Credit and innovation:

What we have learned working with credit professionals over the years

A nerd, a lawyer and marketer go for coffee... sounds like the intro to a bad joke (and maybe it is) – but this week, *Holman Webb's Marketing and Business Development Manager* sat down with the firm's Head of Innovation and Growth, **Steve Ferhad** and **Chris Hadley MICM** – Partner within the firm's Commercial Recovery and Insolvency Group, for a discussion on how converging technologies are set to impact the credit profession.

STEVE FERHAD
Steve is Holman Webb's Head of Innovation and Growth. He has worked with the world's largest software companies, consulting to a range of organisations and spent part of his career implementing ERP and collections software solutions.

CHRISTOPHER HADLEY MICM
Chris is a Partner in Holman Webb's Sydney office, and predominately practices in the areas of insolvency and civil litigation. Chris draws on high-level experience gained across a range of industries; his clients include financiers, building supply companies, real estate investors, property developers, and insolvency practitioners.

We thought it would be useful to highlight the perspectives of a self-confessed super-nerd, and a Lawyer, both of whom have witnessed the evolution of modern businesses – and have continued to work with countless finance and collections professionals throughout Australia.

Steve, what do you think credit leaders make of these "converging technologies?"

Steve: I would say that, as in any industry, there are a variety of perspectives. If you are a cynic, you are probably wondering when all the hype will die down. If you are a pessimist, you may be waiting for the robots to attack...

But, if you are a forward-thinking credit professional – you are probably already looking at how you can exploit all these converging technologies to add value, reduce waste and increase both the effectiveness and efficiency of your collections processes.

Chris, from what you've seen, where do Holman Webb's clients fall in respect of their attitudes towards harnessing technology?

Chris: I have some clients who are more traditional in their approach and are happy to continue with 'tried and true' collection processes – so I don't think those clients will be radically altering their operations

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by implementing significant technological changes at this stage.

On the flip side, there are other clients who are focused on a strategic level to implement best-practice, which includes a big focus on new technologies and innovations.

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Chris, how have you seen the legal landscape change with these technological advancements?

Chris: The way lawyers practice on a day-to-day basis has definitely changed in recent times. When I started, it was paper everywhere, and we were in the office full time every day.

As a law firm operating in 2022, we use technology to streamline our workflow, communicate with third parties (including courts and other lawyers), and to inform and report to our clients. We also use technology to collaborate and bring in expertise from our national team – and even globally.

The onset of COVID-19 certainly sped up the embrace of technology within the legal sector. We saw this when many of the courts implemented, for the first time ever, processes whereby appearances and trials could be conducted remotely with a heavy reliance on electronic documents.

Steve, are you seeing this same attention to customer engagement with Holman Webb's clients?

Steve: It's all about the customer experience. Before CX was 'a thing' (even before the days of the internet), if you were to spend a few minutes around the Accounts Receivable team water cooler, you would likely pick up some peals of insight regarding customer satisfaction.

In those days (and as is often the case now), an AR team would usually be across sentiment with major clients, and internally, most operational bottlenecks within the business – especially those big enough to affect payments.

Personally, every Credit Manager I have met seems to know more about customer sentiment than just about anyone else in a business. Often, those working within an organisation's credit team can tell you more about customer satisfaction than an NPS score ever will.

If you ask them about the science behind customer engagement, you may see their eyes glaze over – but don't be fooled: their constant interaction with customers means they have their fingers placed squarely on the pulse of what their customers think, and how satisfied they are, especially when it's time to square away the bill!

On that note, what do you think will be next with Credit Professionals with respect to CX?

Steve: Almost everyone has faced large-scale change. As our businesses change (and with such an emphasis on the customer experience), all parts of the organisation are being asked to evolve, accurately measure, and to make feedback a part of a healthy performance culture.

Those working within a credit function (and indeed, all shared-services departments) have an obligation to provide a customer experience that matches the (hopefully) high-level experience enjoyed by the organisation's clients more generally.

Forward thinking leaders are using the same measurement of experience and applying it to their teams in the pursuit of continuous improvement.

What tools are you seeing your more forward-thinking clients using?

Chris: I've seen a wide array, from complex spreadsheets to enterprise resource planning software and add-on collections tools. More clients are using Customer Relationship Management (CRM) software, automated reporting and outreach (email reminders, automated statements etc).

We have also seen a shift in the way credit teams utilise some of the tools and techniques often used in digital marketing fields, to maximise the timing and effectiveness of their outreach in the same ways marketers measure the cut-through of their outreach emails.

Credit professionals are starting to pay closer attention to factors like email bounces, open rates and time and click through – and where consideration of these factors results in faster payment, I see them being used more and more each day.

Steve: Data Analysis and Business Intelligence.

