



Visits to Small Businesses and Contractors

FEDERATION of CREDIT
and FINANCIAL PROFESSIONALS

EXECUTIVE SUMMARY

One of the advantages that a Sales Associate will usually, but not necessarily always, have that a Credit Professional does not is the ability to see firsthand what a prospective customer's business looks like. Even then, that Sales Associate may not see what is important, for a credit decision that is. Also, things change over time, and that Associate may not notice, or does not want to notice, such changes, especially if they are not to his advantage. Then again, since you, as the Credit Professional, and said Sales Associate are a team, that team may benefit from both of you looking at the same visuals. Also, it is simply good customer relations and good customer service to make that customer feel important. Having someone from "the office" come by may accomplish just that.

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Unfortunately, there is also an occasional misperception that a Credit Professional is just another collector, trying to get paid before someone else does. Some people, whether a Sales Associate or a customer, do not understand that your true mission is to maximize the relationship, from a mutually beneficial perspective, while also collecting money. You can help to change that perspective, by phone, email, whatever, and, more importantly, by meeting people face-to-face. Being there in person will, somehow, make both you and the other parties seem to be more human, more "real" and sincere. As with any real-life situation, there are different reasons for visiting customers.

Goodwill Visits

Some customers simply deserve a visit from the Credit Professional who works with them. They may be a high-volume account, or someone who has recovered from challenging financial circumstances. They may have already provided all of the financial information that you need, and they pay on time, or reasonably so. They may also look promising for an even higher sales volume, but the Sales Associate has not quite been able to entice that. By taking the time to make a personal visit of your own, you may provide that magical extra effort that persuades him or her to buy more. This can be due to the fact that your competitor never bothered to take that step, or you are simply a good sales person.

When preparing for such a visit, study the customer's business. Even without a visit, it is important to understand the operation, what they do, and how they do it. While you are in their facility or in the person's office, you will be able to ask questions or acknowledge aspects of that operation, which will impress the customer. If you are not offered the "50 cent tour", ask for one. As he or she explains a part of the operation, ask questions or make positive comments. He or she will hear that you are interested in more than just getting paid, which, of course, you still want, but the interest shown in what they do and what they have will prompt them to be more interested in your company, both from a payment and sales perspective.

Also, while you are there, observe things from the customer's personal perspective. Does the person's office have photographs of sporting events, travel and vacation spots, and so on? Express an interest or ask a question about what you see. That is why the stuff is on display, in the first place. They like to be reminded of the occasion or the location pleases them. For instance, if you notice a place that you may have also visited or would like to one day, comment on it. It "breaks the ice", so to speak. If there is a sports team's color scheme or emblem on display, it is ok to comment, but be diplomatic, if it is not your team. For instance, I once visited a company in Wisconsin, where, obviously, the owner was infatuated with the Green Bay Packers. Being from Maryland, I am more interested in the Ravens, plus I remember the old Baltimore Colts. However, seeing a photo of the Packers' Hall of Fame running back, Paul Hornung, and making a comment that he was exciting, as a runner, a receiver, AND a punter and kicker, made an impression on the owner, to the point where we could joke about it in future conversations. (Hint: Avoid

controversial comments, such as complaining about the infamous Packers' missed field goal that was erroneously called "good", costing the Baltimore Colts a playoff position, even as the goal-post poles were later raised in height, in a somewhat veiled NFL admission of "guilt". After all, it IS supposed to be a goodwill visit.)

Prospecting Visits

There will be occasions, when the purpose of a visit is to seek information and to learn more about a customer, to enable a more informed business credit decision. For instance, you are considering a request from the Sales Associate or Sales Management, for significantly higher credit availability, and information is limited. Perhaps, the Associate is uncomfortable asking for financial statements, or he has done so, and the customer refused. The various credit-reporting agencies also have limited information, and the customer's existing primary supplier does not readily share AR aging history.

This is an occasion to combine the aspects of a goodwill visit, with a focused approach to getting the sought-after information. Essentially, start off with "goodwill", and then get down to business, always maintaining that positive approach.

