OnGuard

the ultimate guide to credit management software

OnGuard
software for credit management

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More and more companies have adopted new technologies that enable them to achieve more without sacrificing the personal touch that ensures customer satisfaction. As a result, credit management software is swiftly becoming the norm in some organisations as they seek to automate basic processes, lighten the administrative burden on employees and continue offering the best possible service.

so what is credit management software, and how does it work?

This guide tells you everything you need to know about credit management software - what it does, how it works and how businesses can get maximum value from it. After reading this you will be ready and equipped to start improving your credit management function with the highest quality technology.

how to use this guide

This guide is a self-paced reference guide. It will allow you to learn about credit management software in your own time and can be used for reference when appropriate. With the right information at your fingertips, you will be able to make informed decisions about credit management software that will lead to the best outcomes for your organisation.

what you will learn

Reading this guide will leave you with a better understanding of credit management software and how it could benefit your organisation.
You will learn about what it is and why organisations are using it more often to improve efficiency and boost their performance. In addition, you'll find out what to look for in credit management software and some of the advanced features it can provide. What's more, you will even learn about putting together the business case and promoting credit management software internally.

contents

part one: definitions and ideas

This chapter looks at what credit management software does and who is using it.

what is credit management software?

Credit management software is a category of software that prioritises and streamlines credit management workflows, as well as storing key information and preparing or performing many of the day-to-day tasks carried out by the credit management team.

Credit management software can be integrated into the whole organisation, and (part of) its other software systems.

what is it for?

It's used to improve the efficiency of the credit management function, freeing up employees' time to focus on the high priority and more complex tasks. Organisations also adopt credit management software so they can offer customers a better experience, thus improving customer relationships and ensuring repeat business.

Not all software packages are created equal when it comes to these functions. Some will also integrate accounts receivables across the whole organisation so that every function can access payment data when they need to. Some software solutions offer role based functionality and subsequent possibilities to share information with specific roles within the organisation. That gives everyone in the organisation a fuller view of each customer's experience so far.

part one: definitions and ideas

what does it do?

Credit management software can cover a huge variety of credit management functions, including:

credit management software

- dunning
- reporting
- creating workflows and daily task lists
- customer segmentation
- scoring
- interest and cost calculations
- complaints management
- cash allocation

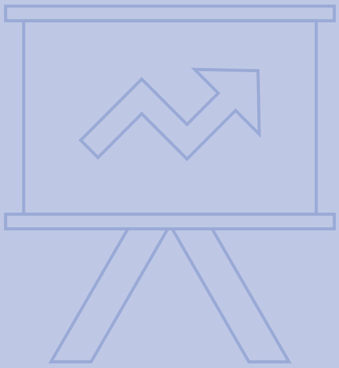
Whatever task it's performing at any stage of the payment cycle, the point of the software is to put the maximum amount of information at the fingertips of the credit management team. By automating many of these everyday functions, credit management software frees up the time of staff within the department so they can devote their time to priority issues.

who does it suit?

Large organisations can benefit from credit management software, but the same is also true for smaller businesses - especially if their workload is rising faster than the current credit management team can manage. For some companies, the cost of investing in the software could be a substantial saving compared to the price of expanding their headcounts.

Equally, business-to-business sectors may often make the greatest use of credit management software, largely because trade credit is so common in areas from manufacturing to professional services. However, even in consumer-facing environments the same software can be a valuable tool.

part two: rising demand



In this chapter, we'll look at how and why demand for credit management software is mounting and how it can benefit organisations.

drivers of demand

economic recovery. Existing businesses are benefiting from economic recovery in key global markets, while more and more new companies are springing up worldwide. An improving economic outlook means that businesses are growing again after the global financial crisis, and their operations and customer relationships are becoming more complex as a result. And in some cases, continued uncertainty has led to a focus on liquidity that has made credit more significant.

international trade. What's more, international trade is increasingly the norm for organisations. As working across borders becomes more common, further layers of complexity are being added to the mix. Differing regulations and business etiquette as well as simple barriers such as language and currency are increasing the time and operating costs associated with trade, as well as filling firms' order books.

