Chapter 2.07: Managing Credit and Accts Receivable within Route Manager

Overview

The purpose of this chapter is to help you and other users manage credit and accounts receivable more efficiently in Route Manager. This will help you manage cash flow, reduce *Days Sales Outstanding* (DSO), and eliminate the costs associated with slow paying and write-off accounts.

Introduction

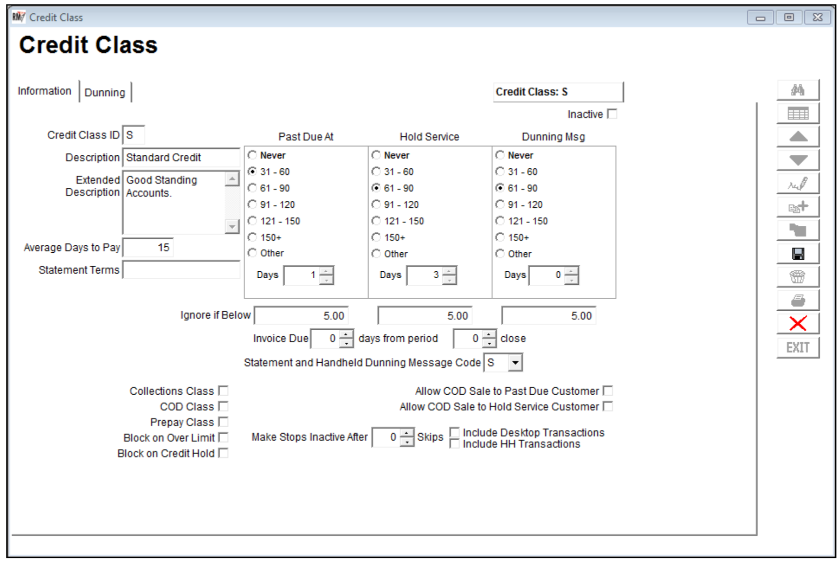
Here are the key points discussed in this chapter:

- Setting up credit classes within Route Manager
- Establishing a credit policy
- Administering the program
- Maintaining awareness
- Follow-up with past due accounts
- Assessing finance or late charges
- Dealing with bad debts

Each topic is discussed in detail within this chapter.

Setting up Credit Classes within Route Manager

To help you manage credit extended to your customers, *Credit Classes* can be established within Route Manager. This option allows you to group account types together according to established credit rules.



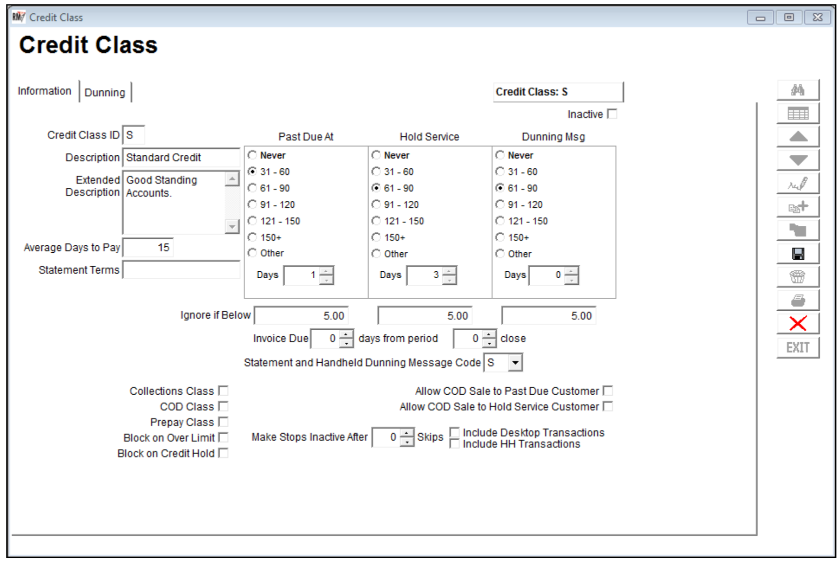
For example, a typical company will establish the following *Credit Classes*:

- ***Cash on Delivery***: Assigned to customers that have been extended credit, but are not paying on time. You may find it necessary to have them make a payment with each delivery.
- ***Extended Credit***: Multiple classes may be required to organize credit customers into groups according to their payment history.
- ***Collection Accounts***: Accounts that are being "written off" because they will not pay their bill. This group generally is not receiving any deliveries.