Most often, the customer will provide a lot of non-financial information, to impress you, while also avoiding the financial aspects. The "50 cent tour" will begin as you approach the building. Is it large or small, well maintained or unkempt, shared with other businesses, in a good location, etc. Avoid any outright negative comments, but make mental notes. I once drove up to a building materials and hardware wholesaler, located in an older industrial part of a major city in the Northeast, nearly missing it, because they were located on the side of a large building, around the corner, with no sign on the visible front of that building. Would their customers have the same problem? Luckily, it was not a one-way street, and I could turn around, to immediately see the sign above a door. Parking was scarce, as well, so how will customers deal with that, as this distributor tries to sell the increased amount of inventory that he wants to buy from me, and, hopefully, pay for in a reasonable fashion?

During the "tour", observe the good and potentially not-so-good aspects of the entire operation. As an example, your customer is a medium sized retailer of consumer goods. As you walk around, you notice empty or nearly empty shelves and pegboards. Is this because sales are so brisk that they have not had time to re-stock, or is it because they are on credit hold with one or more suppliers? On the other hand, you may walk in and customers are lining up at the cash register. Do you see material from a supplier that you did not know about? If so, you potentially have a source for a trade reference, plus you should diplomatically ask the Sales Department why they did not tell you about it first.

Is your stored material secure? Imagine walking into a wholesaler for contractors' tools and hardware, whose front entrance has a locked vestibule, as I did once in Queens, NY. After being "buzzed in" by the receptionist, and after my fairly productive discussion with the owner and management team, I found out that my inventory was kept in a series of bins, with padlocks, in a storage room with bars on the windows, inside and outside! Definitely not a place for a consignment!

Another point is applicable for both retail businesses and contractors. During the "tour", watch out for warehouse labels that say "Returns" or piles of materials in areas that are not labeled or organized. A contractor may have a corner of his shop or warehouse with a mix of materials, usually disorganized, just sitting on the floor or on a shelf. A retailer may have makeshift tables, shelves or racks, with miscellaneous items stored in a haphazard way. While every business will have some returns from dissatisfied customers, the relative amounts and their appearance may be alarming. It may be even more disconcerting if your products are there in numbers exceeding those of other suppliers. Why? That is, indeed, the question. For a contractor, is it due to installation and service issues that may be negatively reflected in his financial situation? If so, that could influence you to even cut back, much less not doing an increase. Either way,

ask for an explanation, first from your Sales Associate. Chances are high that he or she will not know, so a discrete question to the customer is called for, especially if you have already asked about other aspects of the tour. In other words, participate at all stages, particularly with positive observations of other areas, which will then open the door for a less-than-positive question about something else.

These visits can also provide a very positive impression, one that you will likely have only by going there yourself. A service contractor in Rhode Island was some distance away from my company's nearest location, and they were asking for a considerable credit availability increase and a possible consignment to go with it. The business discussion went well, with financial statements and all, even before the tour. Besides ratios and positive growth, it is always nice to know that a business is well managed in all of its aspects. For instance, this company had a room with three digitized maps projected on the walls, with multiple dispatchers. They could follow every service truck and technician(s) via GPS, even to the point of knowing if they were actually in motion. Each vehicle was color-coded to differentiate between techs going to an assigned job and those that were available, to the minute. For emergencies, anyone could be re-routed. On top of that, they used marketing to their advantage, by having an in-house radio station doing traffic reports for a wide area of New England, all within reasonable travel distances for their service teams. Better yet, knowing that everyone listens to traffic reports during his or her AM and PM commutes; they advertised themselves on their own reports! Oh, getting back to credit issues, their AP staff were efficient, pleasant and very willing and able to work with me. The warehouse there was so well organized and clean that a consignment, properly documented, was no issue, plus I increased their credit limit, due to sound financial statements, again, that I was only able to obtain by being there myself, and a reasonably good payment history. It was then up to the Sales and Operations Departments to get the extra business. Oh well.