greater levels of competition. Of course, growing and increasingly globalised markets are also promoting greater levels of competition between organisations. That does mean that they are seeking to keep costs down by becoming as efficient as possible, but it has placed an even greater emphasis on the quality of customer service. What's more, since some verticals are already operating on thin margins that are increasingly under pressure, every paid invoice counts.

focus on customer relationships. Customers are far more likely to proceed their relationships with organisations if service is satisfactory. Research from Accenture found that two out of three customers surveyed had switched providers in at least one of a selection of industries in the prior 12 months as a result of poor service[1].

financial motivation. Once a customer has been driven away by bad service, it's also very difficult to repair the damage without financial cost. It's more expensive to bring a new customer on board than it is to retain an existing one. In fact, a Forrester report showed that better customer experiences lead to much healthier revenues for the US companies surveyed. In one industry alone, wireless service providers, customer loyalty had an annual impact of $3.1 billion in terms of word of mouth, churn reduction and further purchases[2].

[1] Accenture, Maximising Customer Retention: A strategic approach to effective churn management, 2011.
[2] Forrester, The Business Impact of Customer Experience, 2013.

part two: rising demand

will it work with my Enterprise Resource Planning (ERP) system?

Ultimately, ERP and credit management software are different systems seeking to achieve very different goals. ERP tracks the movement and distribution of resources within a complete organisation. On the other hand, credit management software tracks invoices and customer behaviour to meet the needs of a specific function - although by integrating accounts receivables, it can also have wider benefits for the organisation as a whole. The important thing to remember is that ERP and credit management software aren't in competition- in fact, they can be used in harmony with each other.

3 benefits of credit management software

Credit management software offers businesses of every size and specialism a number of significant benefits. Based on our experience, we have identified these top benefits:

1) efficiency

Huge amounts of time and resources are easily wasted inputting data, reconciling invoices and a number of other everyday tasks. By automating these simple and straightforward processes, you can substantially improve the efficiency of your credit management function, freeing up their time to focus on business critical and priority tasks that have the highest return.

> 'Credit controllers can be assigned to a specific area of your business; you can put multiple contacts on there and run a complete automatic dunning process. So there is no envelop licking or time consuming tasks, overall it's very cost effective.'
>
> Tony McCormick, credit manager, ALcontrol

part two: rising demand

2) better cash flow management

The ultimate aim of credit management software is to help businesses get paid faster. By freeing up time to be spent communicating with customers as well as other tasks, and even giving the customer more control to manage their own payments, organisations can increase the chances that they will receive full payment by the due date. In turn, that will improve liquidity and empower firms to manage their cash flow better.

Atradius found in its latest Payment Practices Barometer for Western Europe that 37.6 per cent of the total value of B2B invoices in the region were eventually paid after the due date. A proportion of this was never claimed at all: businesses in the region eventually lost around 35 per cent of all receivables that are not paid within 90 days[3].

That is likely to lead to tough cash flow issues in at least some of the businesses surveyed. Any measures that a company can take to reduce the financial loss incurred through non-payment are surely worthwhile.

> 'The speed of payment is an indication of the relationship with the customer and the quality of service in my opinion. If the relationship and service are good, customers are satisfied and happy to pay for it more quickly.'
>
> Alfred Strop, manager, treasury, cash management and credit control Benelux & The Nordics, Atos

[3] Atradius, Payment Practices Barometer Western Europe, May 2014.

part two: rising demand

3) maximum insight

To ensure they are offering the best possible products and service, organisations need the fullest possible insight into the behaviour of their customers. For that purpose they need to be able to capture and then interpret large amounts of data. Credit management software allows for comprehensive data capture - combined with advanced analytics, this can offer the whole organisation valuable information to inform future practice.

