

SMART CREDIT MANAGEMENT

Supporting sales growth and reducing risks with credit tools in the international trade

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Credit Management Magyarországon: Az optimális gyakorlat felé

Business / Finance Summit 2019
Sofitel Budapest Chain Bridge Hotel

P **ortfolio**

Agenda

1. **Enhancing** – sales growth **CASE STUDY**
2. **Optimising** – cash flow **CASE STUDY**
3. **Preventing** – bad debt losses **A POSSIBLE APPROACH**

Enhancing sales growth **CASE STUDY**



The Company is uniquely Positioned to Address the Challenges of Humankind

Food
Water
Infrastructure
Transportation
Life Sciences
Environment
Defense
Energy

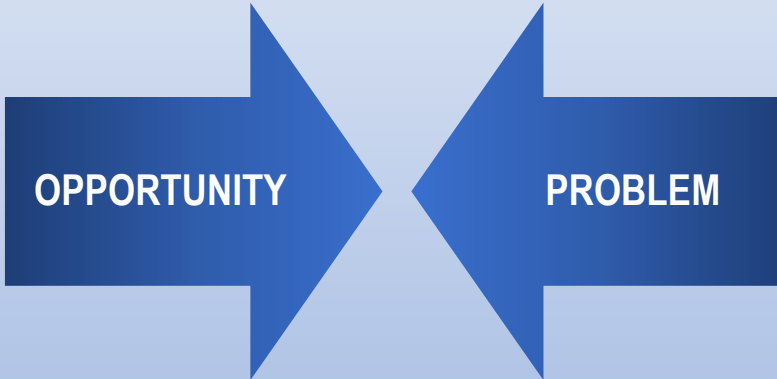


**Opportunity
Growing via
Distribution**

Enhancing sales growth **CASE STUDY**

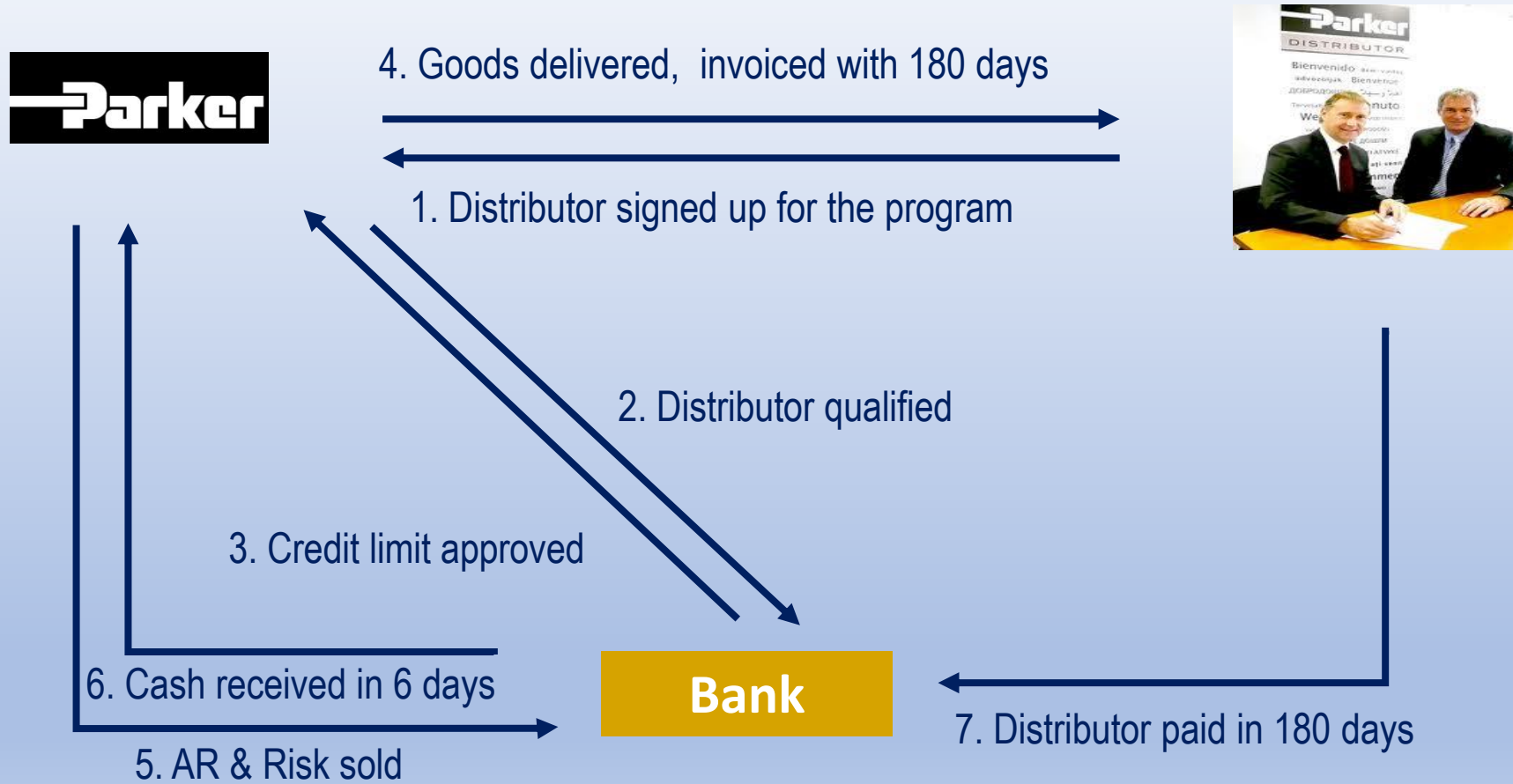


Growing via
Distribution







Lack of liquidity
in the channel

Enhancing sales growth **CASE STUDY**



Enhancing sales growth **CASE STUDY**

	FY16 \$	FY17 \$		
Sales to Customer	70.000	130.000	<u>+ 60.000</u>	 Higher Sales
Parker Terms	30 days	90 days	<u>+ 60 days</u>	 Longer Terms
Parker Credit Line	5.753,42	32.054,79	<u>+ 26.301,37</u>	 Additional Cash

Enhancing sales growth **CASE STUDY**

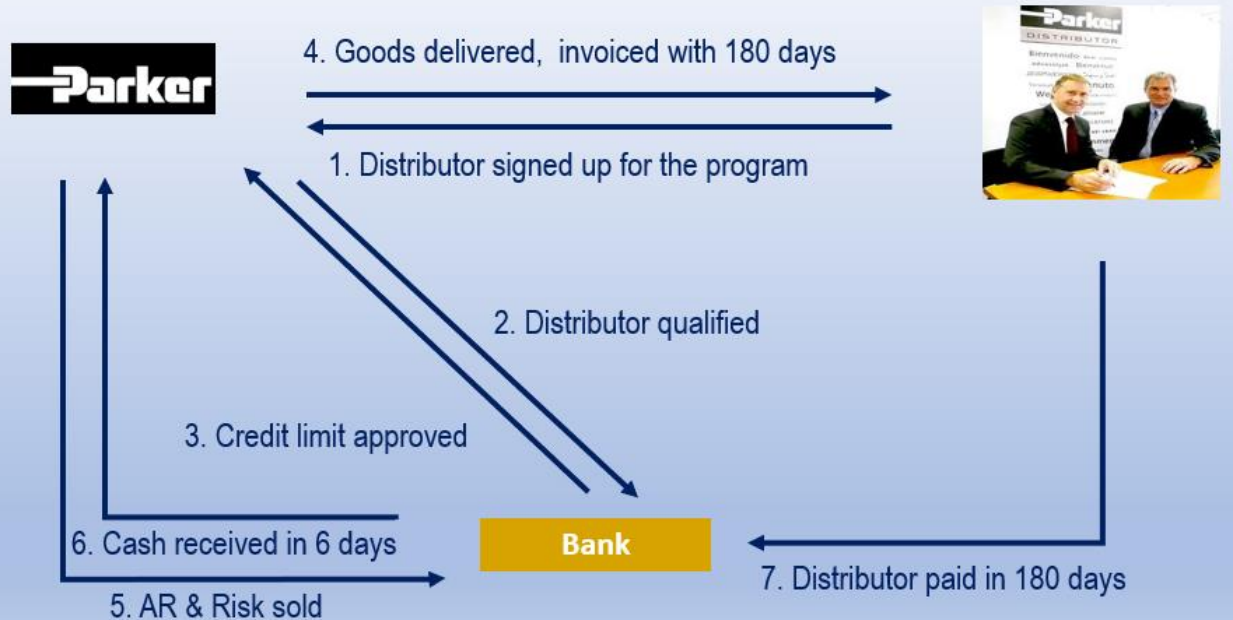
Distributors used **\$ 26.301,37** additional cash to grow their business:

