Are Titles Important? Driving Sales in A/R Management
By Jason Bader, Principal

Over 90% of the sales transactions between companies involves some form of payment after the fact; yet very few companies have the ability to maximize the potential of credit as a selling tool. Unfortunately, the barrier to profit is trapped in our perception of credit management - *mitigation of risk*.

Over the last several years, I have become very in tune with how some of our current titles and perceptions can negatively impact profit performance. In earlier articles, I shared how changes in verbiage can change the way people view a facility or function in the organization. As mentioned before, I am not a fan of the word warehouse when it comes to the place we store all the cash in a distributorship. A warehouse describes a place where items are stored. We are not in the storage business. Unfortunately, some of us do a pretty good impression. We are really supposed to be in the turn and earn business. If we believe that all inventory is just cash in another form, these facilities should be referred to as vaults. Using this verbiage, the perception is changed.

When we look at the purchasing function, a change of verbiage can produce a new way of thinking. The terms buyer and purchasing agent convey a clerical position. I envision a generator of profit through the return of investment on inventory purchased. No longer do we have buyers of stuff, we now have inventory investors. Once again, the perception of primary function is changed.

I have become a recent convert of another title modification. This one comes from the world of accounts receivable management. I have been spending some time with a colleague of mine, accounts receivable management guru Abe WalkingBear Sanchez. He has been helping shape my view on the real goal of receivables management – the completion of the sale. Although our conversations bring up visions of Catholic school nuns with large rulers, the message is beginning to take hold. No longer should we be referring to this function as credit and collections. In order to drive our people to maximize the greatest source of working capital, we need to change their title to *Sales Completion Specialist*.

In some of the classes I teach, I walk the participants through the supply chain. I ask the audience to list off all the ways that distributors provide value to the chain. The extension of credit to our customers is one of these offerings we provide to the customer. In fact, it is my opinion that the liberal extension of credit to our customers is what lubricates the supply chain. If we maintained the same rules and tactics as those in the banking community, the whole chain would come to a grinding halt. Of all the items that we list as add value services, only one seems to have a negative connotation – credit. Why is that? I believe that the negative perception comes from accounting view of outstanding debt. The extension of business to business credit is the conduit to most profitable sale *yet to happen*.

When an invoice goes past due, all of a sudden it become this negative entity in our organization. Just yesterday it was an order from a valued customer – high praise and high fives all around. Yet today, that customer order just became an invoice from a debtor. Did you feel the air go out of our party balloon? As this order crossed from the optimistic world of sales to the risk mitigation world of accounting, it became an invoice. Unfortunately, this change in perception of that order follows through to the treatment of the recipient of the invoice. When a customer pays on time, they are the lifeblood of the company. One day late and that same customer becomes a debt to be collected.

What if our credit management professionals would start seeing the world through sales tinted glasses? What would their interactions look like? I suspect that they would find ways to keep the customer buying versus restrict the exposure to bad debt. Are all slow pay customers bad? Not a chance. They just have a payment process that is out of sync with our sales completion process.

I speak to a lot of manufacturer sales reps about how to call on their distribution clients. Without a doubt, the biggest barrier to success is communication breakdown. Rather than ask the customer about their preferences in communication, the frustrated rep tries to use the same approach with everyone. The successful sales representative demonstrates the ability to work in the style of the account they are calling on. Some folks love to talk about their bowling trophies, others want you to email them an agenda ahead of time. The successful adapts to the environment in order to trigger a purchase. Couldn't the same logic be applied to role of sales completion? The goal is to secure payment, yes; but isn't the bigger goal to keep the customer using that line of credit? By adapting to the payment process of the customer, and the preferred communication method for that matter, the sales completion specialist has the greatest opportunity to meet their objectives.

Allow me to go one step further in the transformation process. Successful sales people develop profiles on the accounts they call on. They capture information on decision makers, communication preferences and personal information right down to the sports their children participate in. Now some sales folks try to manage this data in between their ears, but the real professionals have help – *CRM*. Customer relationship management software just helps us maintain, and quickly retrieve, vast amount of information about the folks we conduct business with. Could this solution be adapted to the sales completion specialist? Using technology, such as CRM, the sales completion specialist could adapt the extension of credit to match the needs of the individual customer. The more we know about the customers we serve, the faster we get paid. By developing this relationship with our counterpart in the payables department, we move to the top of the list when checks are being cut. Believe it or not, people still favor those they know, like and trust. Isn't credit management starting to sound more and more like sales?

How can our sales completion specialists directly enhance sales? By considering credit approval based on the product value at the time of sale. Would you extend more liberal terms on obsolete inventory? I suspect that you might even turn a blind eye to checking credit scores. If a portion of the debt goes bad, what have we really lost? Even if the bad debt was 20%, wouldn't we be thrilled to convert 80 percent of it back to spendable cash? From a sales perspective, the cup is always half full.

I know this concept may seem like a paradigm shift from your current thoughts on credit management. Let it sink in a bit. Trust me, I was not an instant convert to this philosophy. Go back and look at how your company performs the accounts receivable function. Do your credit policies enhance the sales process? Can you honestly say that your extension of credit is a profit center in the company? Distributors are first and foremost in the selling business. By adding a little touch of selling magic to the way we manage our sales completion process, we might just have the opportunity to capture the most profitable sale – *yet to happen*. As always, I am here to help you make the transition.

About the Author:

Jason Bader is the managing partner of The Distribution Team, a firm that specializes in helping distributors become more profitable through strategic planning and operating efficiencies. The first 20 years of his career were spent working as a distribution executive. Today, he is a regular speaker at industry events and spends much of his time coaching individual distribution companies. For more information, call (503) 282-2333 or contact him by e-mail at Jason@Distributionteam.com. Also visit The Distribution Team's website at www.thedistributionteam.com.

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