BY THOMAS G. SISKA

Debtor Credit: An Issue Even in Sales

It has been said, "God helps those that help themselves". Well, I can't speak for God, but I can state that the best salespeople help themselves in all areas of booking a new transaction, including the managing of the customers. I know many in sales believe that there's nothing they can do in this area because this is a strictly "credit driven" process. But nothing could be further from the truth. While I agree that debtor credit is not a decision made in the sales department, selling around debtor issues starts where all selling starts, with the salesperson.

Why Care?

To answer this question, let's start with one end of the extreme. I have personally seen prospect packages come in with the signed Application, some financials, a tax return, articles of incorporation, an AP Aging, a customer list and the salesperson's draft Proposal Letter for approval. Not a bad start. It's really missing only one thing. But of all the things to be missing, it's the one thing that matters most, the A/R Aging! I'd be more impressed with someone who only came in with an A/R Aging and nothing else. As a Factor, if the A/R is good, we will do everything humanly possible to make the deal work. If the A/R is not good, nothing else matters. Incomplete prospect packages are not uncommon. We know we need to respond quickly in our business so we'll propose even if we're missing some information. However, incomplete because there's no A/R Aging? Frankly, that's embarrassing.

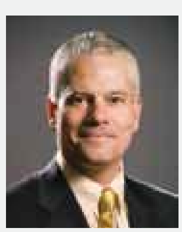
Starting with the point that the A/R is everything, it should now come as no surprise that the next step is to actually look at the A/R Aging. And not to just make sure that the numbers are all lined up in pretty little columns. Sales needs to understand who the large customers are that are truly driving the deal. And if there are any large past due amounts, these need to be discussed NOW. Because if there are going to be problems generating enough in advances to make the deal happen, better we find out now before we waste a lot of time chasing rainbows. This is what most separates the big earners in sales from the rest of the pack; their ability to avoid wasting time. There are so many things that we can do in life to adapt to various circumstances. This is what makes humans dominant over the rest of earth's creatures. But the one thing we can't do is change time. So we damn well better manage it as best as possible.

OK, So What Should I Do?

As already mentioned, you have to look at the A/R Aging. If all of the large customers are household names like Coke, Kraft, Walmart, IBM & Lockheed and there are no large balances past due, then you know you have a factorable prospect. You should also have figured out by now that you had better move fast to get this deal off the street because every competitor will want this account too. And the longer you let the prospect shop, the lower the rates and the less likely you'll be the winner. You may want to go as far as re-prioritizing your schedule to allow you to spend more time getting this account through the process. This is managing your time to best maximize your results.

On the other hand, there may be large balances to debtors whose name you don't recognize. Are you going to have to factor everything to make the deal happen? If so, inquire as to what they know about the customers. Did they get credit applications? Are any of these unrecognizable debtors divisions of larger companies? Or the large balances may be outstanding to familiar names, but there's a fairly significant amount past due. You need to ascertain why. What are the Terms? What is the billing process (progress, contingent, etc.)? What is the approval process? Is this normal or is there something specific with this group of past due invoices?

Then we have some of the more complicated issues. The customer may be listed as Coke/OnTimeTemps. Coke will be easy to approve. But Coke may not be cutting your prospect the checks. Back over a decade ago, staffing firms always dealt directly with their customers. Today, it is very common for staffing companies to



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be supplying temporary workers to a fellow staffing company who really has the Coke account. In fact, the larger the ultimate customer, the more likely it is to have an intermediary company in the picture. So when you see this dual-name customer, you need to find out the whole story. A $1MM unsecured trade line to Coca Cola is one thing. A $1MM line to On Time Temporaries is quite another. Therefore, it is imperative that you find out the whole story to gauge what you really have. It would be foolish to rearrange your schedule to move this along faster until you know your company can factor this customer.

The Best, Manage

In the first paragraph of this article, I confirmed that debtor credit decisions are not made by the sales department. And yes, a situation is going to be worth a $1MM trade line or it's not. So the ultimate answer is a bit black and white. But what IS manageable is how the prospect perceives how they are being treated. Salespeople who question obvious A/R issues rarely have prospects get surprised when these issues are brought up during the underwriting stage. In fact, the prospect usually does a little extra work ahead of time knowing that they may need to convince the underwriter to allow for maximum availability. This makes the whole experience better. On the other hand, some salespeople invest their precious time gathering up the needed elements of the Application Package while carelessly ignoring obvious problems with the A/R. Then, when the underwriter questions the obvious, the prospect immediately replies, "Well, John didn't say anything so why is this coming up now?" So instead of people working together trying to come up with a solution that everyone can live with, we have an irate prospect feeling misled and a surprised underwriter wanting to work on any deal other than this one. And who was the one person who could have made the biggest difference? The salesperson.

CONCLUSION

While most decisions are made by credit and operations, the salesperson sets the stage. The better you understand your deals, especially the collateral, the better decisions you can make about how to invest your time. And the better the chances the decisions made by credit will be received by the prospect. Again, nothing will suddenly make poor debtor credit good or make risky collateral worth lending against. But decisions are better made with full information. The best of the best in sales know this and take control of their own destiny. •