INVESTED

- New product line
- Additional stock to serve your customers faster
- Promotion
- New store/van
- Sales engineers

Entered into projects that required longer financing

Enhancing sales growth **CASE STUDY**



SUPPLIER Benefits:

- Profitable sales growth 10%
- Risk sharing
- DSO reduction
- Lessened RONA assets
- Customer relationship

BANK Benefits:

- Additional sales
- Growing safely
- Stronger relationship
- New growing SMEs
- Low transactional risk

DISTRIBUTOR Benefits:

- Free cash to invest into new ideas
- Low finance cost
- Tenor 180 days
- Good credit limit

Enhancing sales growth **CASE STUDY**

TAKEAWAY

Credit Management can efficiently support sales growth by

- recognizing the needs of the market;
- understanding the characteristics of the customers;
- evaluating the customers' business plans;
- actively seeking a solution to finance growth.
- customer centricity and creativity helps.

Optimising Cash-flow **CASE STUDY**

Which companies would you like to have as customer?

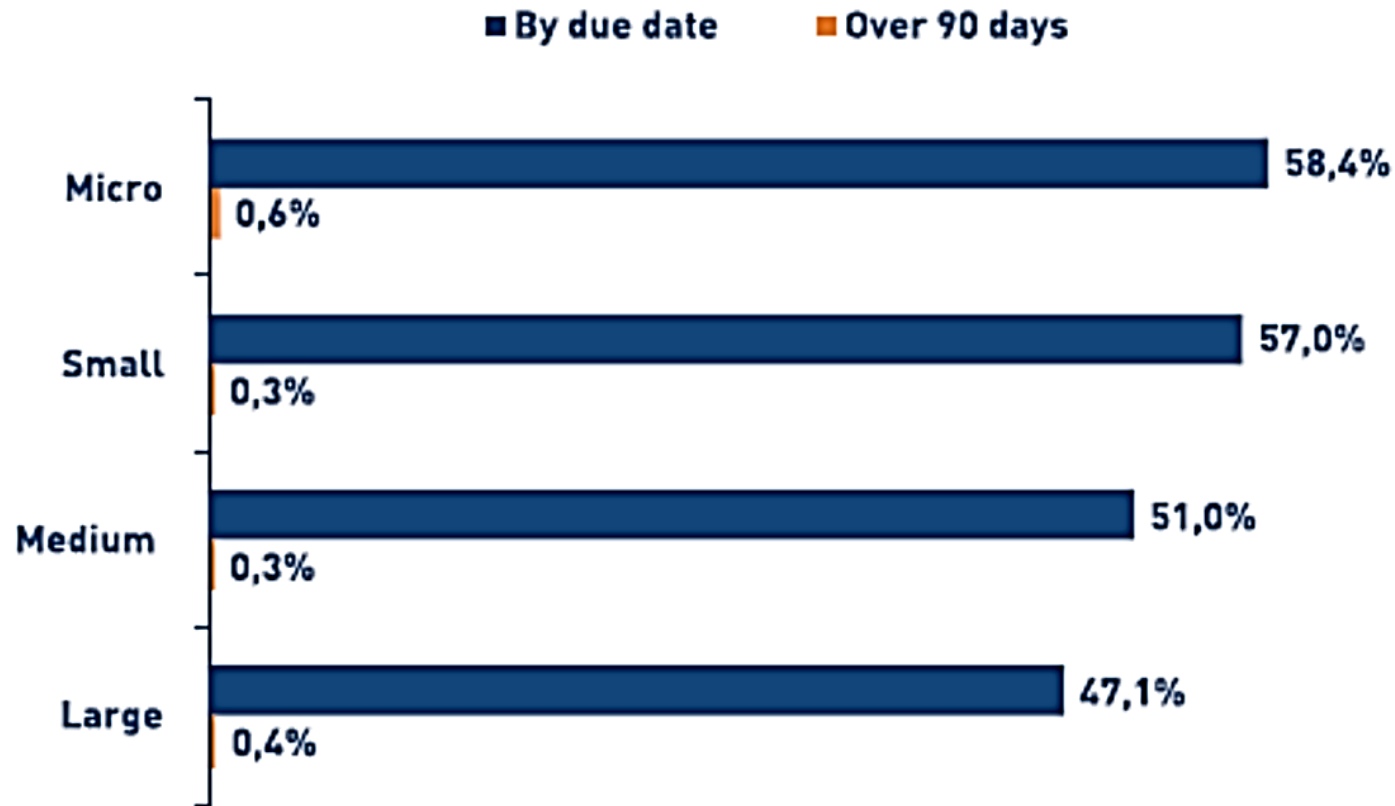
1. Micro and small
2. Medium size
3. Large Companies

Large Companies mean bigger deals.

