is needed at all stages of the sales and shipping process, such as when customers add to orders and at the time of shipment. Credit control based on your business rules must be integral to your sales system.

Managing Collections When Customers Default. When customers fail to meet your agreed terms, then you need a good Collections Management system to track and manage your collection efforts.

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This includes recording and managing all promises made, providing follow-up reminders, and tracking all related activity, including all those repeated requests to “resend” invoices and statements. This system needs to tie to the credit status of the customer. The automated emailing of collections information to both the customer and management can be valuable

Sometimes You Need to “Fire” a Customer. As you review your sales, credits, adjustments, and payment histories with your customers, you are likely to find that not all customers are worth keeping. “Firing” a customer is always an option and should be used where they provide a negative return to you. This might be because they fail to meet their payment commitments to you. Or, it might be because they are continually complaining about your product and demanding adjustments, or making returns, or require a lot of servicing, or because their culture is incompatible with yours. Determining these customers requires the ability to analyze your sales and collections data and highlight those not meeting your expectations..

Recognize Your Best Customers. On the other side are your “best” customers. They need to be recognized and given the attention they deserve. This also requires the ability to analyze your sales and payments data. A panel in your Dashboard might be used to highlight these customers.

Conclusion. A good Receivables system is essential to the disciplined management of credit and to effective collections. This helps avoid write-offs and gets your cash in faster. This adds significantly to your bottom line and is frequently overlooked as a source of improved business performance. While Receivables functionality is often thought to be standard, an advanced system has the potential of providing a high ROI as well as being a major contributor to your business success.

Argos Software develops and supports ABECAS™ Insight, an enterprise level Nursery and Greenhouse Management Software system, . This system is modular and includes Receivables with Collections Management, Sales Order Processing, Delivery (Dispatch) Management, Inventory Management, Purchase Order Processing, Production Management, and Accounting. Various other modules are available including Contact Management, Equipment and Facilities Management, Payroll, Freight Management, Handheld Systems, EDI, Business Intelligence through Dashboards, and Automated Processing through our Task Agent. To find out more about this system, email us or call **1-888-253-5353 Ext 2**.

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