

Saving Your Bacon: Best Practices for High Performing Credit Departments

FOR PETROLEUM MARKETERS

THE PITTS GROUP





Things to Know

- ▶ **Track DSO for 2 year Quarterly Periods**
- ▶ **Examine Aging to Test A/R Quality**
- ▶ **Who are the Top 10 Collection Problems**
- ▶ **What Repetitive Interruptions are Taking Credit Staff's Time**
- ▶ **Why are Customers Calling the Credit Department**

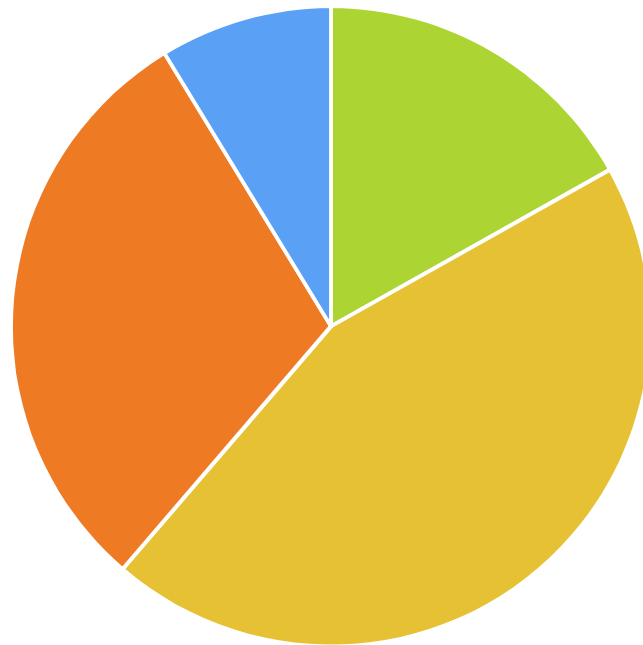


What We Will Cover

- ▶ **Pain Points of Unhealthy Accounts Receivable**
- ▶ **Symptoms of Low Performing Credit Department**
- ▶ **Executive Level Responsibilities**
- ▶ **Best Practices including Tools for the Credit Department**

What We Will Cover

Balance Sheet



■ Real Estate ■ Rolling Stock ■ A/R ■ Inventory



Pain Points of Unhealthy A/R

- ▶ **Cash Crunch Due to Slow Cash Conversion Cycle**
- ▶ **Reduced Profits**
- ▶ **Banking Pressures**
- ▶ **Staff Fighting Fires**
- ▶ **Owners Losing Sleep**



ABC Petroleum Accounts Receivable Aging Recap						
Date	Total A/R	Current	1 - 9	10 - 29	30 - 59	60+
4/30/2019	\$7,578,137	\$6,544,897	\$142,638	\$636,299	\$239,983	\$14,319
	% Current:	86%	2%	8%	3%	0.2%



Cash Controlled by Customers: \$1,033,240



Symptoms of Low-Performing Credit Department

- ▶ **Excessive Slow Pay**
- ▶ **Disorganization of Processes**
- ▶ **Credit Approval & Credit Limit Debates**
- ▶ **Staff Confusion on Risk Tolerance**
- ▶ **Sales vs. Credit**
- ▶ **Excessive Owner Involvement in Credit**
- ▶ **Collection Efforts Sporadic or Ineffective**
- ▶ **Excessive Bad Debt Write Offs**

Common Causes of Symptoms



Blind Spots

Common Causes of Symptoms



Antiquated Systems

Common Causes of Symptoms



Ineffective Communication

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Common Causes of Symptoms



Lack of Staff Training & Support

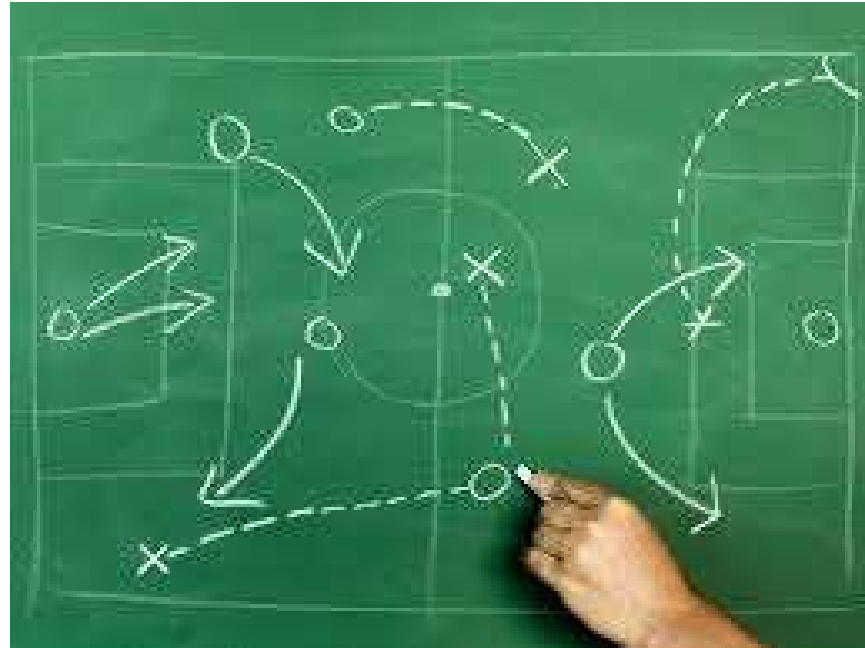
Common Causes of Symptoms



“The Way We’ve Always Done It”

Executive Level

Set Policy Making and Control



Day-to-Day Administration



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Solution: Credit Policy

**Purpose – Company Goals – Department Setup –
Credit Committee Goals – Credit Application Process
Credit Request Approval Process – Credit Limits
Credit Terms – Security – Customer Account Review –
Past Due Collection Procedures – Credit Holds –
Charge Off Accounts – Invoice/Account Adjustments
Finance Charges/Adjustments – Credit Bureau
Reporting Customer Communications – Employee
Credit – Equipment Rental, Release & Delivery**



Best Practices

- ▶ **Write/Update Company Credit Policy**
- ▶ **Identify and Fix Credit Department Bottlenecks**
- ▶ **Deploy Technology**
- ▶ **Require Consistent Reporting and Measurement**
- ▶ **Increase Credit Department Toolbox – outside resources and education, access to a peer network, proper use of collection agencies, investigative assistance and credit insurance**



Best Practices

What's in the toolbox?

- ▶ **Outside resources and education (NACM is a great resource)**
- ▶ **Establish a peer network for best practices**
- ▶ **Collection agency for 3rd party collection help**
- ▶ **Investigative agency to track elusive customers and assets**
- ▶ **Credit Insurance to help manage burden of risk and profitable growth**

Final Thought

**Arm your Employees with Knowledge &
Information,**

**Good Tools, Put Stringent Credit Policies in Place
with
Clear Expectations**

**Then Step Back and Let
Them Do Their Job!**





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