What about the payments? 

Optimising Cash-flow CASE STUDY

GRAPH 36.2 SOURCE: BISNODE D&B HUNGARY
PAYMENT PRACTICES IN HUNGARY BY TYPE OF COMPANY, 2018



Optimising Cash-flow CASE STUDY

Willing	Great Customers	Company is late due to bad management
Unwilling	Late due to disputes. Late due deliberate supplier payment policy	Fraudsters
	Able	Unable

Optimising Cash-flow CASE STUDY



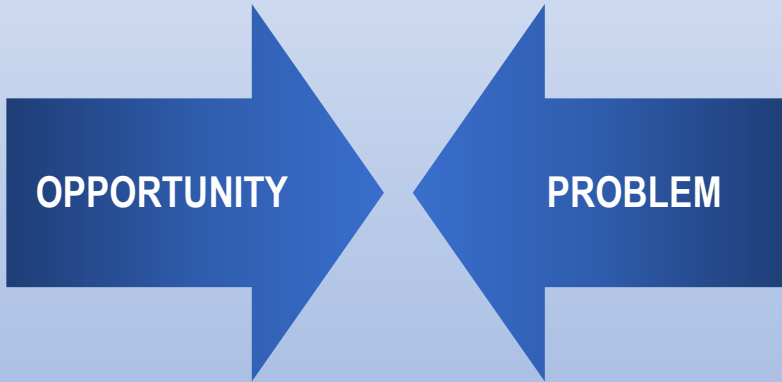
PURCHASE ORDER				
Buyer Name]	DATE	4/11/2018		
371	PO#	112456		
01 006 6006				
000-0000				
SHIP TO		SHIP TO		
SAC Company				
Contact: Jane Doe				
Great South Park Drive				
622 San Ramon Ave				
Anytown, CA 91111				
Phone: (909) 000-0000				
FORMER	SHIP VIA	F.O.B.	SHIPPING TERMS	
#	DESCRIPTION	QTY	UNIT PRICE	TOTAL
Product XYZ	10	100.00		10,000.00
Product ABC	1	75.00		75.00



INVOICE		
Invoice #	DATE	
2034	2/21/2018	
CUSTOMER ID	TERMS	
564	Net 30/acc	
QTY	UNIT PRICE	AMOUNT
1	200.00	200.00
5	70.00	375.00
	(100.00)	(100.00)



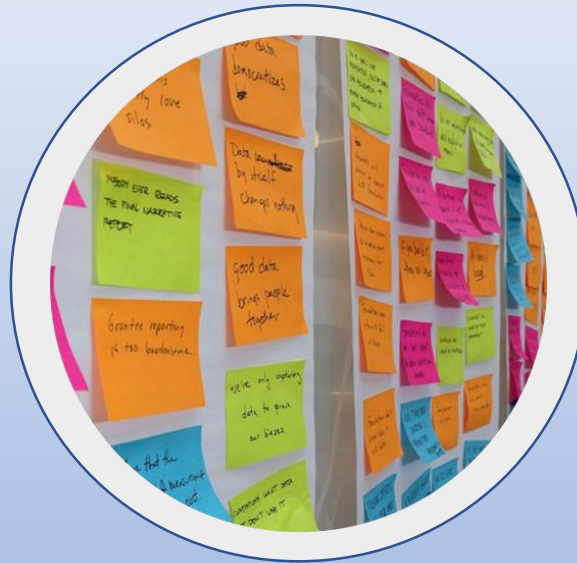
Large Contract



Disruptions in the OTC Process

Optimising Cash-flow CASE STUDY

The “Best Practice” Continuous Improvement : **KAIZEN**



Optimising Cash-flow CASE STUDY

Global Account

Manager: Their business model doesn't fit PH model; they want to buy from the manufacturing entities...

SC Inside Sales:

Workload is high due manual order entries

EDCN: They want one PO= one delivery note= one invoice? We need to reduce DSI

SC Lean: Same errors in 10 different sales companies?

