

# UPFRONT

E-BIZ BY JOE SALIMANDO

## Automating credit work

Using vendor eCredit, IDEA offers the industry the ability to streamline credit processing.

**M**ayer Electric Supply, headquartered in Birmingham, Ala., is one of three electrical distribution companies working with IDEA on automating its credit processing—by using the vendor eCredit.

"It would sometimes take two or three days for our company to come to a good decision on whether or not to grant credit to a new customer," said Brenda Lovell, corporate credit manager for Mayer.

"Sometimes we could do it the same day, but it usually took time to pull all of the information together," she recalled. "There are a lot of manual steps and processes in looking at a credit application."

Today, the credit application process at Mayer is automated. "Now, 98% of our credit applications go straight through the system," said Lovell. "On those, we're granting approval in about 30 seconds."

Lovell claims there is more than just time savings. "In 2006, before our company had implemented this new system, we approved approximately 800 customers who never purchased anything from us," she said. "We think the problem was our turnaround time: A potential customer would come to us, ask for credit, and take the time to fill out a credit application."

"But by the time we had granted it, the customer had wandered away," she continued. "That is not going to happen anymore. We are very sure that using eCredit is going to increase our sales."

### Building a tunnel

Mike Rioux, president of IDEA, noted that Mayer's approach with eCredit will soon be typical. "We want to help distributors and manufacturers via online portals and hosted applications," he said.

Essentially, Mayer takes advantage of the eCredit online portal. It has built its own scorecard—which each distributor will be able to customize, just as Mayer has. The service also allows Mayer to access a range of credit information. For example,

Lovell included in the scorecard the personal credit rating of individuals—valuable in rating the credit of the many sole proprietorships that Mayer typically encounters.

"As we've automated the process, we've gained built-in consistency," Lovell



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### Credit score database

What's exciting about the IDEA relationship with eCredit is the potential for more electrical distributors—including those that don't have a credit department—to make use of the service.

Here's the concept:

Distributors working with this automated credit arrangement will supply their accounts receivable files to the company. This information will be combined with data on customers that has been gathered from other sources.

An IDEA Credit Score will be developed on customers in the database. This number will be very much like the FICO score that mortgage lenders routinely apply to potential home buyers.

According to Dan Dougherty of eCredit, distributors who are members of IDEA, but not working with eCredit, will get a discount; others will pay a higher rate.

An appealing aspect of this is automating the sharing of information on customers that is already in place between distributors. Another is the IDEA Credit Score—offering a handle on the credit-worthiness of a given customer, provided in a single figure. —J.S.

said. "We don't look at a credit application unless it's one of the 2% that don't automatically go through—meaning there's something there that merits our attention."

Dan Dougherty of eCredit said his company offers a tunnel to the credit reporting agencies. "With this tunnel, Lovell and Mayer can go to alternative information sources," he said. "Previously, she had to pay a premium, say, for information from Dun & Bradstreet."

### Turning their attention

Those who imagine layoffs following the implementation of this new service aren't thinking like Lovell and Mayer. Because there is no longer a need to manually review hundreds of credit applications, the company's credit department is now able to focus more of its attention on collections and credit reviews.

"We are also in the midst of working on regularly reviewing the credit status of our existing customer base," Lovell said. "This is something we previously didn't have the time to do. We've just gotten a start on this with the time we have been able to free up—we just began working with eCredit through IDEA back in May 2006."

"From one perspective, it's shame on us—we haven't stayed on top of existing credit lines like we should have in the past. Now we review each customer on an ongoing basis," she continued. "Some customers will merit an increase in their credit lines, while others might see a decrease."

"We report this to salespeople," she added. "It has to have value in increasing our sales when the salesperson learns that a given customer now has an increased credit line with us. Of course, when a credit line is decreased, that might well save us trouble in the future," she said. ■■■

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