

E~Credit News

BCMA

Business Credit
Management Association

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IT'S THE END OF THE YEAR, WHICH MEANS CLEAN UP TIME!

Commercial Credit Reporting Capability – Your Association is responsible for controls & has access to multiple commercial credit reporting data bases. When appropriate, we advise & update these databases of an adverse case or situation, so that other credit managers are aware of action occurring on a particular debtor.

Automatic or Immediate Engagement – Claims which are placed for immediate collection are opened & engaged the same day we receive them. For Association members who choose to use the 10-Day Free Demand service: If your debtor does not respond to your final demand & WCA Notice to Debtor by the end of the demand period you have specified, we automatically open the claim file & immediately begin collection efforts on your behalf.

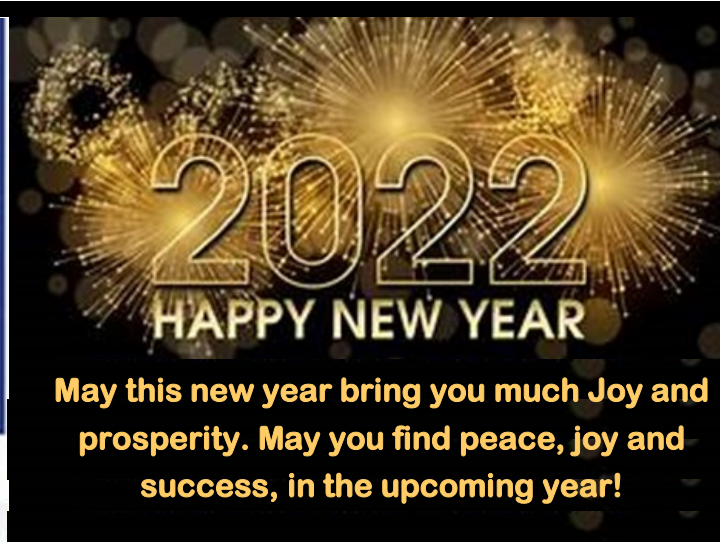
Contingent or Hourly Engagement – Only Wisconsin Credit Association Commercial Recovery Services Department offers its

clients the choice of a contingent or hourly placement. Choose which option works best for you.

Forwarding Service – Wisconsin Credit Association Commercial Recovery Services Departments affiliation with attorneys nationwide can expedite any necessary legal action that may be required to recover your receivables.

Contingent Rate Guarantees – Wisconsin Credit Association Commercial Recovery Services Department will guarantee the same contingency rate percentage whether we recover your receivable or our network of attorneys causes a recovery.

Wisconsin Credit Association
15755 West Rogers Drive, Suite 200
PO Box 510157
New Berlin WI 53151-0157



HOLIDAY HOURS

The Association will be closed at Noon on Friday December 24 and will resume normal business hours on Tuesday December 27, 2021. We will also be closed at noon on December 31, and will resume normal business hours Tuesday on January 4, 2022. Please plan accordingly. If you have any questions please free to contact The Association at 866-546-2880.



If you have something you would like us to announce please send an email to admin@wcacredit.org

Subject line: Member News

WHY AND HOW TO UPGRADE THE CREDIT REVIEW PROCESS AND FREQUENCY OF REVIEWS

By: Todd Glassmaker

Vice President of Business Development | Sailfin Technologies Inc.

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We are in a period of unprecedented economic disruption, which can quickly and adversely affect customer credit worthiness. Thus, it is imperative that Credit functions review and calibrate their processes and harness technology to address rising risk levels.

Establishing an effective credit assessment policy and process in the commercial B2B environment requires a strategic approach, effective guardrails with company-wide support, and enabling technology. Companies that do not apply a rigorous, structured approach and fail to monitor, review and update customer credit risk profiles more frequently, run the risk of increasing risk exposure, carrying aged and overdue receivables, ultimately leading to increased bad debt reserves and write-offs. Meanwhile, organizations that go beyond static, defined periodic review cycles and embrace an approach of continuous monitoring of dynamic credit management information, performing frequent ongoing credit reviews linked to customer value and risk, will be better positioned for successfully navigating the current economic climate and minimizing credit defaults and potential bad debt write-offs.

