



source of expertise

What criteria to use when selecting your customers?

Credit as a commercial weapon

Eric Van den Broele
Dep. Senior Manager Research

Graydon Belgium NV/SA



GRAYDON



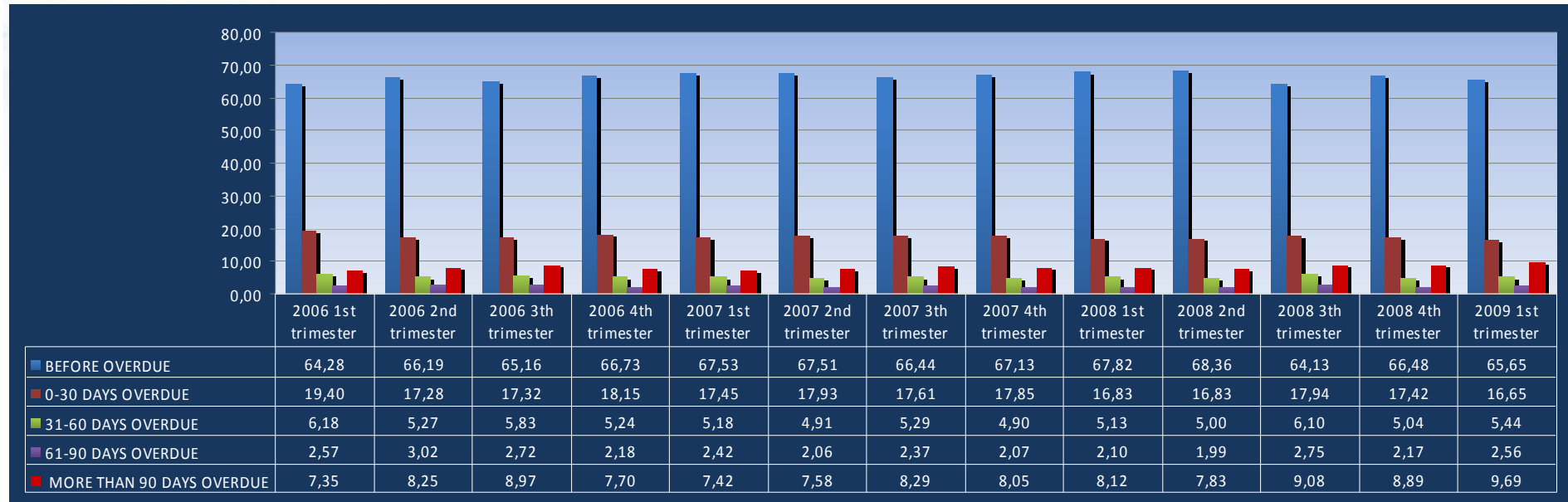
source of expertise

Definition: credit

Credit between companies = trust

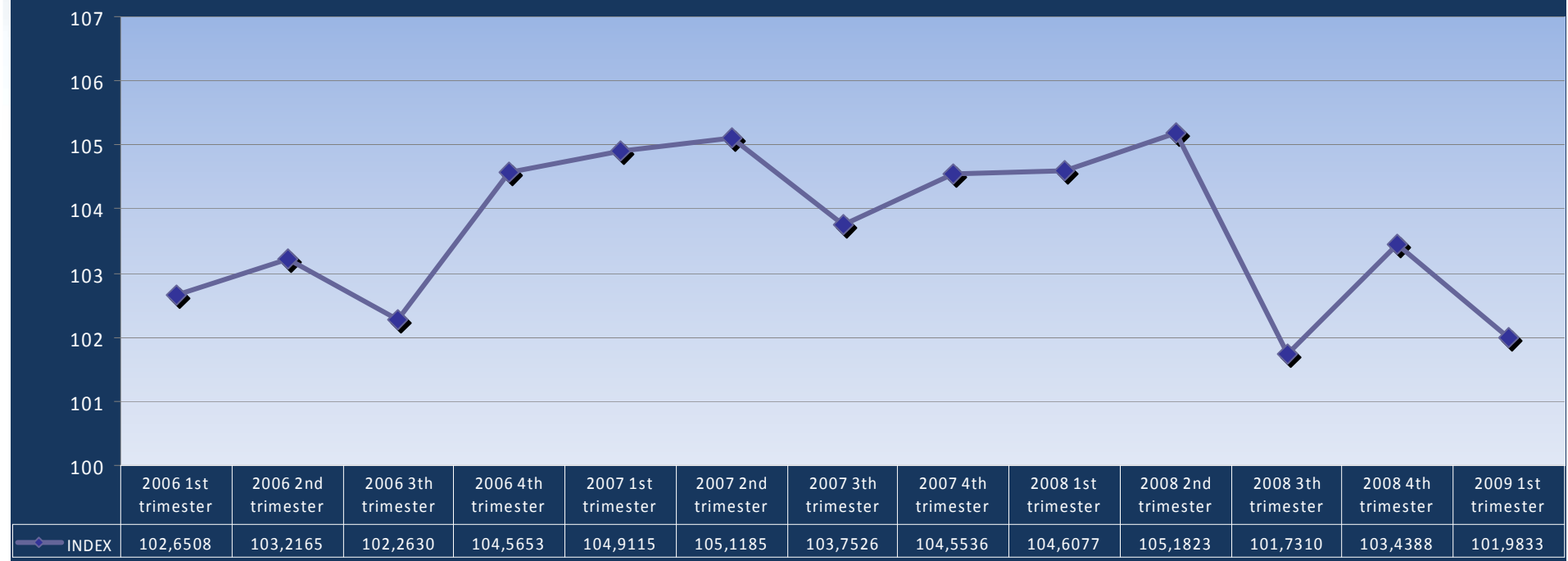
The right delivery = the right payment







TRIMESTRIAL GRAYDON PAY-INDEX for BELGIUM





Issue:

- 1/3 to 1/6 of the customers show “symptoms”

Impossible to lose so many clients?





Principles of a preventive debtor management

...

Management where business is done as long as possible
and
where business is done as safely as possible





Preventive actions

Only approve an order when it is clear that the client can and will pay.

Seek for greater safety in case of doubt.

Determine general payment conditions per market segment.

Is the prospecting based on healthy prospects?





source of expertise

Good debtor management



Reducing the damage to 0

Profit has to be maximized!

Consequently:

**Thorough evaluation and
estimation of the risks**





How to identify a customer at risk?
How to react?

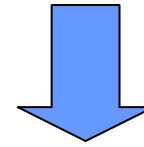




Sources

- References
- Banks
- Other suppliers
- Employers' organizations
- Annual accounts
- Press
- Market value of shares
- Land register
- Belgian Official Journal
- Journal of Protested bills
- Commercial courts
- Crossroads Bank
- Sectorial data
- National data
- Business information
- External credit scores
- Website
- Aging listings of third companies
- ...



