A GUIDE TO

Making the Unfundable Fundable

An introductory guide to Credebt's help in turning No's into Yes's for Invoice Finance Providers.

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A Publication of

CREDEBT
THE **DEBTOR BOOK** PROFESSIONALS

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INTRODUCTION

Funding challenges for Invoice Finance Providers

As an Invoice Finance Provider, you work hard to generate business and can be left **frustrated** when a business you are working with cannot get the facility they want and need.

Credebt can **improve the ledger profile** and associated systems, people and processes and send it back to you as a **fundable**.

In this guide, we will provide you with details of how we do this for the potential Clients of our valued Invoice Finance Partners.

Credebt are the **Receivables and Risk Management Specialists** and have more than 30 years of experience in all industries.

We know what makes a ledger fundable, and work quickly to **achieve the result you want** and that the Customer Needs.

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CHAPTER ONE

LEDGERS YOU MAY STRUGGLE TO FUND

Ledgers you may struggle to fund

CHAPTER ONE

Not all ledgers are created equal; some are easy to fund, and you will go through the application in no time, others, as you will know, require a bit more attention and can be difficult or even seemingly impossible to fund.

Listed below are the **red flags** in ledgers to look out for, that would make it a struggle to fund them:

1. Too much overdue debt

This is defined by ledgers with more than 10% outstanding over 120 days, that would go into recourse.

2. High DSO

If the Days Sales Outstanding is more than **30 days longer** than the average payment terms, or is **over 75 days**.

3. Poor Order to Cash processes and no paper trail.

If the business has a lack of supporting documentation to justify the debt and has poor processes/sign off in place.

Ledgers you may struggle to fund

CHAPTER ONE

4. Poor or absent Credit Control and Collections

When the business has no formal Collection Process or is not even chasing at all.

5. Large number of queries being generated

When the Order to Cash process has bottlenecks which result in lots of queries and therefore credit notes required.

6. Lack of Staff/Resources or poor Resources

When the Business has too few staff, or poorly trained staff who are not performing to the required standard.

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LEDGER CHALLENGES THAT CAN BE FIXED

Ledger challenges that can be fixed

CHAPTER TWO

Everything we mentioned in chapter one can be fixed within 3 months, including:

1. Getting the **old debt** (potential recourse amount) to under 10%.

2. Reducing the overall **aging profile** of the ledger so that at least 80% of the ledger value is less than 30 days past due.

3. Getting the **Days Sales Outstanding** to within the parameters you find acceptable.

4. **Staff recruited or trained** effectively to maximise the collections performance.

5. **Order to Cash process** reviewed and updated to remove bottlenecks and reduce queries.

6. Creating a robust **Credit Policy** and implementing a Collections process that is built to succeed.

7. Anything else you have identified as a red flag.

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CHAPTER THREE

HOW WE WORK

1. Getting the old debt under 10%

Intensive Care Collections start immediately on the overdue balances.

What we do:

- **Formal Collections process** for all overdue debts.

- Deal with all **queries** via Credit notes or reject them with reasoning.

- Get **bad debts** written off.

- **Review** regularly with the business.

- Liaise with all the relevant departments to get **buy-in** for the process.

- Use Proper "Cause and effect" **chasing**.

- **White label** or acting as their agency available dependent on preference.

2. Reducing the aging profile

Using our extensive Collections experience we **improve the aging profile** of the ledger quickly and without upsetting the Customers.

What we do:

- Get **chasing** started early and often before due.

- Flush out **queries** and get them resolved.

- Raise all **credits** promptly and ensure chasing is relentless.

- Implement permanent **process changes** that benefit collections.

- Make sure **allocations** are dealt with accurately and promptly.

- **Negotiate** with Customers.

3. Get DSO within acceptable range

To get the DSO within an acceptable range of parameters, we analyse the average payment terms being offered and then target a DSO of **no more than 30 days higher** than this figure.

At the same time, we will discuss with the Funder what level they want this to be at for a deal to be agreed.

What we do:

- Look at **extended terms** and the justification for these.

- **Renegotiate** Terms where required.

- **Implement** everything from Sections 1 and 2 above to ensure the target is met quickly.