Corporate IT: EDI implementation can take from 2 weeks to 12 months depending on the response time of partners

SC Claim: Prove of delivery is not available after 3 months

Corporate Credit: They are the largest overdue customer of EMEA

SC Finance: We cannot collect efficiently – our invoices are rejected

SC IT: we need full EDI, but divisions are slow with implementation

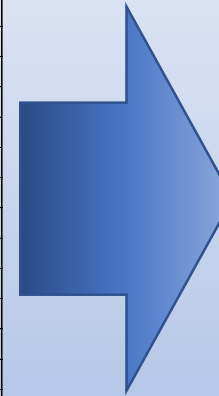
Optimising Cash-flow CASE STUDY

Reasons behind the delay?

- O2C:
- Order entry
- Production
- Order completion
- Shipping
- Invoicing
- Collection
- Cash application

- Customer's R2P

Problem statement	Process
Order was entered twice into the ERP system.	Order entry
Delivery address was incorrectly set up.	Order entry
Supply entity was incorrectly set up.	Order entry
Order lines were not entirely entered into the ERP system.	Order entry
Bad product quality.	Production
Products deviated from the specification.	Production
Product documentation was incomplete.	Production
Order was produced with 2 weeks delay.	Production
Product labels were incorrect.	Order completion
Customer received only half of the order.	Order completion
Delivered and invoiced quantity did not match.	Order completion
Packaging was damaged.	Order completion
The product was damaged during the delivery.	Shipping
Transportation took 2 weeks longer, than expected.	Shipping
Shipping documents did not contain the order reference.	Shipping
Products were stolen on the road.	Shipping
Invoice contained wrong price.	Invoicing
Customer requested "electronic" invoices but received paper ones.	Invoicing
Electronic invoices got lost.	Invoicing
Invoice was issued with wrong currency.	Invoicing
The customer postponed payments because of the year end.	Collection
Customer did not recognised invoices.	Collection
Payment terms were vaguely defined.	Collection
Payment milestones were not followed.	Collection
Cash was applied to wrong invoices.	Cash application
Cash was applied to a wrong customer number.	Cash application
Cash was booked to a dummy account.	Cash application
Customer's debit note was not matched with its short payment.	Cash application
Customer ignored the price update schedule.	Customer process
Justified upcharge was rejected.	Customer process
The customer did not book payable invoices.	Customer process
Customer did not match the Purchase Order with the delivery.	Customer process



Solution?



The Perfect Contract

Optimising Cash-flow CASE STUDY

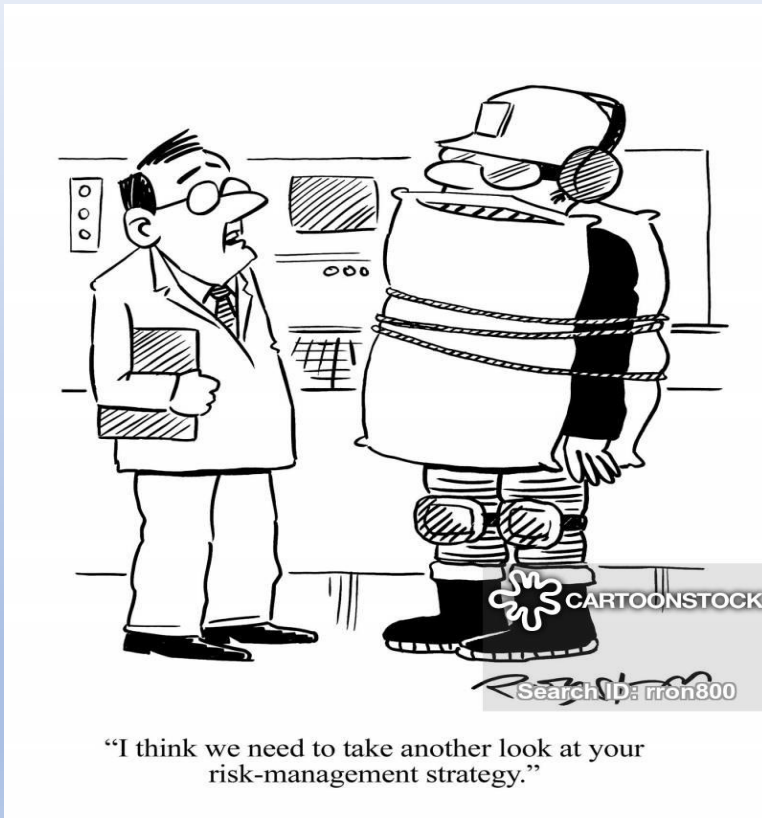
TAKEAWAYS

- Credit Management can efficiently optimise Cash flow by focusing on large customers.
- If problems relate to the O2C flow - Kaizen is a “best practice”.
- Continuous Improvement Process is key to deliver value to the large customers.
- Don't set back, if you are awarded a large contract, but prepare the Perfect Contract!