Not only can this customer insight feed back into sales and marketing efforts (for both new and existing customers), but it will also shed light on the organisation's own operations. Analysis will highlight the areas where processes need to be improved to boost underlying performance. Of course, improved reporting will be another product of the software, opening up better ways to demonstrate value for stakeholders.

part three: where to start - a buyer's guide

This chapter will investigate the common features of credit management software and what to look for in a solution.

common features of credit management software

There are some basic functions that every credit management software package should be able to cover, which will free up time and enable credit managers to be more efficient and productive while reducing the organisation's operating costs.

a) credit

- Segmentation according to set criteria and key triggers.
- Scoring on customer behaviour and attributes.
- Basic credit reporting functions.

b) collections

- Sending out reminders by email or post (dunning).
- Immediate knowledge of late or non-payment to send further reminders.
- Creation of day-to-day to-do lists from current workflow.

c) complaints

- Registration according to your own explanations, codes and possible actions.
- Delegation of relevant tasks and investigations to other teams.
- Monitor progress of complaints and inform of resolution.

additional features

There's a long list of the basic functions that any software package does, but there are some very significant advantages to these extra functions that can make a big difference to the performance of the credit management function and wider organisation.

part three: where to start - a buyer's guide

additional features

Cash allocation	linking bank statements to invoices to keep track of which payments have been successfully received.
Integration with third parties	working in harmony with other systems such as order management or ERP software to provide maximum value for the whole business.
Building customer profiles	profiling customers will help to inform dunning policies for different segments of the customer base.
Advanced analytics and reporting capacity	higher-level analytics and reporting will improve organisations' visibility over their operations as well as their customers.
Customer portal	offering customers their own point of access to your credit management software allows for a number of self-service functions which reduce the administrative load on organisations while empowering cuss with a sense of ownership over their own information and funds.

tailor to your needs

Every organisation is unique, and even their most basic needs may well differ significantly. The real best-in-class credit management software options can be tailored to your individual needs, making it easier for employees to use the system to its full potential and begin to see the benefits much more quickly.

part four: make the most from credit management software

This chapter will look at how organisations can make the most of credit management software to add value.

integrating with third-party systems

Credit management should not exist in a vacuum. It should work alongside other functions within the organisation to ensure that customers get the best possible experience - after all, a customer can deal with sales and marketing, customer services and complaints as well as the credit management team. So it makes sense that the software used in different areas of the business should co-operate as well.

By integrating credit management software with other systems, organisations can eliminate the need for data duplication between systems, or the hassle of importing and exporting data. Of course, the fact that information can be shared automatically also means that everyone has access to the most recent data, keeping the whole organisation up to date and fully aware of each customer’s needs. Because they all have that complete view of the customer experience, they can use it to make sure that every communication between customer and company is positive.

closer to the customer

The greater the customer’s involvement with the credit management side of the relationship, the better. Every customer should have the freedom to view the information you store regarding them and update or correct it where necessary. Registering their own invoices will also contribute a feeling of control for your customers. The chances are that will also help to reduce the number of disputes you deal with, since the customer has the opportunity to follow the credit management process at every stage.

Giving them a level of ownership over their own information transforms them from a customer into a partner and totally changes the dynamic of every interaction. It could well be a significant factor in boosting your customer satisfaction ratings and encouraging repeat business.

part four: getting the best from credit management software

use across the organisation

Don’t just stop at linking credit management software to the systems used elsewhere. Integrating accounts receivables across the whole organisation gives every function access to relevant, current customer information as and when they need it. In turn, that helps to develop a customer-focused culture in anyone can gain a 360-degree view of each customer.

For example, sales teams should know about customer behaviour to ensure they are targeting the right prospects, as well as taking the right steps to reach them effectively. By the same token, collections teams need to know about ongoing complaints, as this affects whether they should contact customers about non-payment. Wherever the information comes from, putting it all in one place allows for greater empathy from employees - which will prompt better service. That brings in repeat business.

part five: building a business case

In this chapter, you will learn about putting together a business case for credit management software.

what's a business case?