> " *The DSO is an easily identified metric to work on.* "

4. Train & recruit staff

Reviewing the existing team and structure will provide an indication as to whether the business can **maintain the required performance** to keep the ledger profile within the right parameters after is has been repaired.

This can range from businesses with no defined collections or credit staff, to those with a big team of poor performers.

What we do:

- **Meet** all the relevant staff, **set targets** and **monitor** against those targets.

- **Review** who is worth retaining and if further resources are required.

- Assist with **recruitment** of the right kind of staff for any skills gaps identified.

5. Update Order to Cash process

Reviewing and updating the Order to Cash process is necessary when the process followed is **not working** for several reasons.

This can mean generating too many queries, delays to payment due to lack of supporting paperwork, delays to invoicing, early invoicing and incorrect invoicing of any kind.

What we do:

- Track through the **entire process**, step by step, to look for any **bottlenecks**.

- **Implement improvements** and get buy-in to any changes required from the whole business.

- Review the **systems and software** used.

- Ensure 100% of the **invoices** raised are accurate, timely and payable.

6. Create Credit Policy & Processes

All businesses need a **Credit Policy** and a formal **Collections Process**, and it does not have to be complicated.

The **Credit Policy** will include a Credit Application Process, Credit Note sign off levels, Query Management reporting and how to treat overdue Customers.

The **Collections Process** must include letters, emails and phone calls all used in tandem, with consistent timings set for each stage.

What we do:

- **Review** what the business currently has in place.

- **Add** what it needs to do going forward.

- **Document** everything and get business buy-in for implementation.

7. Anything else identified

Whilst working with a business, we are often asked to look at other areas that my require improvement.

This is usually once we have **gained their trust** and shown them what we can do

What we do:

- Anything requested that we feel we have **expertise** in.

- Every Customer is different, but this can include:

- **Debt Recovery** services for certain Debtors,

- **Systems** change and implementation such as Accounting Software and Stock systems.

> " *Any business can be improved with good systems and robust processes in place.* "

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CHAPTER FOUR

END OUTCOME

End Outcome

CHAPTER FOUR

For every Customer we have worked for, provided we have been introduced to them in time, the outcome is the same:

- The Funder who introduced us gets to **onboard them as a client**, usually within 3 months of our instruction.

- As we have engaged and been paid directly by the Customer, it has **cost the Funder nothing** in most circumstances.

What we do:

- Only disengage when **all parties** have agreed.

- **Keep in touch** to make sure everything goes smoothly.

- Be ready to **help again** if required.

- Have an in-depth **knowledge** of the business should the Funder require any ongoing support with their client.

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CHAPTER FIVE

MAKING THEM FUNDABLE

Making them Fundable

After **following all of the steps** included in this guide, the majority of businesses that we work with are then fundable.

There are a few **exceptions** to this which are worth noting:

- Credebt were **engaged too late**, and the business is very close to insolvency, although dependent on the Insolvency Process followed and Funder appetite to support, this can still result in a deal.

- The business is **unwilling to change** and evolve as required.

- The business is **unwilling to pay** for our services to improve things.

Our job is to meet with the business, **gain their trust**, prove ourselves quickly and **make them fundable** in a maximum of 3 months.

Making them Fundable

For the level of service we provide, our most common instructions are for ledgers with a value of **£1 million plus**, as it is not always commercially viable for businesses with smaller ledgers to engage with us.

Our aim is to **make ourselves redundant** as quickly as possible whilst ensuring they are left with the **tools** and the **Funder** to succeed.

CONCLUSION

How Credebt can help

Credebt have many years' experience in dealing with cases in all industries, and we suggest you contact us immediately to get us to do a **Free Debtor Collateral Review**.

We will then outline to the business our **suggestions** and their **options**, after which we will agree a costs, which is always a percentage of recoveries. This rate **includes everything** else stated in this guide if required.

Our ultimate aim is for you, the Funder, to be able to **fund the business** and have the **confidence** that they have the controls in place to remain a valuable client for many years.

We can also provide **training** to your staff as to when to contact us.

Furthermore, we can help you with **what to look out for** when meeting a prospect and **when to get us involved.**

ARRANGE A FREE

Debtor Collateral Review

To get our help, contact us for a free,
no obligation, **Debtor Collateral Review**.

Call us on 0845-6385256

Email: glen@credebt.co.uk

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