SALES-FINANCE DIVIDE

DURING my time in credit management, it is quite amazing how the industry has expanded. The technical support and risk measures available have enhanced the credit function professionally, and studying with the ICM has also strengthened and excelled credit professionals throughout businesses.

There are some challenges however that remain the same: particularly the sales-finance divide.

Being vigilant is one of the stronger traits as a credit controller, the ability to build on communication and establish a working relationship, so when the alarm bells do start to ring, the first point of call is directly to the job manager. More often than not this news is not well received. Surely their well-established client could not have defaulted on another payment, credit control are obviously just being too cautious and the money will come in eventually?

How many times have we found ourselves in a situation where the divide between sales and finance is impacting on our collections and procedures?

Within my earlier roles as a credit controller, I have been able to establish a good rapport with customers, developing an understanding with regular clients and visa versa. This same communication needs to be upheld internally, if not more so with the ‘sales’ function, for them to understand the credit function and the impact on the cost of credit. This enables you to build the trust so when the time comes for the next default on payment they are more appreciative to your concerns.

The involvement of credit control prior to client set up is imperative to highlight the importance of the credit function within the business, together with an established credit control policy.

With continued communication the function is established with the professional status it should have and the back-office function label eliminated.

Zaynah Naeem, credit control supervisor, national finance, Grant Thornton

DISPUTES KILL CASHFLOW

DISPUTES almost always cause delays in payment processing, especially in the construction industry. Most delays occur because clients do not always voice their issues right away. Instead, you learn about the problem when you inquire about a late invoice payment 45 days later.

Whether it is a dispute on the bill or a problem with the product or service you provided, the easiest way to prevent delayed disputes is to be proactive in contacting your customer before the invoice is overdue to ensure there are no issues with the invoice. This also prevents the ‘we did not receive the invoice’ delay tactic.

Communication is the key to a good working relationship. Communicate with your customers regularly; building a rapport with your customer goes a long way in getting your invoice paid on time. This allows you the opportunity to be alerted to any issues with an invoice that has not been mentioned previously. If you are in contact regularly, you are also top of mind, which just might help you get paid quicker too.

You could also introduce a dispute policy and include it in the terms and conditions of their invoice. Require your customers to notify you of any disputes within a certain timescale, for example within seven days of the invoice date. Make it the customers’ responsibility for communicating any issues with their invoice or services.

If the customer only disputes part of the invoice, make it mandatory for payments to be made against the non-disputed part of the invoice. This will speed up payment on the undisputed portion.

Doing just these few things could reduce your accounts receivable ledger, improve your DSO and can increase payment speed.

Becci Smith, experienced credit professional

ALTERNATIVE FINANCE RISES

AGAINST a volatile economic backdrop, there is one word corporates fear: risk! Yet it is everywhere – from regulatory and political risk, to collections and credit risk.

What is more, not only are corporates facing risk at every turn, they are doing so without the safety net of global bank funding.

Liquidity constraints and stringent regulatory proposals are forcing global banks to keep more capital on their balance sheets. As a result, there is less capital to lend to companies. And while some sources state lending is picking up, the requirements of regulatory proposals – such as Basel III – mean it is unlikely to ever return to pre-crisis levels.

So what is the solution? The significant rise of alternative financiers since the financial crisis clearly shows their success in filling the funding gap left by global banks.

Certainly, the flexibility of alternative finance is advantageous for corporates, particularly since they view business differently – alternative financiers are able to have a more transactional approach, as opposed to the banks’ full relationship ownership view. They can offer bespoke solutions that are tailored to their clients’ needs and are freer from the strict regulatory environment that banks work in and can quickly adapt to both the ever-changing environment and their clients’ evolving requirements,

Companies have two key objectives for business sustainability and growth: reduce any risk wherever possible; and ensure easy access to vital injections of capital. With the help of alternative financiers, both tasks become significantly less challenging.

Emma Clark, head of business development UK and Europe, Falcon Group

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