Suppose you have a task or a project that you're passionate about and you want to see realised in your organisation. In practice, however good the idea may be, you will need to persuade decision makers and stakeholders that it will be worth their while. To do that, you need to put together a business case – a proposition to undertake a new project that explains what will be needed to make it happen as well as the benefits you intend it to have. The best business cases demonstrate to all parties that whatever the initial investment, the end results will lead to strong returns.

what needs to be included?

Each business case is different, depending on the nature of the project and the organisation. Yet every effective example will include the same basic features – cost projections, the benefits of the project, and return on investment (ROI).

projected costs and initial investment

You'll have already conducted thorough research into the credit management software options that are open to your organisation, so you should already have an idea of the associated costs. In your business case, you'll need to pin them down and give a detailed summary of the initial investment required.

Take into account the number of users your organisation will need to provide with the software, as well as the range of functions they will require and the service levels that you'll need. All of these can have an impact on the cost, and it's important to have a clear – probably after speaking to a provider – understanding of the expense to pass on to decision makers.

part five: building a business case

3 key benefits of the project

Generally speaking, there are three major returns of credit management software that you will need to highlight in the business case.

1. Saving time and money Decision makers, and especially CFOs, are far more likely to sign off on a project quickly if they believe it will save time and money. There are three key ways in which credit management software achieves this.	Fewer human resources: automating supporting processes will lead to increase efficiency, allowing the credit management team to spend more time on priority tasks such as talking to customers by phone.
	DIY approach: the data capture and advance functions that come with quality credit management software means that creating strategies and other important processes can be done by the team. That eliminates the cost and time restrictions that come with outsourcing tasks, as well as making the organisation more agile so it can better respond to changing circumstances.
	Process approach: instead of working towards a specified goal, the software sets out a process for collectors to follow. This simpler approach frees up time for them to spend on the phone to customers chasing payment.

part five: building a business case

3 key benefits of the project

2. Get paid faster Crucially for businesses, credit management software can help them get paid faster, improving their liquidity and leaving them better positioned for future growth.	Faster execution: because credit management software reduces the administrative burden on credit managers and collectors, they have more time to get started on contacting customers sooner. By allowing them to be more productive, organisations can significantly increase customer contact which leads to quicker payment.
	Delegation: since it acts as a central repository for the credit management team, the software stores all the information regarding every customer and shows all tasks for each member of the team. Users receive notifications when the next action, which is already set in the system, needs to be carried out. Task tooling and integration makes delegating disputes and queries simpler. All of this allows the credit management and collections teams to focus on what really matters and makes them more productive in contacting customers.
	Tailored approach: no two customers are the same. They need to be taken on their own terms and treated individually. Credit management software allows you to tailor your strategy towards the customer's characteristics such as location, invoice type, or the size or type of their business. That improves customer relationships by making them feel valued and appreciated – and content customers pay faster.

part five: building a business case

3 key benefits of the project

3. Measurement and optimisation

The right software can help organisations gain valuable insight into their own operations, empowering them to optimise credit management performance.

Analysis: credit management software should offer dashboards and advanced reporting capabilities, providing you with real-time insight into how their accounts receivables are performing. Enabling you to zoom into customer groups, segments and even individual customers and collectors means you can see where improvements should be made and act on them.

Quick and effective reporting: you can pull reports easily and even have them sent to your inbox, eliminating the time you might otherwise have spent finding data yourself and putting it into a spreadsheet. Credit management software allows you to report accurately and in detail to relevant stakeholders and improve the position of the team within your organisation.

Involve financial controllers: controllers that use a linking pin function can receive accurate information in near real time, so they can integrate your data into their total reports easily.

part five: building a business case

ROI

For any organisation, it is important to understand how any new project will add value to the business. Ultimately, a good business case demonstrates how a project will lead to good ROI.

does it meet business objectives?