Preventing bad debt losses **A POSSIBLE APPROACH**

Can we sell without taking a Risk?

No!



But we can **mitigate risk**

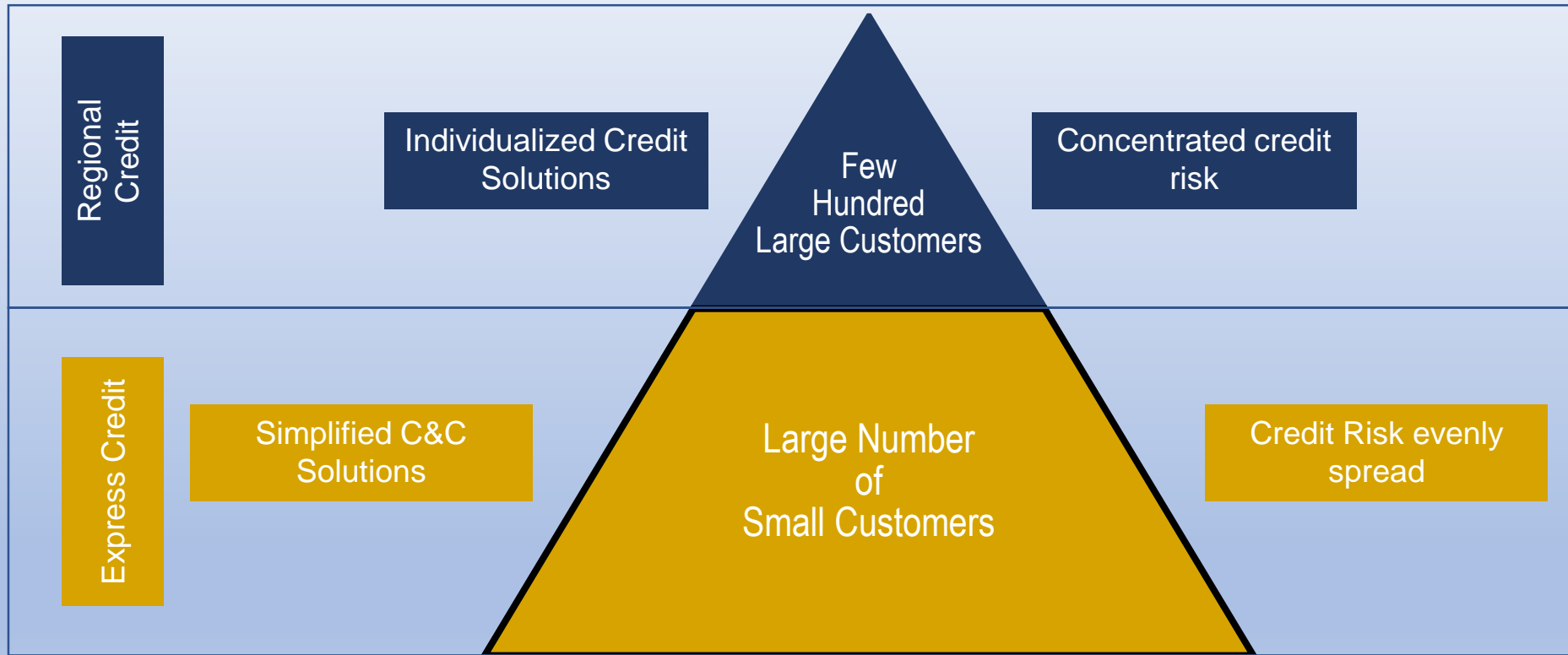
Using collaterals

Credit insurance

Portfolio approach

Preventing bad debt losses **A POSSIBLE APPROACH**

Example "Portfolio"



Customer portfolio in Europe


Preventing bad debt losses **A POSSIBLE APPROACH**

TAKEAWAYS

Credit management can prevent bad debt losses

- Using customer segmentation
- Algorithm for low value exposure
- Individual risk assessment for top exposure

Make sure to **have a Professional Credit** team

- Skills need to be continuously polished
- Technical knowledge to be adjusted to the target countries and industries 

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OPERATIONAL
EXCELLENCE

SALES & CUSTOMER
SERVICE

MANAGING DISPUTES

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FINDING YOUR
PURPOSE

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