A sale isn’t complete when the customer says “yes” to an offer, but rather when both agree on the pricing and terms of the product or service.

During a sale, the ability to extend the right amount of credit at the right time can make all the difference in the world. Similarly, knowing when to restrict credit monitoring can prevent unnecessary expenses in collections and write-offs. That’s why credit risk management should be seen as one of the unheralded drivers of B2B success and as a fundamental aspect of revenue enhancement and cost containment.

Excellence at credit risk management can convey benefits throughout an organization, including:

- **Sales**: Enhanced revenue growth and cross-sell opportunities from faster decisionmaking and higher customer satisfaction;
- **Operations**: Lower costs for collections, with minimized returns and restocking charges;
- **Marketing**: Improved campaign ROI from more precise targeting of credit-qualified prospects; and
- **Finance**: Reduced financial risk, shorter collection cycles, improved cash flow metrics, and better forecasting of available cash.

Fortunately, it’s entirely within the capability of a business to improve its B2B credit risk management practices.

To achieve effective B2B credit risk management, businesses typically need to improve in five areas: organizational structure, workflow/process, response time, decision analytics, and technology architecture.

These barriers to effectiveness — and the recommended methods for transcending these barriers — are described on the following pages.
Barrier #1: Organizational Structure

A common barrier to B2B credit risk management is when the credit and collections departments are separated from other functions in the business, such as sales, fulfillment, and customer service. In such organizational structures, credit decisions can be an afterthought, incentives operate without regard to credit risk, and opportunities are left on the table.

Connecting credit and collections to sales, marketing, and customer service functions can be easily accomplished and provide an abundance of benefits. By enabling real-time collaboration, employees across departments can gain improved visibility into the customer relationship across all interactions. Marketing can refine their targets, salespeople and customer service agents can provide the appropriate level of responsiveness, and collections agents can better understand the history of the customer relationship.

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Barrier #2: Workflow and Process

Companies often use inefficient and outdated methods for assessing the risk of extending credit to a customer. This might involve web searches, telephone calls to references, and even faxes from a variety of disparate sources. Such ad-hoc processes can be very time consuming, prone to error, and subject to wide variations in how credit policy is applied.

By automating risk assessment, companies help reduce the risk of error, standardize a set of consistent practices, and enable tremendous improvements in the flow of information. Behind the scenes, the finance department can receive email alerts based on material changes in customer risk, along with improved reports that show credit trends and combined credit risk across an entire organization.

By automating risk assessment, companies help reduce the risk of error and enable tremendous improvements in the flow of information.
Automation of credit risk management enables the use of high-accuracy decision frameworks that can be scaled and customized as needed. Automation of credit decision frameworks and analytics also enables real-time monitoring for fraud and complete auditing for compliance purposes.

Barrier #3: Response Time

Companies using outdated or manual approaches may eventually arrive at the correct credit decision, but it’s often too late to make the optimum use of that information. For example, not leveraging cross-sell opportunities at time of sale because the final credit decision is rendered later in the process. Similarly, a credit decline that happens after the fact can make it difficult for the salesperson to guide customers to a more appropriate offer.

The speed advantages of automation include online credit applications with e-signature capabilities, standardized credit scoring rules, and real-time decisions. By reducing the time between credit request and decision, a business and its customers can both benefit.

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Barrier #4: Decision Analytics

For any given B2B company, the complexity of the credit decision depends on the management quality of the business, the nature of the customer relationship, the financial exposure associated with the request, and the current state of the market. Without the proper decision analytics, credit decisions can be bad for business. For example, high-volume businesses may be tempted to take risky shortcuts to enable transactions to close, while companies selling high-ticket services may rely too heavily upon manual, ad-hoc processes prone to error.

Automation of credit risk management enables the use of consistent decision frameworks that can be scaled and customized as needed, either in terms of loan volume or in deal complexity. Most relevant internal or external data sources can be brought into the decision-making process, with decision frameworks that encompass your parameters to generate credit decisions that are consistent across all channels.

For a high-volume, low-ticket business, simple decision rules using just a handful of variables may suffice. On the other end of the scale are the provisions of a complex service involving multiple geographies and business units. In more advanced scenarios, companies may wish to deploy a comprehensive decision framework based on dozens of scorecards measuring various aspects of a potential customer’s business.
Barrier #5: Technology

Not long ago, credit risk management was an excel spreadsheet in the CFO’s office. Fortunately, the B2B marketplace has come a long way since then. Nevertheless, the technologies that replaced spreadsheets have begun to show their age, and many B2B companies struggle with technology solutions for credit risk management. These legacy solutions tend to have outdated approaches to data management with manual processes for updating data; they often lack access to visual tools for exploring, analyzing, and interpreting data; they usually involve high IT support costs due to the need to install periodic patches and updates; and they’re hobbled by inflexible deployment options.

The modern alternative is to extend the use of credit risk management across the enterprise through a cloud-based technology platform. Cloud-based solutions offer the benefits of reliability, availability, and scalability, backed by ISO certification and high levels of security.

From a cost perspective, the cloud option typically allows IT departments to reduce capital expenses associated with IT and data infrastructure, while reducing integration costs and eliminating upgrade costs. Furthermore, cloud-based solutions are architected with multiple endpoints in mind, including office PCs, laptops, tablets, and mobile devices, extending the benefits of mobility to anyone in an organization calling upon the credit risk management function.

Modern technology can give B2B organizations intelligent decision frameworks to manage credit risk through every step of the quote-to-cash process.

Technology Offers a Solution

Although these five barriers may seem formidable, modern technology can give B2B organizations an efficient workflow, fast response time, and intelligent decision frameworks to manage credit risk through every step of the quote-to-cash process. The right technology solution should offer:

- A seamless, comprehensive view of the customer;
- Robust functionality for CRM, credit, and collections;
- Real-time access to prospect and customer information from a shared, integrated platform; and
- A proven ability to reduce an organization’s financial risk, boost operating efficiencies, and deliver improved customer service and support.