

Four Key Objectives of Customer Visits

Customer visits can provide the credit department with significant and valuable information about a business and its operations. The credit professional receives a firsthand glimpse into the customer's facilities, such as their inventory, condition of equipment and location. Personal visits may also create and help build long-term relationships with the customer. On the flipside, a credit professional should be alert to the attitude the customer takes during the visit and note any red flags. Therefore, results of customer visits should be fully documented with key information highlighted. Below are four main objectives of a customer visit that a credit professional should take into account.

Building Relationships

A customer visit can include representatives from both the credit and sales department, and may also include other members of company management. Joint customer visits often allow unique occasions to enhance internal communications among sales, credit and other departments that are instrumental to the maintenance of the account. A customer visit delivers a strong and unified message to the customer that its business is important to the creditor and, more importantly, that the protocol for doing business with the credit grantor has certain expectations. It is important for the credit department and any other representatives to have a clear understanding of the goals and objectives of the customer meeting.

Observe the Facilities

If possible, a customer's visit should include a tour of the facility as a great deal can be learned from viewing the company's operations. It can also help break down barriers to understanding the customer. An observant credit professional can note inconsistencies with information that has been previously provided by the customer. Questions to ask include: what is the condition of inventory? Is the store well located? Are the office facilities too extravagant or in need of modernization? Are a competitor's products in use and, if so, in what quantities?

Discuss and Review Financial Information

Many privately held companies will only permit onsite examination of financial information, which is why it is important to capture as much information as possible during the customer visit. Even when copies have previously been given to the credit manager, a face-to-face discussion with the customer about their financial statements provides a clearer understanding of the numbers. There are two reasons for this: (1) the assets may now be visible to the credit professional; and (2) there is usually more unrestricted time allotted for the review than for a telephone conversation. An in-person visit also gives time for the credit manager to learn in detail about the components of the customer's cash flow; determine if inventory or accounts receivable activity are normal; and serves as an opportunity to observe the company and/or management for signs of fraud or misrepresentation. Industry knowledge and advance preparation are crucial to a successful customer visit. If financial information is to be discussed, then the customer should be asked to prepare this information in advance of the meeting.

Resolve Disputes, Develop Interaction

The credit department is in a very unique position to help avoid situations that could lead to disputes, claims and other problems that can negatively affect prompt payment within terms. It is likely that the credit department has more opportunities to monitor interactions between the customers and other departments. A customer visit provides an opportunity for interaction among the parties to arrive at a resolution or settlement. A few possible discussion points include: freight and traffic, pricing and terms, advertising, and 'team' approaches to visits.

Source: NACM's *Principles of Business Credit*