

## Are You Really Ready for Growth?

While forecasters can make educated guesses about the end of the recession and the probability for real growth again, one problem remains: No one has a crystal ball that can precisely foretell the future. What we do have, however, is the advantage of an historical perspective.

History suggests that growth will follow the recent two-year recession. In the U.S., a decade of booming growth followed the Great Depression. Although no one can predict if that turn of events will repeat, there are indicators that growth can be expected. The critical response for all business owners is simply to be ready to capitalize on growth, even modest growth, when it does occur. Failure to prepare will leave you stalled as your competitors race past you absorbing market share. On the other hand, preparing for growth now will put *you* in the driver's seat and allow you to lead the way.

With growth come sales and opportunities. In the same way that history is an indicator, it is also a teacher. Overextensions of credit led to the demise of many companies during the downturn of 2008-09, and many economists cite that as the catalyst for many collapses.

The key is to position your organization for new opportunities while maintaining prudent lending practices. These three Next Practices will help you leverage growth and influence your profitability, ultimately putting you in the winner's circle. So, rather than taking it easy because of an improving economy, make certain that you are accelerating while your competitors are scrambling to figure out what to do next.

## Next Practice 1: The Art of Conversation

### The Need

There is one tried and true method to determine what your customers want and the challenges they face: Ask them. Successful entrepreneurs understand the importance of responding to customer wants and needs before their competitors do. Asking questions and being informed has always been a cornerstone of sound customer service. While today's technology makes it easier than ever, the most beneficial conversations occur at the human-to-human level and allow you to really understand your customers. Understanding them is the first step to increasing sales and reducing DSO.

### The Approach

Having weathered the recent difficult economy, increasing sales volume is certainly a nice problem to have. However, having learned from history and to avoid repeating the collapse, it is critical to manage sales growth and credit extension. The best way to do this is to learn about your customers through your dialogues. Technology in general, and social media specifically, have created the perception that business relationships are no longer one dimensional – the business dictates to the customer, and the customer answers with a payment. Customers now expect a two-way conversation, and that is good news. This perception enhances your ability to turn collection calls into learning opportunities.

Dialogues afford the ability to review accounts in more depth. The information gleaned provides insight for each account's credit review and analysis. Create ongoing

dialogues in order to *share* valuable information. You will both receive and offer knowledge – a win-win for both parties. Find out what is occurring in your client's particular territory and offer what you know about their vertical market.

- What is unique for them in that geographical area?
- Are there pending union contract renewals that could be troubling for your client or one of its biggest customers?
- Do they have a competitor that continually low balls price in the marketplace?
- Do they have a weak competitor that may not survive?
- What grapevine information should you be aware of?
- How can you both better prepare for growth through your relationship?

Dialogues are critical to success and will allow you to leverage every growth opportunity when it arises.

## The Benefits

The benefits of customer dialogue are worth every effort. First and foremost, you will have the information you need to make informed decisions and prevent losses. You will also be able to conduct better credit analyses for appropriate credit limit availability.

Dialogues provide knowledge of the industry in general, and you will find that with mutual understanding, there will be an improvement of customers' DSOs. For example, a dialogue may uncover a legitimate reason to extend a customer's payment for a week or so. In turn, that produces long-term trust and loyalty from your customer. Trust and loyalty typically lead to increased revenues. Ultimately, you stay ahead of your competition and are truly prepared for growth.

## The Evidence

Information is knowledge, and knowledge is power. Shared information, after verification and confirmation, provides prudent insight that your competitors often lack. These tidbits of information make all the difference in avoiding bad debt losses. The fewer losses you have, the more money you have to spend on the areas that can best position you to take advantage of growth, like research and development or inventory. Consider this scenario: One customer shares with you that a competitor (who also happens to be a customer of yours) is constantly undercutting pricing. Your response? An initiation of a credit review sooner than may be normally planned. Price cutting is always a sign of financial distress. That review may lead you to lower or drop the customer's credit completely. The end result? You will be owed nothing when bankruptcy hits.

Sourcing verified business intelligence through customer dialogue improves your collection practice by targeting areas of potential weakness and properly positions you for new opportunities.

## Next Practice 2: Automation

### The Need

Automation has been used for decades in order to streamline efficiencies. With today's technologies, you can automate every facet of business. Your collections department should be no different. With growth on the horizon, if you have not invested in technology to capitalize on automation, now is the time. Without automation, your staff will spend countless hours on low-value tasks as your sales increase. That time spent creates a bottleneck to revenue and profitability.