Addressing New and Existing Customers

The effectiveness of the credit review process begins at the very start, with the vetting of new customers prior to granting any unrestricted payment terms (e.g., net 30 days) and credit limit values. The review process should ensure an approval workflow that mitigates risk of Phishing attacks, ensures standard credit limits across the portfolio parent/child relationships, and ensures a robust credit limit determination that utilizes credit scores, financial metrics, referrals and payment behavior. Equally important is the ongoing monitoring and management of the existing customer base. Credit functions must have insight into the up-to-date risk stratification of their entire AR portfolio, so they can partner with Sales and Finance teams to help support business objectives through the following actions:

- Maximizing revenue by targeting sales growth with the most financially sound and creditworthy customers
- Mitigating credit and risk exposure through proactive and strategic credit risk evaluation and ongoing monitoring through automated score card evaluation and workflow approvals including predictive analytics assessing credit score and payment behavior trends to allow visibility to potential customer liquidity issues
- Incorporating balanced scorecards by combining external credit data with internal payment performance and tracked customer behaviors (i.e., broken payment promises, dispute volumes, credit, and order hold volumes, etc.)
- Establishing accurate bad debt reserves that incorporate specific amounts for high-risk customers and accurate general reserves based on defined aging bucket percentages based on External Auditor guidelines and historical loss percentages across aging buckets
- Minimizing bad debt write-offs through targeted and timely credit sanctions and risk mitigation actions

WHY AND HOW TO UPGRADE THE CREDIT REVIEW PROCESS AND FREQUENCY OF REVIEWS (CONTINUED)

- As organizations navigate the current economic environment, having a well-defined credit model and assessment approach, along with more frequent credit reviews, is paramount for making sound decisions and managing overall AR portfolio risk effectively.
- Implementing a rolling customer credit review and assessment of portfolio risk, including (credit limit utilization reporting, reporting of customers without ERP limits assigned, accuracy and update mechanism for adjusting historical loss rates)

Onboarding New Customers

The best way to safeguard the AR portfolio is by making sound credit decisions at the start, when onboarding a new customer, asking critical questions such as – what payment terms should we provide? And how much credit do we extend to the new customer? To answer these questions, credit managers must have robust and current data about customers' financial health, and ultimately their ability to pay for goods and services rendered, as well as expected customer revenue generation.

The new-customer review process and modeling should include the following elements:

- External credit bureau and financial scoring information
- Customer sales and demand forecasts (monthly, quarterly, and/or annual projections)
- Audited customer financials where required and available
- Trade and bank references, where required

Once the scorecards are established and new customers are assigned appropriate risk grades, credit limits and payment terms, the credit function is in a position to effectively manage the portfolio through ongoing automated credit monitoring and frequent reviews of existing customers.

Ongoing Portfolio Monitoring

Because the economic environment is putting greater stress on companies' credit standing, it may not be enough to follow the usual annual, semi-annual, quarterly, or even a monthly credit review cadence. With the right technology and scoring methodology, companies can establish a near real-time monitoring process of customers' credit profiles with the intent of predicting financial duress situations.

Most ERP platforms and available 3rd party solutions can provide integration with credit monitoring service providers that allows for the continuous monitoring and updating of credit risk data. Through daily updates from customer credit providers, coupled with internal payment performance analysis, organizations can be better positioned to detect and anticipate potential defaults.

Scanning for potential credit issues through visibility into critical information and modeling must incorporate a daily refresh of external credit bureau risk data, as well as ongoing surveillance of internal customer historical payment performance information. With a proactive and agile credit monitoring process, the credit function can apply an exception-based approach, so it focuses on credit risk mitigation actions for customers demonstrating increased risk and likelihood for payment default.

This additional data must be mapped to a set of actions/sanctions, decisions, and protocols for managing potential risk exposure cases; examples of sanctions to consider include:

- Credit holds at the account and/or order level
- Payment term restrictions (e.g., advance payment requirements)
- Deposit requirements
- Payment workout agreements
- Formal note guarantees with company owners/principals

WHY AND HOW TO UPGRADE THE CREDIT REVIEW PROCESS AND FREQUENCY OF REVIEWS (CONTINUED)

The various sanctions available to the credit function should be clearly documented within the credit policy and well understood by the sales and commercial teams. This will help to avoid any miscommunication with the customer regarding the credit policy, risk exposure and AR delinquency. The more the sales organization is aware of, and in agreement with, the credit policy, the lesser the chance of internal contention regarding the use of formal credit sanctions.

Leveraging Leading Edge Technologies

Companies looking to upgrade their credit management processes and approach can harness available leading-edge technologies that employ AI, Machine Learning, and automation capabilities to streamline and improve the credit management functions and ability to manage customer risk while supporting and even contributing to corporate revenue and growth objectives.

Core features to look for with solutions in the marketplace include:

- Online credit application workflow with integration into ERP source system for customer onboarding
- Configurable and customer scorecards utilizing external credit bureau data elements and analytic data trends
- Defined Levels of Authority (LOA) to expedite approval workflows and safeguards against phishing attacks
- Predictive modeling using AI and Machine Learning to proactively identify potential high risk accounts
- Dynamic modelling to automate and streamline ongoing periodic credit reviews for all existing customers
- Risk based collection strategies by linking treatment approach to credit risk profiles
- Managing credit and order hold mechanism with integration into source order processing and billing systems

To further optimize the existing review process in today's climate, firms should also consider lowering thresholds that trigger reviews or alerts. The old parameters in this fluid and sporadic environment might not trigger a review early enough. Also, firms may also want to segment their customer base by industries and customer hierarchy, and rank them by their different degrees impacted by the current economic conditions.

