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## **The Best Collection Practice Starts With A Sound Credit Policy**

By Mike Williams

Today's challenging economic environment has resulted in unprecedented business closures and credit defaults. The logistics and trucking industries have taken a brunt of the fallout. Its one thing when freight volumes decline, resulting in excess capacity and depressed pricing, but the stakes are at their highest when a customer's payment of freight charges is delayed or disappears altogether.



Intermediaries, such as brokers, must maintain an excellent credit score while carrying the risk of collecting from their customers. The broker's survival depends on its ability to avoid taking the "big hit" or accounts receivables charge off, and the quality of its success, in part, will be determined by whether it does substantially better than its competitors collecting its freight and logistics invoices.

Truckers and other modes will, no doubt, continue to be cautious about extending credit to brokers. Without a following of quality carriers that trust a broker's ability and promise to pay, the broker's value to the customer rapidly diminishes, and the broker's survival is in doubt. Brokers with a strong credit rating and reputation with truckers must enhance credit and collections efforts to ensure they retain their credit worthiness through the remainder of the current recession.

A sound credit policy, one that requires contacting references, financial institutions, review of credit reports, and consideration of the (prospective) customer's industry and the relative business opportunity, (among other important efforts) will ensure greater success in collecting money.

But don't be tempted to scrimp by consolidating credit and collections administration through a single manager or department. In today's environment, the better practice is to divide these equally important roles between two or more professional managers to increase attention to important metrics and take aggressive actions resulting in improved results.

It takes a singular focus to administer a disciplined credit policy that meets the needs of the always-critical sales and treasury interests. Don't distract your credit manager with collections responsibility.

Likewise, an organization's collections strategies, while admittedly partly dependent on a good credit decision, will be more successful under dedicated and exclusive leadership separate and apart from the organization's credit department.

There are no short cuts or easy ways through the current economic conditions. However, companies with strong capital resources and disciplined internal administration of sound credit policy and aggressive collection practices will have the best opportunity to succeed.

*Note: Mike Williams is chief operating officer of Sunteck Transport Group. Sunteck is a non-asset based transportation services company, providing transportation capacity and related transportation services through its agent network to shippers throughout the United States and Canada. Sunteck's services include ground transportation coast-to-coast, local pick-up and delivery. Sunteck has strategic alliances with less-than-truckload, contract carriers, truckload common carriers and independent owner-operators. For more information, visit [www.sunteckagent.com](http://www.sunteckagent.com).*