We saw a huge boom about 5 years ago with a large uptake of data analysis and visualisation tools like PowerBI and Tableau, which allow credit leaders to ➤

analyse their data without having to run reports and analyse, or engage with IT to have something custom-built.

Now, every leader has access to cost-effective solutions that allow greater analysis of their data – meaning they can make better decisions backed by data.

Some of the more sophisticated clients are using advanced analytics and predictive modelling to build liquidity modelling, which leverages the types of solutions designed for big data on smaller sets of data housed within the organisation.

Process automation, bots and beyond. For years, organisations used things like humble macro to take repetitive tasks and automate them. The goal was to reduce risk through human error and to give teams the ability to spend more time on value added tasks.

We have seen this take off – with more clients adopting technology platforms to quickly deploy workflow automation and augmentation.

Chris: Customer Relationship Management software.

These days, we see credit professionals using CRM-type technology to aid in the relationship management, and to help with general administration (for example: reminders, records and reports) – all in the one place.

I have clients whose systems can connect with Holman Webb's practice groups. This integration means that our legal team can be as tightly integrated as their own employees, which promotes efficiencies and saves time and money.

Technology has enabled these types of relationships to form. For example, the way we use technology to collaborate, seek instructions, inform our clients' business, and to streamline reporting with a focus on data analytics has increased substantially over the last 2-3 years.

Steve: Machine Learning

I think wholesale use of machine learning in the industries we operate within is a few years off. With that said, thinking back, all of the credit leaders I have worked with were quick to adopt efficiency-creating tools.

I can't think of an AR team member I have worked with who wasn't a gun with Excel, wasn't able to create some pretty awesome macro's – or who couldn't mail merge the heck out of anything!

I think that ingenuity will continue, especially as things like machine learning solutions become more widely used.

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Chris, how are you seeing the role of the Credit Professional change?

Chris: We are starting to see organisations blending their collections and credit processes into their overall client relationship management systems.

Largely, I think business leaders are recognising that the credit function of a business not only has an impact in a competitive landscape, but that it also provides the business with an opportunity to develop a relationship with their customer early in their commercial journey, and to look at ways to build engagement.

Looking for these early opportunities to understand your client will mean that issues can be easier to smooth over if they pop up further down the track – rather than waiting until the customer is late on payment before calling in the big guns.

Credit teams should keep in mind that 'a stitch in time saves nine', especially in respect of your overall understanding of, and engagement with, client organisations.

Steve, do you have any advice for Credit professionals looking to exploit some of the more recent technologies?

Steve: Start Small. Too often, when teams want to innovate or leverage technology, they use a 'big-bang' approach, which can make things difficult if you are looking to automate quickly.

I'm a strong believer in proof of concepts and pilot programs – as they provide opportunities to test, learn and shape solutions with small investments, build some momentum – and then extend the solution.

With one client, we ran a simple report on our debtors, then for each debtor, began recording in a spreadsheet the date that the first credit outreach occurred. The client found that they were almost twice as likely to collect on due date when they called the customer 7 days before due date.

From this point, it was easy to get funding for further investment to automate workflow tasks and reminders because we had actual data supporting our hunch that we could improve collection efficiency.

Find the right technology partners. Build relationships with your IT teams, and find technology partners that understand the area of your operations you are looking to invest in.

Once you have technology partners that understand the business problems you are looking to solve with technology, you can eliminate a large amount of wasted time in your pursuit for innovation.

Chris, what would you say to credit professionals who are slightly overwhelmed by all of this technology stuff?

Chris: Much like previous technological advancements, it will take some time for businesses and credit teams to become comfortable and familiar with new technology. There was a time not too long ago when the use of facsimiles, cheques and manual spreadsheet reconciliations were commonplace.

I don't know of any sophisticated business that use any of those things in 2022, because those businesses have embraced technology advancements to better service their customers and create efficiencies within their business.

Even if credit professionals are not themselves comfortable with the embracing of new technology, and are otherwise overwhelmed by the changes occurring, the simple fact of the matter is that your customers, and other stakeholders have expectations set by best practices and current technologies.

At the end of the day, if a business does not evolve by adopting suitable technologies, it runs the risk of being left behind.

Holman Webb's Commercial Recovery and Insolvency Group has decades of experience in the credit industry. We act for a diverse range of clients including the credit departments of major corporations, banks, insolvency practitioners and other financial institutions nationally.

Chris Hadley (Partner) and Andrew Tanna (Special Counsel) are on call for AICM members requiring assistance with any aspect of trade credit.

Our team assists with reviewing terms and conditions of sale and enforcing credit agreements – including retention of title and charging clauses, and associated guarantees and securities. We also develop recovery procedures and/or quality control measures – and provide advice in respect of trade credit insurance.

If you have any questions regarding the content of this article, please don't hesitate to get in touch today. ◇

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