You can establish up to 36 total *Credit Class Codes*. It is important that you are able to maintain credit control over all of your accounts. Here are some of the items you can define within each *Credit Class*:

- When each account is considered past due.
- When each account should receive a dunning notice (past due message) and the type of message they should receive.
- When each account will be placed on ‘hold service’ status.

- When each account will be referred to ‘collections.’
- The following screen can be found under *Lists > Customer Setup Codes > Credit Class Codes*:



To establish a new *Credit Class Code*, follow the steps below:

1. Click the **ADD** key.
2. Enter a single character that will represent the *Credit Class Code*.
3. Enter a description used to identify the *Credit Class Code*.
4. Choose one of the radio buttons below the ‘Past Due At,’ ‘Hold Service,’ and ‘Dunning Msg’ options.
5. Enter an ‘Ignore if Below’ dollar figure if you wish to exclude any dollar amounts from the criteria.

> **EXAMPLE:** Set your ‘Ignore If Below’ figure to 1.00 to exclude any balance less than one dollar from being considered *Past Due*, placed on *Hold Service*, or receive a *Dunning Message*.

6. Select the ‘Statement and Handheld Dunning Message Code’ that you would like to associate with the current *Credit Class Code*.

> **NOTE:** Refer to the *User Guide* for further information on *Dunning Messages* and *Dunning Letters* that can be associated with each *Credit Class Code*.

7. Select any of the optional checkboxes that you would like to apply to the current *Credit Class Code*.

> **NOTE:** For further information on each available option, refer to the *User Guide*.

8. Press the **Save** or **More** key to continue.
9. Assign a *Credit Class Code* to each customer.

Daily Procedures

This section covers activities performed on a daily basis, and at the end of each month. Information required on a daily basis should be made available to most users in the accounting and customer service departments. Items done only at the end of the month should be performed by accounting and management personnel.

This section has been divided into two categories:

- **Visibility:** Allows company personnel to identify accounts that have a problem, or are past due.
- **Routine Procedures:** Covers proactive steps that can be followed to ensure accounts do not become delinquent.

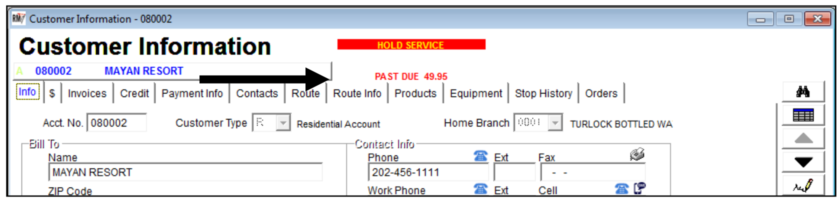
Features related to each option are discussed within this section.

Visibility

The Route Manager program includes visibility for late accounts so that they can be identified at once. This will assist all personnel to avoid making commitments for new sales on past due accounts, and provides information concerning the account status.

Customer Information

If an account is past due, then a 'Past Due' flag will appear on the screen when the account is accessed (shown below).

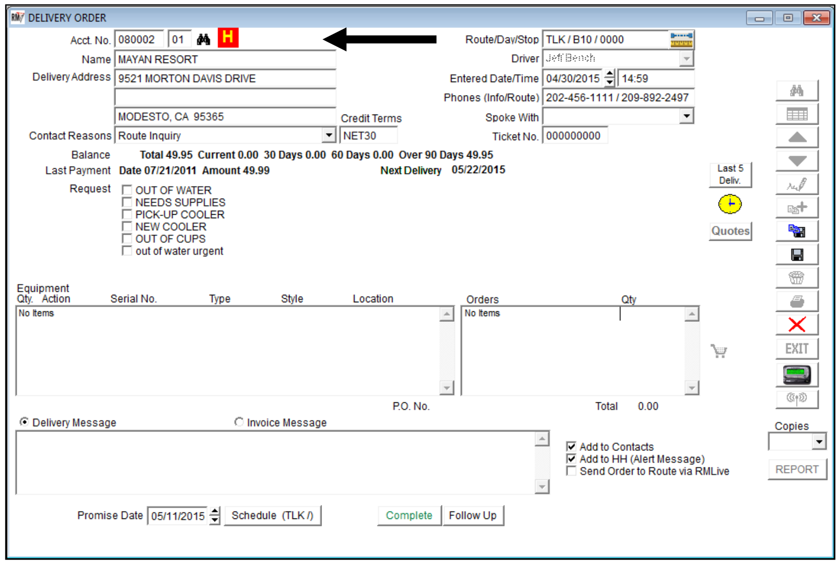


This message will remain on the screen as long as the account is being accessed. In addition to the 'Past Due' flag, the following account status messages can appear:

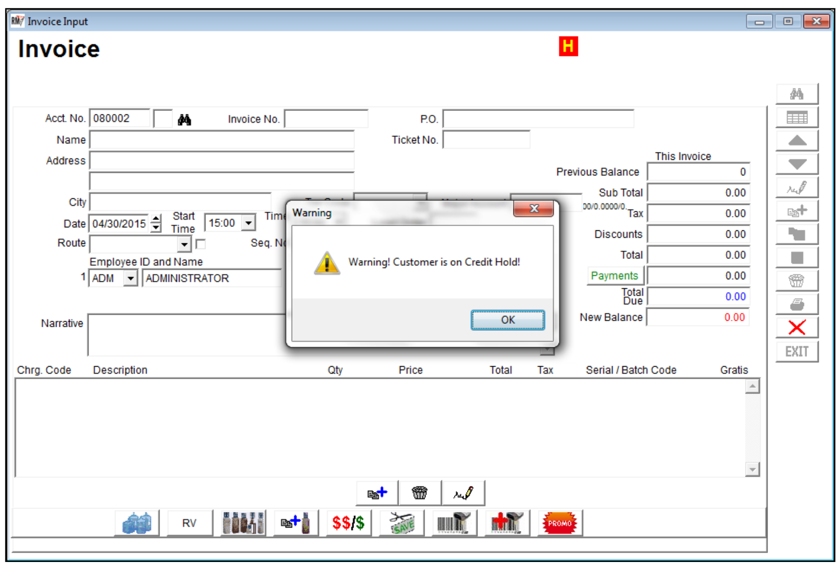
- ***COD:*** Cash on delivery.
- ***Inactive:*** Inactive account.
- ***Returned Check:*** A check was returned by your bank due to insufficient funds.
- ***Hold Service:*** Displayed when the customer has reached 'Hold Service' status as defined within their assigned *Credit Class Code*.
- ***Major Account:*** Used to designate high priority accounts and personnel that may be in charge of handling the account.

Delivery Orders

Another screen that is frequented by users is the *Delivery Order* screen. It is accessed by clicking the telephone icon on the *Module Bar*. This screen also contains alerts to notify the user of the account status (shown below).

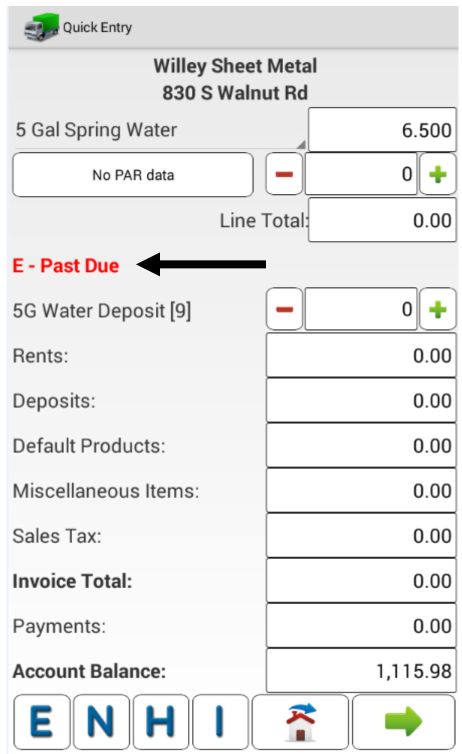


Additionally, warning messages will be displayed on the screen for multiple account status issues throughout the program:

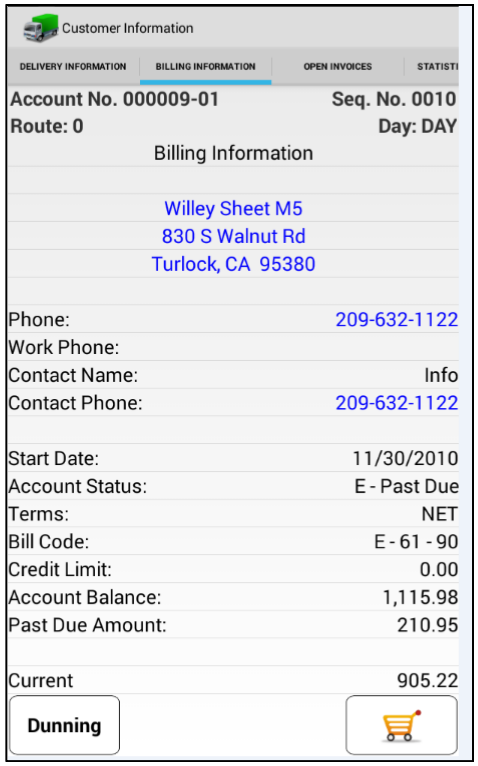


Handheld Program

It is also important for delivery drivers to identify account status issues on the handheld. The handheld screen below indicates the customer is *Past Due*. Depending on the customer's account status, the screen can also display *Current*, *Hold Service*, or *Returned Check.*



If the driver wishes to view extended information on the account, it is possible to click on the '*B-Past Due*' label to display the account status screen (below). Additionally, this screen provides information such as balance aging, contact information, and more.



Depending on settings on the desktop, the receipt may automatically include a *Dunning Message* that will alert the customer that their account is past due, or the driver may be required to contact the office to complete the sale (refer to *Authorization Codes* in the *User Guide*).

Routine Procedures

The Route Manager software has a series of reports that can be run on a daily basis to alert the office staff of delinquent accounts so the proper action can be taken.

Two of the most frequently used reports are:

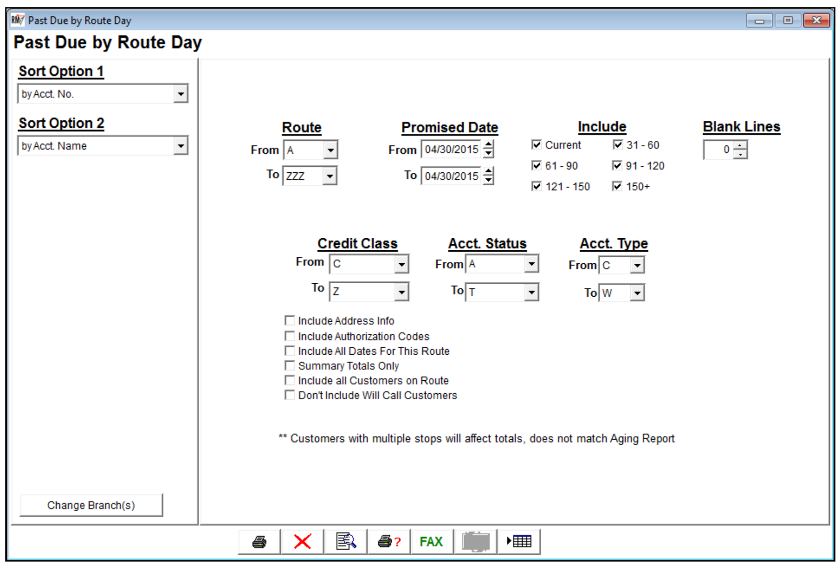
- Past Due by Route Day
- Past Due Average by Route

These two reports are explained below.

Past Due by Route Day

The *Past Due by Route Day* report should be run two or three days in advance of the regular delivery day to allow the office staff to make contact with tardy accounts. Several criteria can be defined as you generate the report.

The *Past Due by Route Day* report can be found under *Reports > Route Reports > Daily*.

