

**FEDERATION of CREDIT
and FINANCIAL PROFESSIONALS**

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The Value of Industry Credit Groups

Sadly, as time goes on, I have noticed a declining rate of participation in credit group meetings. Very likely, some of this is simply due to mergers and such, plus a concern over the expenses involved, but I firmly believe that the advantages far outweigh any costs.

The first point to remember is that a Credit Professionals' job is very complex. Being responsible for managing both the expansion of sales to new and existing customers and ensuring that there is good cash flow and minimal losses at the same time is not for everyone, nor is it easy to do. The keys are knowledge and what to do with it.

This knowledge factor comes from different sources and directions, one of which is an Industry Credit Group. First of all, these groups were organized for a specific reason, the commonality of issues relative to a specific industry. To a certain degree, a regular trade reference is just that, a trade reference. When viewed, however, within the context of a specific industry, the meaning of that payment pattern may differ somewhat from one to the next.

Credit Terms vs. Payment Patterns

Credit Terms of Sale vary from company to company and from industry to industry. For good reasons, discussion of terms is not allowed in a Credit Group setting. The last thing that any Credit Professional wants is to be accused of collusion or conspiracy in the extension of credit to a specific customer or a group of customers. So, whether someone extends 2% 10 Net 30 Day terms or Net 10th Prox., they should not disclose that at a group meeting. However, group reports will automatically show payment patterns, and how a customer actually pays is far more important than how he or she should pay. If he/she should pay you differently, this can be an opportunity to discuss that with him/her, without, of course, disclosing how you know that it is possible to do so.

Viewing a group report on a customer will immediately show where that customer's preferences lie. Is he/she paying a preferred supplier faster than everyone else? Is it obvious that he pays discount terms on time, even though no one can disclose the actual terms? Are there a lot of small amounts lingering in the older aging columns, indicating deduction issues or other disputes? Even more importantly, since the basis for reporting in the first place is the fact that the customer is delinquent, it is very likely that many of these customers will appear on

consecutive reports, allowing you to track trends. Lastly, you will very likely get information on a potential customer, before your Sales Associate knows he is there. Likewise, a number of industries do not get the best coverage from a few of the usual standard reporting agencies, so an active Industry Credit Group can make up the difference.

Account Discussions

During these meetings, each account is open for discussion. The limitation on this discussion is that you may only disclose factual information and present or past activity. Future actions are forbidden, so, instead of saying, “I plan to sue him”, you can say that you sent a Final Demand.

Typically, people will disclose what the customer claims is the reason for non-payment, which you can then compare to what he or she told you. This allows you to judge the sincerity of the customer and the accuracy of the information. Without disclosing what you plan to do with that information, you have it available, nonetheless. There is often additional factual information and history that is not immediately pertinent to the past due on your Aged Trial Balance, aka Aging. Under any circumstance, there is more information than would be available if you were not present.

You may also learn about a more reliable source in the office. A competitor may have visited them, and learned that someone higher up in the food chain is the person to speak with, even the owner. Going a little further in that direction, it is an opportunity to discuss and confirm a confusing customer hierarchy and/or business structure and ownership.

Get to Know the Competition

Credit Professionals are, by design, supporters of the sales effort in their respective companies. However, they recognize that, in order to obtain payment information from others in the industry, they must be willing to reciprocate. That is easy enough to do electronically these days, and it is also still simple enough to do in writing. Still, people are reluctant to share too much with strangers or mere acquaintances, with whom you speak with only by phone on occasion.

On the other hand, belonging to an Industry Credit Group, and attending meetings, will allow you to put a face to a voice or both to a digital credit reference. Even as everyone obeys the rules and honors the anti-trust and confidentiality issues of a group environment, you get a feeling for how someone else thinks. Everyone is pleasant and professional, but you will eventually learn who among the group tends to be conservative, vs. liberal, as well as whether that approach is personal or driven by company policy. Relationships are built, which, still within the law and a common set of professional ethics, will come in handy, when you must call and obtain a rush credit reference. At the same time, you will learn with whom you can confidentially share

information and which member of the group may be inclined to violate those ethics and tell their Sales Department, or worse yet, the customer.

Basically, Credit Professionals dance to the beat of a different drummer(s). (My favorites are Lars Ulrich of *Metallica* and Phil Collins, both solo and with *Genesis*. Let's not forget the great Neil Peart of *Rush*.)

Learn Something New About Your Chosen Profession

The organizations that operate the group meetings will often arrange for expert speakers to give presentations on various meaningful topics. This can be particularly useful when legalities are involved. For instance, FCFP recently conducted sessions at several industry group meetings, on the legal aspects of a very critical document, the Credit Application and Sales Agreement. Following a detailed study of dozens of industry forms, it was readily apparent that a number of statutes were being violated and potentially dangerous issues were not covered, even by some leaders in their respective industries. Why? Sometimes, in-house attorneys are not familiar with the issues involved. Also, sometimes the Credit Professional involved has not had the advantage of this type of presentation, in order to pursue the subject with upper management. Additionally, trade organizations, such as FCFP, exist for just this purpose. The consulting attorneys approached by FCFP are experts in their fields, and they win their cases more often than many corporate lawyers dealing with the same subjects. They also keep up on that sometimes-mysterious aspect of the law, court precedent, which often supersedes the written legislation. (It is a simple fact that many corporate attorneys deal more with liability issues, acquisition agreements and real estate contracts than those involved in civil litigation.)

Of course, other topics are equally as important and available for group members. Account discussions, for one thing, may identify a topic on which everyone may need, or simply want, an update. These may be general credit and A/R management subjects, or they could be industry-specific. Either way, you are not necessarily going to have that advantage outside of the Industry Credit Group environment.

Networking

What better way to learn about advancement opportunities than from a group of your peers attending a lunch meeting? Seriously, though, there is a great deal to be learned from that group, most of which will help you with that very complex task, known as a Business Trade Credit Decision.

Summary

The only potentially negative thing about participation in an Industry Credit Group meeting is missing time in the office. Is that really a “negative” once a month? If it is, there can be participation by conference phone. Another positive, to potentially offset any “negative”, is the fact that most meetings include lunch, usually in a conference room in a nice restaurant, with good food.

If there is an appropriate Industry Credit Group in your area, seriously consider joining it. If there is not such a group, but there is a potential for one, contact **Jeanne Long, Industry Group Facilitator** at (646) 442-3434 or jlong@federationofcredit.com.