Organisations should always have a very clear idea of where they are headed, as set out in their top line objectives. Every business is driven by these goals, which will often include points such as customer satisfaction, profit or cost savings. Connecting credit management software to these objectives will help to emphasise the benefits it will have for the organisation.

time to value

One of the most important elements of a business case is your calculation of the time to value – the lag between starting a project and when it will start to deliver value. Senior managers and executives don't want to wait too long, so check with your vendor how long it will take to get the software up and running.

time to payback

Every business needs to make a profit. So of course, decision makers will want to know how long it will take for the benefits of the project to outweigh the costs. If you're running your calculations effectively and you understand the financial savings credit management software will generate, you will be able to give a fairly accurate idea of when the software will have paid for itself.

part six: promoting change

This chapter will discuss how you can promote credit management software internally to ensure implementation goes smoothly.

understanding your audience

Effective business cases appeal to the needs and priorities of stakeholders. Although you may be expecting to persuade executives to make the investment, promoting and advocating change is important at every level, both in your organisation and even among customers. To convince stakeholders of the value of credit management software, you will need to use different tactics to promote change.

Each of the groups to whom you will have to promote credit management software has different needs, and it is important that you highlight how it will benefit their day to day work and emphasise the right issues.

part six: promoting change

understanding your audience

Group	Concerns	Emphasise
Team members	- getting things done in time - understanding what actions they should carry out next - recording feedback - keeping tabs on agreements made - eliminating unnecessary tasks	- user-friendly setup - empowering them with better knowledge - faster insight to keep track of payments - making their jobs easier
Financial managers/ directors	- shortening order to cash cycle - accessing up-to-date information - top line issues: marging, revenue, shareholder value - boosting efficiency	- fast ROI - uniformity and harmonisation of processes - insight and data capture
IT managers and CIOs	- proper used of people, hardware, time and other resources - integration with other software - minimise exotics within environment	- off-the-shelf solution - easy integration - quick implementation - small footprint

part six: promoting change

conducting the conversation

You could find yourself promoting this change in a wide range of situations, from formal business meetings to off-record discussions with colleagues. The way you handle them will make a big difference to how people view the implementation of credit management software.

discuss, don't present

It's easy to see every conversation as a chance to request a colleague's approval. But the truth is more subtle. Whether it's a meeting about your business case or an informal meeting with close colleagues, don't treat it as a presentation or a sales pitch. Consider it a discussion and work alongside the rest of your organisation to achieve buy-in from all parties.

know your numbers

Executives in particular will always be keen to see the facts and figures that prove your business case is solid. So it's crucial to run the numbers and have detailed figures to hand as well as included in the business case. Day sales outstanding, the time and money that will be saved and the impact on liquidity are among the areas where detail is key.

making the best choice

Every organisation has a host of options at the fingertips to make credit management simpler and more efficient, both for themselves and their customers. It also adds value to your operations and boosts the customer experience, improving relationships between you and then.

OnGuard provides an integrated approach including advanced and comprehensive features, leaving every organisation in a strong position by capturing complete data that can then be accessed and analysed by different functions. It also offers self-service features that keep customers engaged.

Whatever you choose, the important thing is to find the multi-functional solution that suits the needs of different functions within your organisation, maximising efficiency while optimising the customer experience. Then you can really get the best out of credit management software.

OnGuard

about OnGuard

Can you imagine a working environment in which you always refer to your debtors as customers? Would it help you stay ahead if you could realise more transparency and interaction around your accounts receivables and achieve faster payment of your invoices? At OnGuard we believe that nurturing strong customer relationships is the key to optimising your credit management. We offer sophisticated software in which cash allocation and credit management can be integrated into one single solution that focusses on customer relationships as well as financial transactions.
Our clients report significant DSO reductions within one year by applying our philosophy of customer intimate credit management. In a business environment where unpredictable payments put the customer-supplier relationship at risk, we at OnGuard support doing business based on shared trust and moral commitment. This is what drives us to go the extra mile for you.

contact or more information

Are you ready to build and nurture positive, long term customer relationships and benefit from transparent and interactive credit management? We would like to get to know you better.
Interested in knowing more? Visit onguard.com or contact us via +31(0)294 256 666 or info@onguard.com

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