About the author: Todd Glassmaker is a working capital solutions advisor and is currently the Vice President of Business Development at Sailfin Technologies. Sailfin specializes in delivering end-to-end AI driven working capital solutions by combining all receivables and payment modules into a unified solution. Todd has deep experience and understanding with value creation through the implementation of Order-to-Cash technology and business transformation solutions. His contact info is: todd.glassmaker@sftpl.com.

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Credit Research Foundation IQ 2021 Perspective*



COLLECTION PRINCIPLES WEBINAR

“WHY WE CONTINUE TO HAVE DEBTORS”

Tuesday, Jan 11, 2022

9:00 - 10:00 AM CST

In this fast-paced hour devoted entirely to successful collection techniques; creditor, educator, author, former business owner and occasional debtor, David Balovich discusses the numerous collection techniques available, past, present, and future and the reason for their successes and failures.

- » Learn both the common sense and creative remedies available when dealing with customers and the causes for non-payment.
- » Learn how collecting begins with the receipt of the applicants credit application and the methods available to ensure prompt payment.
- » Learn when the customer purchase order terms is not a valid excuse for the customer to pay beyond your terms of sale.
- » Learn the four objectives in collections.
- » Learn why contacting the customer when the invoice is past due is the biggest mistake most collectors make and sours their relationship with the customer.
- » And more.....



Upcoming ICE Breaker Webinar

ICE Breaker Webinar – 2022 Global Economic Overview
January 19, 2022 ~ 2:00 PM – 3:30 PM

We will be meeting virtually again via Zoom on the afternoon of January 19th. Byron Shoulton, FCIA Trade & Political Risk Division's International Economist, will give you a 2022 Global Economic Overview!

[CLICK HERE](#) TO REGISTER FOR THE ICE BREAKER

Wayne J Crosby CCP, CPC X224

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International & Industry Group Administrator

Chrys Gregoire X221

Administrative Support

General Questions or Information

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Credit Reporting

**CONTACT US****Darryl Rowinski CCP, CPC X222**

CEO

Membership

Director of Professional Service Firm

Solutions

Resume Referral Services

Employment & Outsourcing Services

Nicole Thompson X225

Fox Valley Location

Administrative Support

Group Services

ICE Group Administration

Education Services/Programs

Social Media Marketing

Phone: (262) 827-2880

Toll Free: (888) 546-2880

Web: www.wcacredit.org**Gail Venne, X223**

Credit Reporting

Industry Group Administrator

Patty Hughes X227

Recovery Specialist

Credit Reporting



BCMA HQ
PO Box 510157
New Berlin WI 53151-0157

BCMA Fox Valley Location
2711 N. Mason Street, Suite C
Appleton, WI 54914

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admin@wcacredit.org with your idea!

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- ◆ [NACS Credit Services, Inc](#)
- ◆ [The Business Credit Management Association Wisconsin](#)
- ◆ [Business Credit Intelligence](#)
- ◆ [Mountain States Commercial](#)
- ◆ [NACS Credit Services, Inc.](#)
- ◆ [SWB Credit Services](#)

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UPCOMING INDUSTRY CREDIT GROUP MEETINGS

DECEMBER 16, 2021

Construction Industries Credit Group
Menasha, WI

DECEMBER 14, 2021

Fine Paper/Graphic Arts Industry Credit Group
Book of Reports

Regional Paper & Packaging Industry Credit Group
Book of Reports

DECEMBER 15, 2021

Food Service Supply Hospitality Industry Credit Group
Delafield, WI

Minnesota Electrical Suppliers Credit Group
Brooklyn MN

DECEMBER 17, 2021

IL Fine Paper Industry Credit Group
TBD

DECEMBER 8, 2021

Plumbing & Heating Industry Credit Group
Brookfield, WI

DECEMBER 10, 2021

Electrical Suppliers Industry Credit Group
Brookfield, WI

DECEMBER 13, 2021

Western Electrical Suppliers Industry Credit Group
Madison, WI

DECEMBER 14, 2021

Building & Construction Materials Credit Group
Milwaukee, WI

No Meeting this month

Iowa Plumbing Heating Electrical & Construction Industry Credit Group
Metals & Industrial Suppliers Credit Group
Minnesota Fine Paper Credit Group

Education Events



On Your Time Schedule Via Online

[Comprehensive Credit Professional's Training Series](#)

January 11 Webinar

[Collection Principles "Why we continue to have Debtors"](#)

January 19 Zoom Meeting

[ICE Breaker Webinar – 2022 Global Economic Overview](#)

YOU CAN TRUST THE ASSOCIATION TO ASSIST IN [COLLECTION RECOVERY](#) FROM YOUR DEBTORS ANYWHERE IN THE WORLD.