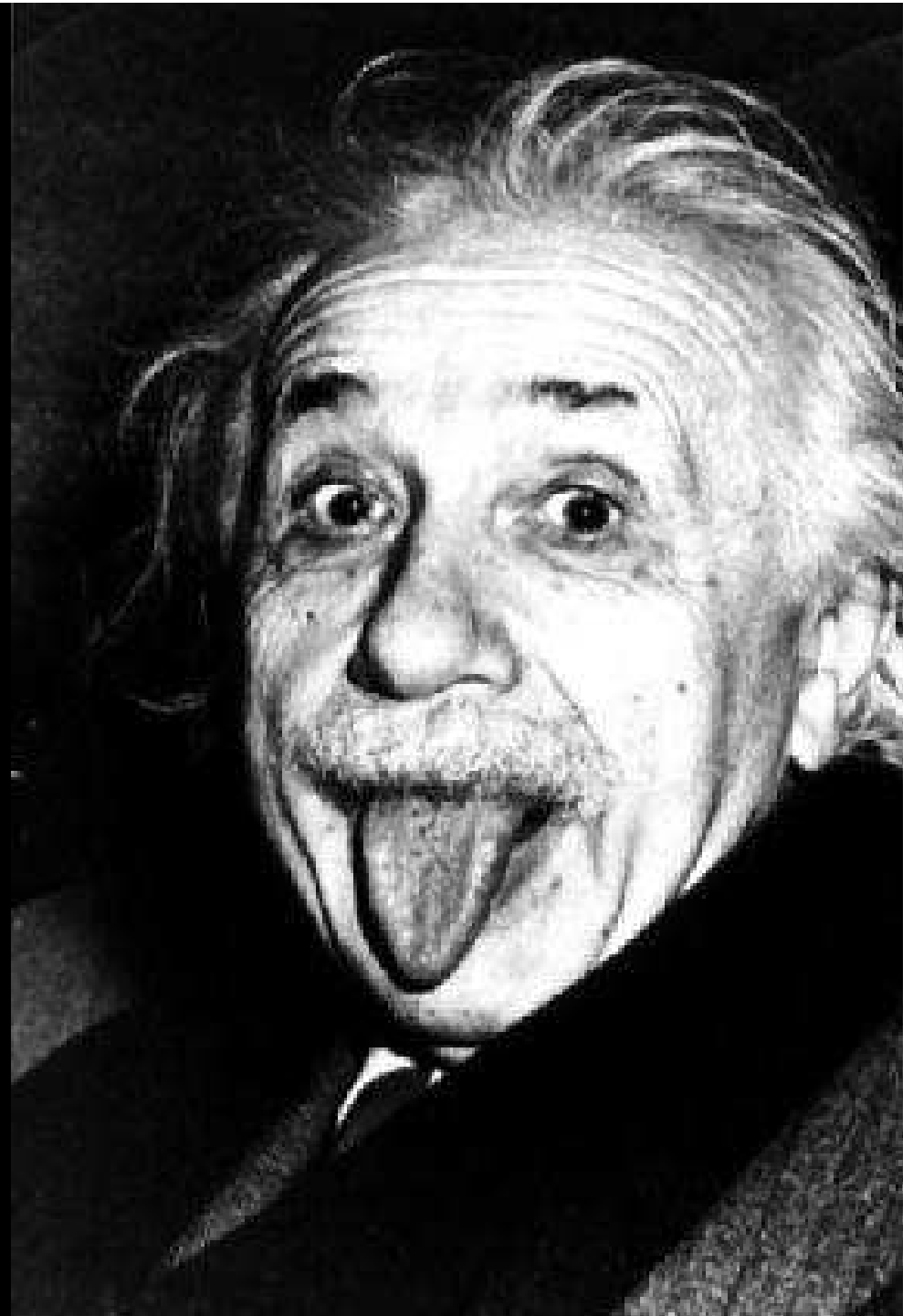


2008 research april 2009	2005: one bankr.per ... enterprises	2006: one bankr.per ... enterprises	2007: one bankr.per ... enterprises	2008: one bankr.per ... enterprises	% for bankrupt enterprises	% for active enterprises
Liquidity < 0,5	41,3	40,9	44,1 ↓	42,8 ↑	22,8%	15,4%
Profitability 2 years negative	27,9	27,5	28,7 ↓	42,2 ↓	12,8%	8,5%
General degree of indebtedness > 100	29,7	30,1	34,1 ↓	31,9 ↑	22,4%	11,2%
Capital and reserves < 50% capital	25,5	25,9	28,1 ↓	26,8 ↑	41,6%	17,4%
Debts fallen due towards tax authorities and the NSSO	12,4	15,7	12,6 ↑	12 ↑	0,4%	0,1%
Basic Limit amount negative	7,4	7,8	8,2 ↓	11,5 ↓	16,9%	2,9%
Summons of the NSSO	13,1	13,4	11,7 ↑	10,6 ↑	13,0%	2,0%
FiTo®-meter very negative	8,8	8,6	9,5 ↓	10,6 ↓	10,7%	1,7%
No anual accounts during last 24 months	8,9	9,3	9 ↑	8,5 ↑	44,3%	5,4%
Board member involved in other bankruptcy	8,1	8,3	8 ↑	7,5 ↑	19,6%	2,1%
Protests	3,7	4,0	3,9 ↑	4 ↓	7,4%	0,4%
GSS very negative	2,7	2,8	3,1 ↓	2,7 ↑	18,2%	0,5%



“Everything that can be counted,
does not necessarily count.

Everything that counts,
cannot necessarily be counted”





Reality?

It is funny,
The more I practice
The luckier I get

(Gary Player)





Why scoring?

