

# Debt management when the going gets tough

Managing debt effectively is particularly important in a recession. An IT system offering debt management capabilities can safeguard the company's future, advises **Sonu Kundi**, commercial director of Cromwell Business Systems.

**W**e all know that 2011 is going to be a tough year overall for retail, the digital switchover and new technology releases notwithstanding. Apologies about the gloomy news, but low consumer confidence, rising prices, inflation and unemployment, increased interest rates, negative real earnings growth and elevated debt levels will all influence discretionary spending of a large number of consumers.

In your own businesses, rising rates, rents and utility bills will make it even more essential to control operational costs. Improving efficiency and decreasing your inventories is vital, and your PoS system will be invaluable there – but how many of you are managing customer debts as effectively as you might be?

Whether you have large numbers of customers on credit or with rental agreements, or operate largely in the subprime market, it is vital to check customers' debt history and credit records and manage debt repayments effectively. If you don't, you make yourself more vulnerable to damaging consumer indebtedness. Not every retail IT system has comprehensive debt management capabilities, so this article aims to describe some of the elements that you might expect in a full-featured system. The ideal is to have a single comprehensive view of every customer by utilising data held in a single core database.

The first step is a customisable credit score card that will enable you to generate a real-time credit score for individual customers. Based on these scores, you can make informed decisions about which products to make available and the credit product and payment method to offer. At the next stage, you can verify customer ID and take up appropriate references prior

to dispatching goods. Any system worth its salt will also facilitate third-party credit checking and risk assessments, including the production of fully formatted information that can be sent to credit reference agencies such as Experian and Equifax via CAIS. With all these checks undertaken, you will be as certain as it is possible to be that you have set appropriate customer credit limits.

Unfortunately, some customers do fall into arrears and it is vital that you know which customers are indebted and which are not. You should be able to run on-demand status reports from your IT system showing financial information for each customer, including: arrears; payment history; due dates and a future payments schedule. Of course, your IT system should control who within your business has access to this highly sensitive information.

Task management should be at the heart of any debt management process – with your IT system enabling you to set up workflows comprising tasks and corresponding actions. With links to the contact management elements of your IT system, these workflows will make it easy to actively prioritise credit control tasks such as sending timely renewal and reminder letters. Good IT systems will

generate these automatically so you can issue them at appropriate stages of the debt management process.

Once you have the workflows defined, you can also set escalation rules. For instance, if one action fails to achieve the desired result, responsibility can be passed up the line to a more senior person and, from there, to an in-house debt department or even to a third-party such as a debt collection agency.

Comprehensive reporting is, of course, essential to effective management of your business. Your IT system should assist your debt management activities by enabling you to produce real-time performance analyses on credit book size (new business, terminations, re-signing an existing customer to new agreements etc) versus the situation on arrears.

Clearly, an IT system offering these capabilities will be a powerful decision-making tool with a direct impact on gross profit. It is risky and short-sighted not to screen customers for credit-worthiness and to have a casual or piecemeal approach to debt management. A feature-rich PoS system will streamline the process and ensure that your business is well and truly on top of aged debt. The benefit will go straight to your bottom line. ■



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