

Top 5 things for Credit Managers to consider

The function of Credit Managers is a very important one to ensure the wellbeing of companies. It is of essence that Credit Managers support customers' trades, while at the same time safeguard their own company's collection of sales. This is particularly the case in companies that sell to corporate customers and distributors on a recurrent and open account basis.

Below are five key aspects that can be of great support for Credit Managers:

- 1. Implement payment term extensions to customers.** Companies (vendors) can establish programs to extend payment terms offered to their customers. The extension is financed by third party funders and can be implemented on a customer portfolio level via receivables-based Distribution Financing programs whereby vendors sell the receivables to the funder in a true sale basis, thus reducing Days of Receivables Outstanding (DSO). Vendors can also implement the payment terms extension for selected customers individually via payables-based Growth Financing programs. Both types of programs enhance customers' liquidity and working capital metrics, as their Days of Payables Outstanding (DPO) increase, which in turn enhances the vendors' sales efforts towards them.
- 2. Increase customer monitoring.** Credit Managers should closely monitor the status of their customers, individually and on a portfolio basis, in order to establish prompt remedial action when required. It is important to periodically assess customers' financial standing as well as track their payment behaviour in real time.
- 3. Enhance collections management.** Having good communication with customers is essential for managing collections adequately. Sending them alerts and notices with all the required information related to upcoming payments and due balances goes a long way to reduce late payments. Also, having timely aging reports and extensive statistics regarding late payments from customers in real-time, enable Credit Managers to stay on top of overdue levels and act accordingly.
- 4. Use credit insurance effectively.** Credit Managers can consider using tools to cover the risk related to customers' non-payment, like credit insurance. However, in order to ensure proper coverage, Credit Managers need to have a tailored credit insurance policy that addresses their specific needs and more importantly, a proper administration of the policy conditions, as these have to be fully met to

enable the enforcement of the coverage. Furthermore, Credit Managers on occasions may have to deal with restricted access to credit insurance capacity.

- 5. Incorporate technology.** In today's world, technology is present in almost all disciplines. For Credit Managers the need for automating processes, eliminating error-prone manual intervention and having total transparency over customers' performance at all times, are essential for making the right decisions and plan ahead in a timely manner.

Global Supply Chain Finance Ltd. ([GSCF](#)), the leading servicer in the SCF space, has the Credit Risk Management function at its core, continuously developing tools that assist in all credit & collections related tasks. This applies for Credit Managers working for companies as well as for those working for funding entities and credit insurers.

The following are some features offered by GSCF in support of Credit Managers:

- Structuring of customised Distribution Financing and Growth Financing programs with benefits for the vendor and its customers. Moreover, GSCF offers online management of credit limits in the programs, which allows Credit Managers to proactively manage customers' limits via an interactive platform connected to the systems of vendors, funders and credit insurers when applicable.
- Collection and analysis of customers' financial statements and quarterly management accounts. Credit risk ratings are assigned to each customer based on its financial performance and on the payment behaviour shown in the programs managed by GSCF.
- Automatic alerts and notifications are sent out to all involved parties, contributing to the dunning exercise. Additionally, tailored aging reports and a wide range of credit & collections statistics are available in GSCF's platform with real time data.
- Advice in the negotiation of tailored credit insurance policies and full administration of the policy conditions. GSCF can act as policy manager and ensure enforceability of the insurance coverage. In the case of unavailable credit insurance capacity, GSCF can assist in the set-up of innovative structures that eliminate the need for insurance.
- GSCF's state-of-the-art platform with constant innovations in credit-sensitive processing and customer monitoring is highly appreciated by credit risk takers, who tend to have a greater credit appetite as a consequence.