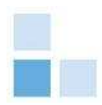
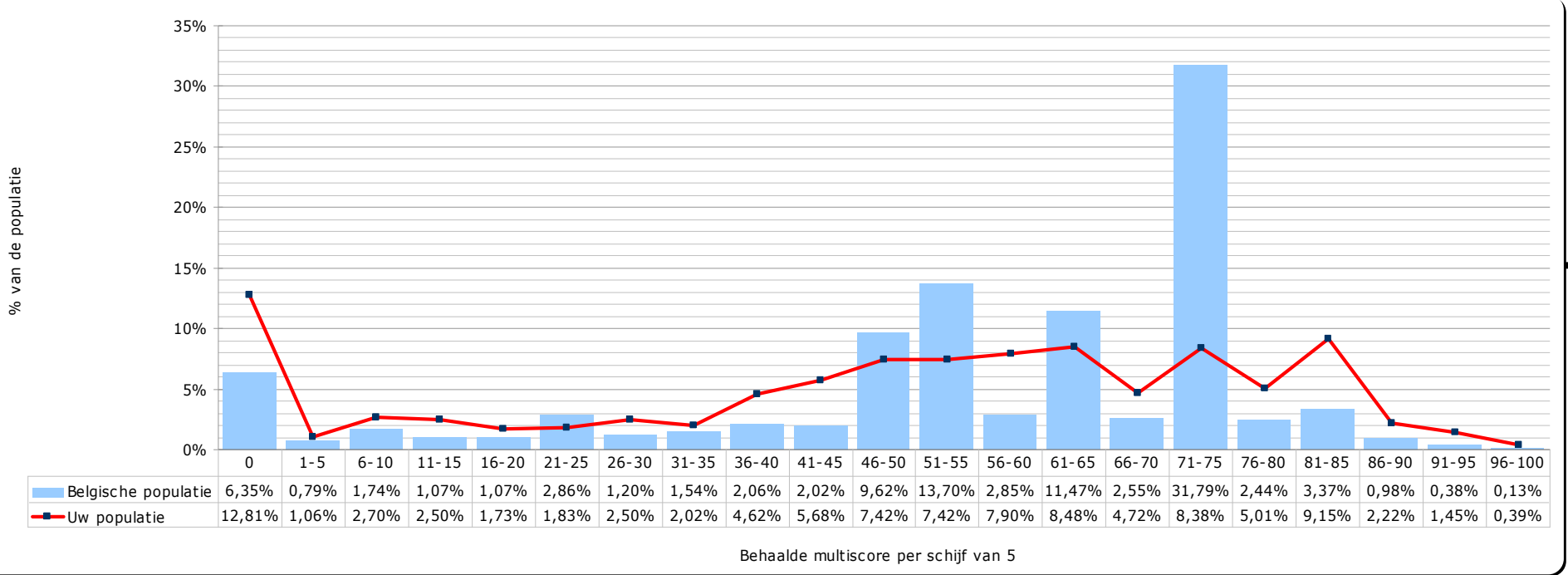
- Consistency in evaluation.
- Efficient processing of customer data.
- Database allows risk evaluation in the portfolio and potency analysis.
- Leaves a “sales friendly” document that allows you to say NO.
- Helps with the proactive management of customers.