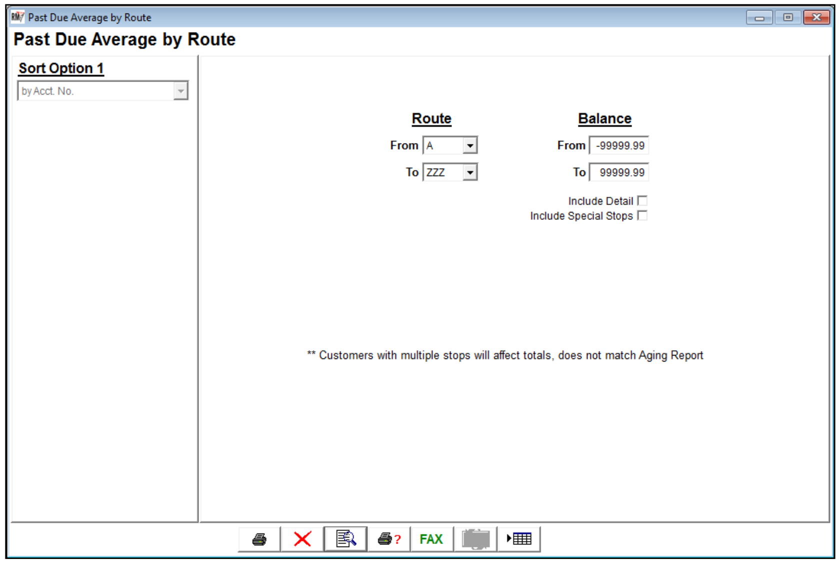


Once the report is generated, a customer service representative can contact each account that is past due and attempt to secure a commitment from the customer to make a payment. Continual follow-up on chronic past due accounts is necessary to avoid excessive accounts receivable totals.

Past Due Average by Route

The *Past Due Average by Route* report can be distributed to your drivers as a reminder to collect payments on any past due accounts.

This report can be found under *Reports > Route Reports > Daily*.



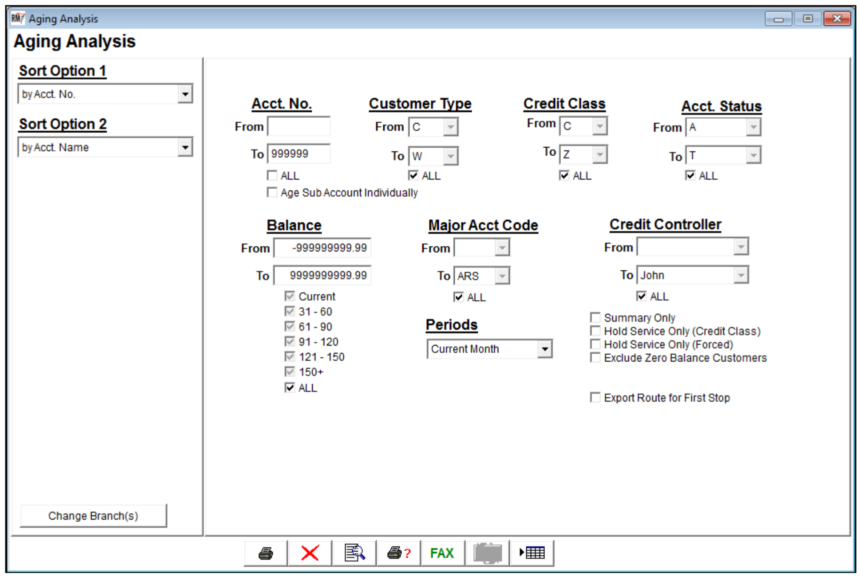
Month-End Procedures

At the end of each month, there are several reports that will provide you with delinquent account information. The most popular report used to view this information is the *Aging Analysis* report.

Aging Analysis

The *Aging Analysis* report includes aged balance information for each account in Route Manager. The report identifies delinquent accounts, and includes many filtering options.

The *Aging Analysis* report can be found under *Reports > Accounting Reports> Customer*.



NOTE: While this report is useful at month end, it can be generated at any time to view the status of your accounts.

Late Charges

You may find it appropriate to generate finance charges, or late charges, on each account that is past due.

This can provide two benefits:

1. Your company can receive additional revenue on late accounts, offsetting the costs associated with following up on tardy accounts.
2. The deterrent effect on customers that do not want to be flagged as late, or assessed penalties, will motivate them to pay more promptly.

NOTE: Refer to 'Month-End Procedures' in the *User Guide* for further information on generating *Late Charges*.

Summary

By keeping outstanding balances to a minimum, cash flow will increase, and costs-of-debt will be reduced. These items will require maintenance and constant follow-up. By keeping your cost-of-credit manageable, more customers will pay on time, and your organization will be more profitable.

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