



THE CREDIT DEPARTMENT, INC.
SMART BUSINESS. STRATEGIC VALUE.

March 2003

“Improving cash flow and earnings through strategic credit management.”

Credit Departments Uncover Hidden Costs

The role of a credit department is typically confined to managing accounts receivable. What you may not realize, however, is that a credit department can be a tremendous resource for uncovering and solving a myriad of costly problems within other areas of your company. If properly staffed and empowered, these "change agents" within a credit department are in an excellent position to identify operational flaws that negatively impact your whole business in areas such as...

- 1 Product/Service Quality
- 2 Delivery/ Transportation
- 3 Pricing
- 4 Sales/Marketing

It makes sense to look to your credit department to help improve these operations.

After all, when customers don't receive what they expected from you, they will most likely not pay you on time, in full, or at all. This, then, is the opportunity for credit departments to not only solve a particular customer issue preventing full and prompt payment but also to recognize the flaw within your systems that caused these types of problems to occur. Once the problem is identified, the credit department can become the change agents within the company to prevent future occurrences of the same type of problem.

The Credit Department, Inc. can help you manage your credit needs through professional credit management outsourcing and consulting. For more information, contact us at 800.451.0164, email info@TCD.com or visit our web site at www.TCD.com.

There are three main challenges to this solution for cost reduction..

- 1 Companies are unable to "mine" the data from the credit department to uncover problems.
- 2 There's little power given to credit departments by upper management to spearhead projects to eliminate the flaws.
- 3 No formal communication avenue exists for credit departments to bring up issues (ie: Credit Committee with representatives from Finance, Operations, Sales).

Credit departments must think of themselves as not just asset managers (of the receivables) but also as quality assurance agents. They must be constantly on the lookout for process improvement opportunities outside their own areas to result in cost reductions. Credit departments should document these occurrences and communicate the issues with upper management so that changes can begin. The management team must provide the opportunity and support for credit departments to make important, necessary recommendations to existing processes and procedures throughout the organization. Only then will there be success in uncovering hidden costs in your organization.

A Cash Flow Success Story

A mid-size computer parts distributor reached its maximum borrowing level at a commercial bank. Various methods to improve cash flow were identified. The hands-down winner was obtaining their already-earned cash by increasing collections efforts and reducing their days-sales-outstanding. With the help of The Credit Department, Inc. this organization has saved over \$395,000 a year in reducing days-sales-outstanding from 83 to 34. By having TCD provide an assessment and execute on its collections, they have mitigated their risk and financial loss, and have reduced and minimized their commercial borrowing.

For more information on outsourcing your credit, collections or deduction management e-mail us at info@tcd.com or phone us at 800-451-0164.

The Credit Department, Inc. can help you manage your credit needs through professional credit management outsourcing and consulting. For more information, contact us at 800.451.0164, email info@TCD.com or visit our web site at www.TCD.com.