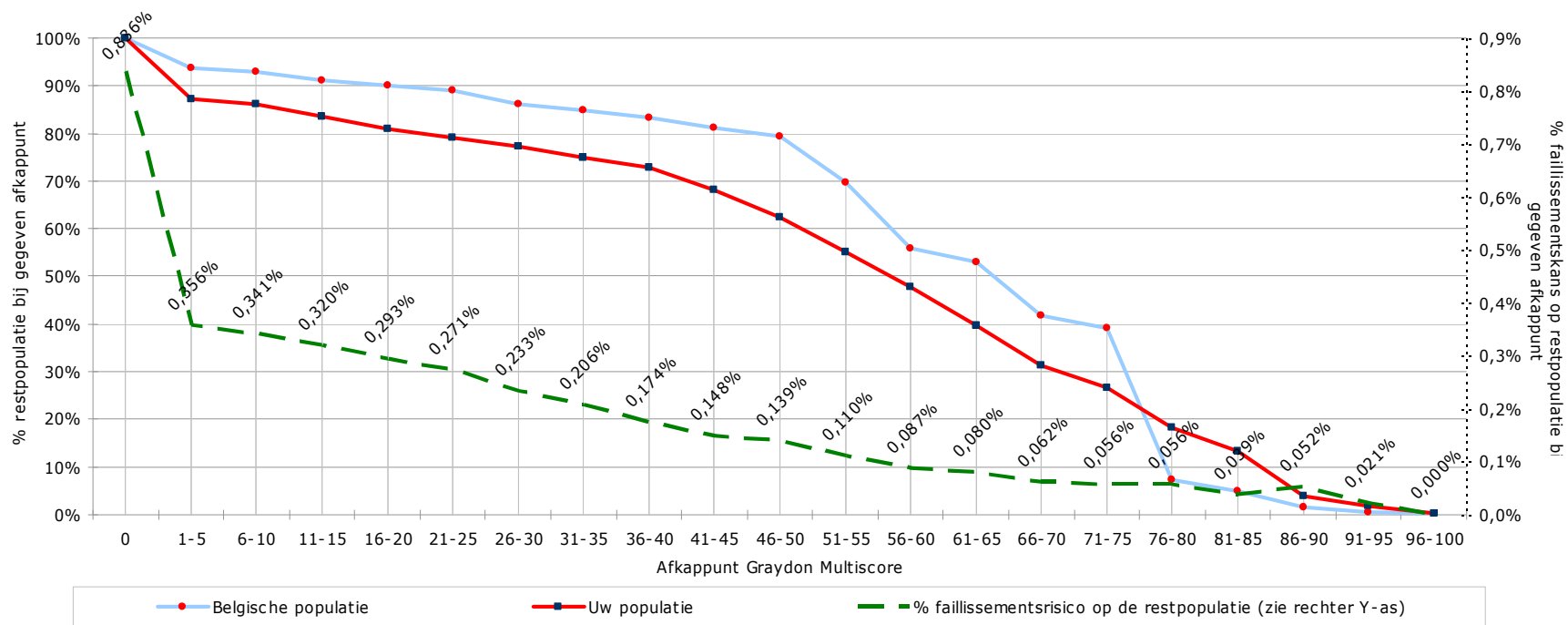
Integrated Credit Marketing

Global Case: **analysis** of the client file



Integrated Credit Marketing

Global Case: **analysis** of the client file



source of expertise

Integrated Credit Marketing

Global Case: **analysis** of the client file

Number of clients		% cl.	
0	133	12,81%	
1	10	3,76%	
11	20	4,24%	
21	30	4,34%	
31	40	6,65%	
41	50	13,10%	
51	60	15,32%	
61	70	13,20%	
71	80	13,39%	
81	90	11,37%	
91	100	1,83%	

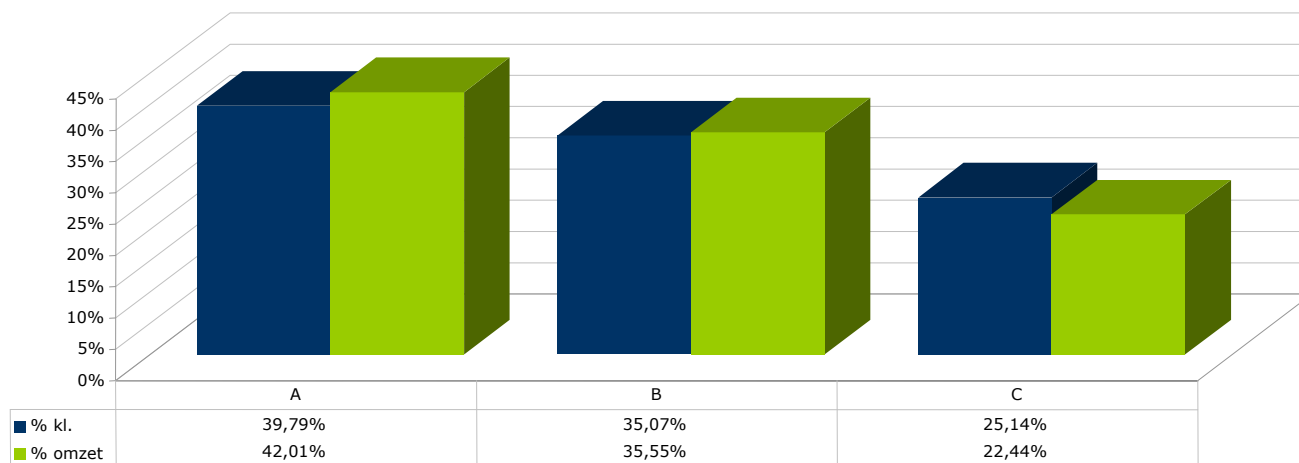
Volume turnover		% turnover	
4.128.861	11,62%		
511.628	1,44%		
1.675.845	4,72%		
1.657.692	4,66%		
2.479.078	6,98%		
5.563.720	15,65%		
4.593.483	12,92%		
3.667.701	10,32%		
6.207.794	17,47%		
3.344.551	9,41%		
1.711.799	4,82%		

