



THE CREDIT DEPARTMENT, INC.

The Credit Department, Inc (TCD) Client Engagement Examples

1. Client is a \$12 million manufacturer in the construction industry selling to contractors and wholesalers. Business has approximately 350 customers with outstanding balances. Company was a recent merger of two smaller companies. The business had no formal credit department, had experienced two larger bad debt write-offs and was suffering from high delinquency rates. Just over 45% of the portfolio was past due when the customer started seeking solutions to the problem with 15% of the past due greater than 60 days. Borrowing costs on the receivables were \$6700/month.

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

- TCD obtained agreement from the client's CFO, the President, and the VP of Sales to implement a credit policy and risk tolerance.
- Client began exporting their receivables data into TCD's SMART system for active, organized, systematic management of the receivables.
- Per the agreed-upon policy, all customers were now required to complete credit applications to obtain credit; TCD sent applications to existing customers to set appropriate credit lines. The client's risk tolerance was applied to TCD's custom credit scoring system to grant maximum credit.
- TCD contacted every past due customer, obtained a payment status on all past due items, explained terms of sale, and obtained payment commitments.
- TCD created a dispute resolution process to allow for quick resolution of open and future disputes and payment shortages.
- TCD created a formal process for security instruments on high risk customers to accommodate sales.

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

- Reduction of past dues. Over 60 day balance dropped to less than 2 percent of the total receivables; borrowing costs dropped to \$1793/month: a savings of \$58,884 in interest per year. Current percentage increased to 80 percent.
- Bad debt decreased from just over 1 percent of sales to .04 percent, a savings of \$120,000/year.
- Customer's sales have increased nearly 20% during the contract with TCD.