Acquisition Visits

During my career, I have been lucky enough to participate in numerous acquisitions. (Yes. I said "lucky".) Believe it or not, doing so can be both fun and enlightening, besides getting out of the office. During a particularly interesting one in Alabama, there were several customers that looked good on paper, at least in the Seller's records. Our Sales Department was very excited about the prospects, especially since the Seller had established consignments for them. As part of the acquisition process, those consignment inventories had to be counted, so I took on that responsibility, accompanying the Seller's Sales Representative. My first impression, as we approached one contractor, was the large number of service trucks in the parking lot. Did they contain the consignment inventory? No. As it turned out, after discussions inside, they were simply idle, during the business day(s). Once inside the warehouse, I discovered that the so-called consignment inventory was co-mingled with their regular materials. Those two observations prompted a request, after settlement, for financial statements. As mentioned, this was very enlightening, something that would normally be deferred for later follow-up. The concerns? Were the trucks idle, due to a slowdown in business? Were they purchased with cash from operations, and returning nothing, or were they financed, with ongoing payments further depleting cash? How accurate were the inventory figures on the Balance sheet? How did either party determine what they owed the seller for consignment inventory used in the normal course of business? Needless to say, the Sales Department was no longer excited, prompting a positive effort to seek new prospects. The consignment was not renewed, and the identifiable material was returned, at the Seller's expense and obligation. Of course, other acquisitions went smoothly, because of information obtained during visits and personal observations of the operation.

Collection Visits

Unfortunately, there are always occasions where an account has deteriorated, probably on credit hold or close to it, and neither Sales nor the customer is happy about it. The exposure is too high to put it at further risk, by filing a quick lawsuit or merely placing it with a collection agency. The normal collection effort, by phone, email, letters and so on, is just not getting the customer's attention. There may even be a conflict with Sales and/ or Operations concerning the loss of revenue, as in top-line sales only, because they feel the customer is too valuable, and that he will pay, eventually.

In these cases, the Credit Professional proposing, or even demanding, to visit will usually, and immediately, get the customer's attention. On one hand, he or she may see an opportunity to demand leniency or they will walk away, while, on the other, there may be relief to have the chance to present a case for assistance and understanding. Either way, it is an excellent opportunity for the Credit Professional to learn about the situation, because customers tend to be more forthcoming face-to-face. The more that is known, the more likely it is that a resolution can be found.

Once again, personal observations can be helpful. I remember an especially enlightening visit to a service contractor who worked from his home, and his wife handled the finances, both business and personal. The Sales Associate and I arrived a little earlier than the customer, so we chatted with his wife at the kitchen table. Looking around the house, everything was high-end and expensive looking, plus there were two nice cars in the driveway. She tried to explain the slowing trend in payments, until he arrived. When he did, he exploded, not at us, but at her, for allegedly mishandling the money, and not telling him how bad the situation was. Of course, part of the problem was because he was more involved in the field and he did not routinely pay attention to the finances. However, we adjourned the kitchen meeting, and moved the discussion to a standard backyard shed that was converted to an office, noticing that the garage was his shop. The result of the meeting? We determined, through a close direct review of their AP records and checkbook, that she would routinely skip a statement here and an invoice there, while making partial payments to cover it up. All checks were applied "oldest forward", due to the lack of remittance detail, thus showing regular cash flow, until her other, more personal, spending started to coincide with a slowdown in business.

Summary

Visits can also result in an increase in trust between a customer and a Credit department. Not every Credit Professional is "professional", unfortunately, although helping everyone to be so is the major part of FCFP's mission. For one reason or another, a customer may become frustrated because of bad experiences, so they will not be prone to sharing information. On several occasions, I was able to visit customers and change that perspective, to one of trust. In one such case, after asking an accompanying salesman to leave, I was able to review financial statements in detail. The owner refused to let me leave with the actual booklet, but I wrote down everything precisely as presented, and he answered every question that I had. In another instance, I did the same with a customer's CFO, and, after gaining his trust, he routinely provided a full set, by mail, without being asked every time.

The key to these meetings is be personable, yet professional, and persistent. Listen to every word uttered by the customer, acknowledging his or her concerns, while also maintaining your purpose. Compromise is fine. Also, many customers will be more forthcoming with you, if a salesman is not present. Even though that Sales Associate may insist on accompanying you, there is still your obligation to maintain a customer's confidentiality. As part of their job, sales people will always call on a customer's competitors, and that frightens him or her. On the other hand, you can assure your customer that your fiduciary responsibilities ensure that you will not share the financial and other information provided to you.

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