Number of clients		% cl.		Volume turnover		% turnover	
C	261	25,14%		7.974.026	22,44%		
B	364	35,07%		12.636.281	35,55%		
A	413	39,79%		14.931.846	42,01%		

Total:	1038			35.542.153			
---------------	-------------	--	--	-------------------	--	--	--

Graphics: A-B-C analysis: % of the clients versus % of the turnover

category % kl. % omzet



segment C	(0 to 30)	Number of clients	% cl.	Volume turnover	% turnover
€ 0 to € 500		111	10,69%	4.171	0,02%
€ 501 to € 1250		25	2,41%	22.436	0,10%
€ 1250 to € 2500		12	1,16%	23.359	0,11%
€ 2500 to € 7500		32	3,08%	147.902	0,69%
€ 7500 to € 12500		17	1,64%	161.763	0,75%
€ 12500 to € 25000		25	2,41%	423.308	1,97%
€ 25000 to € 125000		34	3,28%	1.823.791	8,48%
> € 125000		5	0,48%	3.164.481	14,71%

segment B	(31 to 60)	Number of clients	% cl.	Volume turnover	% turnover
€ 0 tot € 500		117	11,27%	5.354	0,02%
€ 501 tot € 1250		29	2,79%	23.934	0,11%
€ 1250 tot € 2500		22	2,12%	42.656	0,20%
€ 2500 tot € 7500		62	5,97%	297.598	1,38%
€ 7500 tot € 12500		23	2,22%	219.740	1,02%
€ 12500 tot € 25000		35	3,37%	589.957	2,74%
€ 25000 tot € 125000		63	6,07%	3.382.402	15,72%
> € 125000		13	1,25%	3.048.561	14,17%

segment A	(61 to 100)	Number of clients	% cl.	Volume turnover	% turnover
€ 0 tot € 500		127	12,24%	10.626	0,05%
€ 501 tot € 1250		43	4,14%	34.804	0,16%
€ 1250 tot € 2500		41	3,95%	75.290	0,35%
€ 2500 tot € 7500		67	6,45%	299.972	1,39%
€ 7500 tot € 12500		32	3,08%	316.517	1,47%
€ 12500 tot € 25000		36	3,47%	630.176	2,93%
€ 25000 tot € 125000		54	5,20%	2.575.490	11,97%
> € 125000		13	1,25%	4.194.881	19,49%
		1038		21.519.171	



source of expertise

Pareto's Law:

20% of the customers account for 80% of the sales volume.



source of expertise

LAW of 2 x 4

		Turnover - potential	
		LOW	HIGH
Durability – Health	LOW	Finance Sales Marketing	Finance Sales Marketing
	HIGH	Finance Sales Marketing	Finance Sales Marketing

