

# Streamline Operations by Outsourcing Credit and Collection Services

By David DiPiero

*With the continued expansion of the global economy, organizations worldwide are aggressively competing for opportunities in new and emerging markets. In order for companies to compete successfully, it is essential that they stay focused on their core business activities.*

Managing an organization's operations and implementing new processes during a period of rapid growth can cause significant strain on a company's existing resources. Back office functions such as credit assessments and receivable collections can become very time consuming and distracting. Unless the company's key players remain focused on their priority - growing their business - profitable opportunities may be missed.

For a company to succeed in a new or expanding market, the seamless implementation of credit management and collections processes is crucial. However, this task can be one of the most challenging to implement due to the specialized knowledge and experience required. Outsourcing these functions is an efficient and cost effective solution to safely expanding your business while successfully addressing these critical requirements.

## On the Front Side - Credit Assessments

The ability to evaluate your customers' credit worthiness is one of the most important determinants to the safe extension of credit. Too often sales-driven organizations find themselves in trouble when overextending credit and unsecured payment terms to uncertain customers. In the short run, while sales figures might rise, the long-term consequences may include an increasing number of bad debt write-offs and ultimately a negative bottom line.

When determining credit limits and terms of sale for new and existing clients, properly assessing credit is crucial. This process involves obtaining and evaluating credit reports, reviewing payment history, verifying trade references, analyzing a company's financials and performing due diligence.

Limited access to market information can pose a significant challenge to most companies attempting to evaluate the credit standing of new and existing customers. Therefore, companies would be better served by allowing an outsourced partner, whose core business is credit management, to conduct thorough and

accurate credit assessments. As a result, an organization can remain focused on growing its business and bringing in new sales, while having the protection provided by an outsourced partner simultaneously conducting credit analyses and assessments and providing guidance to the organization as new sales are generated.

A good outsourced partner will use its knowledge and expertise not only to provide critical back office functions, but also to assist an organization with the development and implementation of sound credit policies and procedures. The utilization of services provided by the outsourced provider as well as the processes developed with its assistance should provide a company with global capabilities and reach allowing an organization to safely expand sales world-wide.



An outsourced partner providing credit management services will address the crucial front-end processes necessary to make informed and objective decisions regarding to whom and for how much credit is to be extended. While efforts on the front end are intended to minimize losses before the sale is made, equal efforts must be implemented on the back end, or after the sale, to ensure payment is ultimately received and the sales cycle complete.

### **On the Back End - Collection Services**

Diligent and safe sales practices do not cease with front end credit processes. As much, and often more, rigid procedures must be implemented on the back end to ultimately realize the rewards of an organizations sales efforts - getting paid. Ensuring that payment is received in a timely manner requires a well organized and process driven collections department whose primary objective is to maintain communication with customers, monitor the status of open accounts, anticipate problem accounts, and work to efficiently resolve issues that may affect the timely receipt of payment.

Often times an organization's limited available resources preclude its ability to dedicate staff to performing effective and thorough collection processes. Although most companies are conscious of the need to contact customers who have not paid, this is typically triggered by declining profitability and an increase in the average number of days sales outstanding. The more delinquent accounts become, the less likely they are to be collected. When this occurs, an organization may experience a cash flow crisis, which may result in the inability to maintain sales growth and foster rapidly declining profitability.

Much like the efficiencies gained by partnering with an outsourced provider of credit management services, similar efficiencies can be realized through the outsourcing of the collection processes. In most instances, a provider of credit management services will

provide collection services as well, carefully coordinating front-end processes with back-end collection procedures. By utilizing a single outsourced partner for credit and collection services, the cost effectiveness of the outsourced services is further enhanced. Information obtained in the credit assessment can provide insight into expected customer payment trends and enable more customer-focused collection efforts, resulting in more timely collections, a decrease in uncollected accounts, and ultimately greater profitability.

Outsourcing key credit and collection services is a safe and cost-efficient way to manage your company's growth and expand into new and existing markets. Outsourcing can help streamline a company's operations on both the front end, before the sale is made, and on the back end, collecting on the sale. A good outsourced partner translates into your ability to take advantages of new opportunities as they materialize.

*David DiPiero is the CEO and President of FGI Finance, a global commercial finance firm providing foreign receivable financing solutions and other financial services to mid-sized exporters, international service providers, and manufacturers worldwide. Solutions and services include foreign receivable financing in over 15 currencies, asset based lending for greater availability, credit protection to minimize risk and foreign exchange services to expedite payments. For more information visit [www.fgifinance.com](http://www.fgifinance.com) ●*