THE CREDIT DEPARTMENT, INC.

The Credit Department, Inc (TCD) Client Engagement Example (2)

Client is a $100 million medical supply and service business with 15,000 customers. Company is in a highly competitive business with 35 locations throughout Canada, U.S. and Mexico. The business had a de-centralized collection function with no credit work performed on its customers. The company sought a solution to its receivables issues including high delinquency rates with 22 percent of its receivable balance greater than 60 days past due. In addition, there was great chaos in the de-centralized collection process and unnecessary bad debt expense including 6-figure losses on customers allowed to purchase for months without paying.

Solution: Client hired TCD to manage the portfolio and solve their receivables issues:

- Client began exporting their receivables data into TCD's SMART system for active, organized, systematic management of the receivables.
- TCD created one comprehensive process to manage all active 60,000 unpaid invoices with collection activity beginning from 1-15 days beyond terms.
- TCD obtained Executive and Sales agreement to hold orders on past due customers at an agreed-upon past due period.
- Larger delinquent customers were put on interest-bearing installment notes to pay off delinquencies in a reasonable amount of time.
- TCD created a formal process for security instruments on high risk customers to accommodate sales and mitigate risk.
- TCD instituted credit checks to instantly qualify/disqualify credit customers.

Results: TCD's ongoing management of the trade receivables process resulted in:

- Reduction of past dues. Over 60 day balance dropped from 22 percent of sales to less than 4 percent. Borrowing costs savings totaled in excess of $235,000 per year. Cash flow increased by $1.5 million per month.
- Ability for Client to begin acquiring companies due to the increased capital attained through dramatically improved receivables management.
- Hundreds of thousands of dollars in revenue each year due to instituting a consistent service charge policy.
- Regular cash flow from the $1.5 million in installment notes written; 85 percent of notes were paid without third party intervention/cost.