40% of your **customers** only account for **4%** of your **turnover**

80% of all your **problems** are situated within this group





Salesperson A

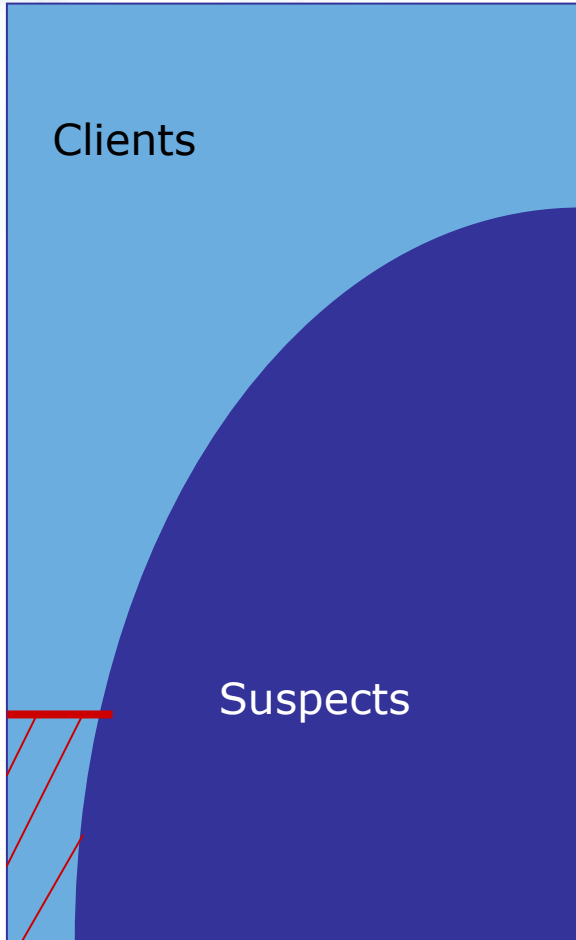


Salesperson B

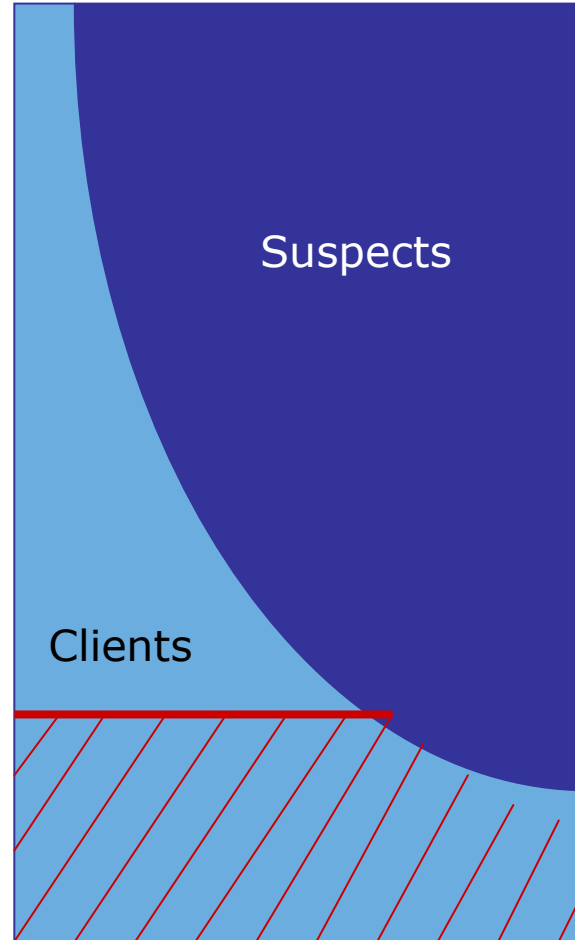




Salesperson A

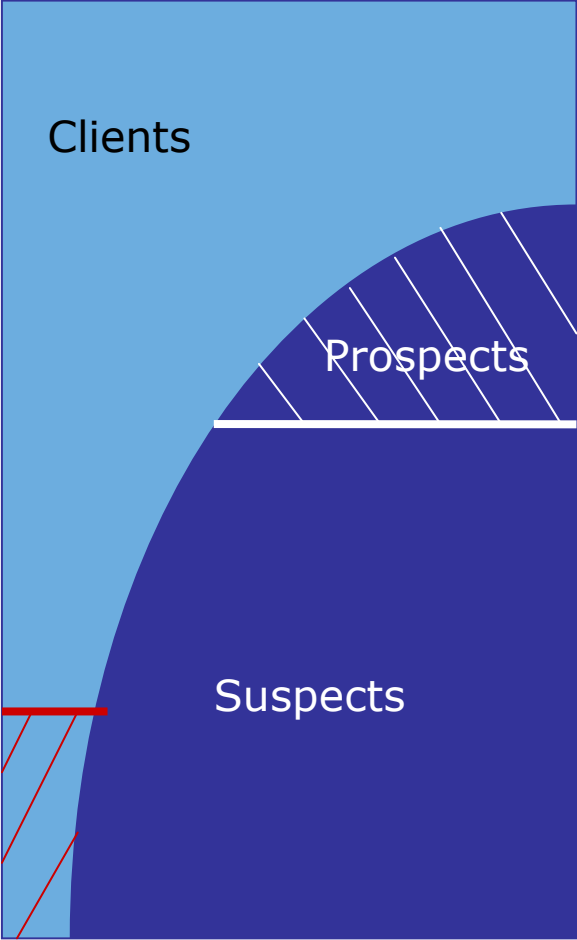


Salesperson B

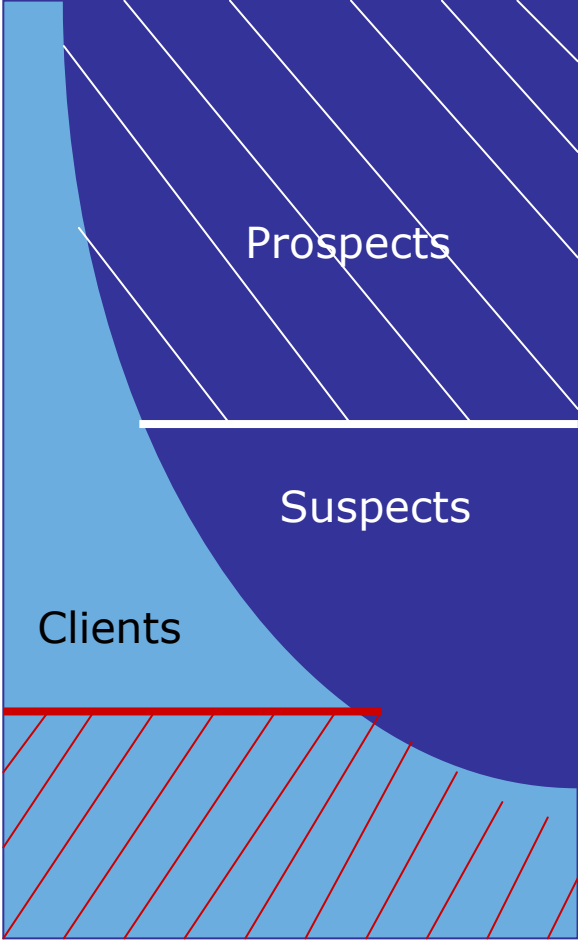




Salesperson A



Salesperson B



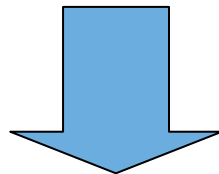
Integrated Credit Marketing

Development of a lead portfolio

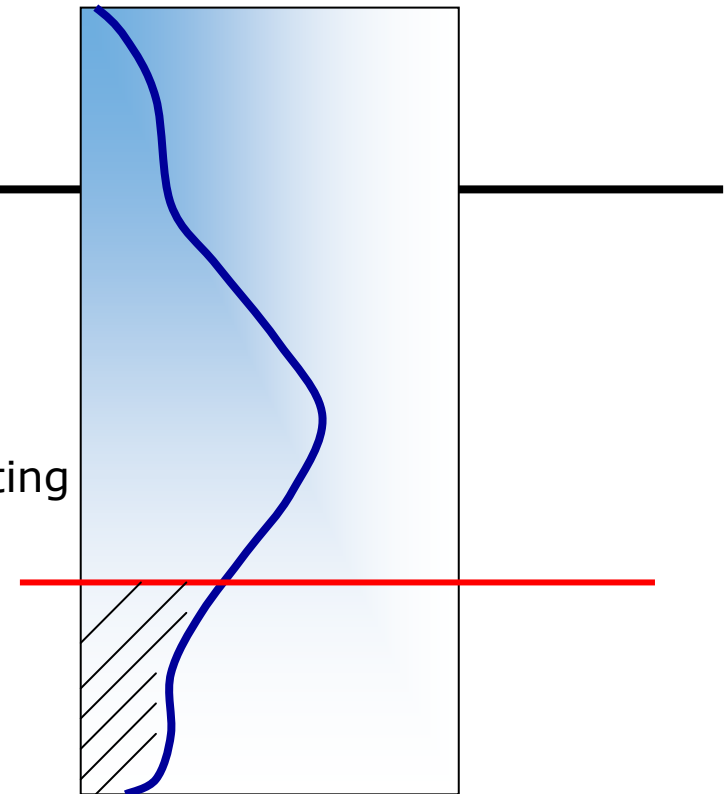
Secondary effects:

- Salespersons can concentrate more on selling

- By visiting healthy companies only, only healthy customers will be generated
 - Less non-payments
 - Less complaints
 - More time for the development of existing customers



Increased profitability





		Turnover - potential	
		LOW	HIGH
Durability – Health	LOW	Finance Sales Marketing	Finance Sales Marketing
	HIGH	Finance Sales Marketing	Finance Sales Marketing

Today in Belgium more than **70%** of the potential clients are **healthy**.

Why keep on prospecting unhealthy businesses?

