

How Consumer Electronics Vendors Can Effectively Manage Their Receivables

BY JOEL WOLITZER, VICE PRESIDENT, CIT COMMERCIAL SERVICES



Consumer electronics (CE) vendors are facing not only the external challenges of superheated product cycles and influxes of new competitors, but they are also finding that operational challenges, such as managing receivables efficiently, are getting more complicated. Indeed, in a recent survey conducted by *TWICE* magazine, about a quarter of CE manufacturers responding reported that their cash conversion cycles (the time it takes to convert investment in inventory and other input resources back to cash) have gotten longer in the last five years. In the same survey, about 30 percent of respondents said that a quarter of their retail/wholesale accounts don't pay them on time.

Many companies have turned to accounts receivable (AR) management companies, like CIT, to manage their receivables. These AR companies receive payments from retailers/wholesalers, apply those payments to open invoices, and collect delinquent invoices. Because CIT has developed relationships with thousands of retailers and has an exceptional understanding of retail credit, we can manage invoices and payments better

than most CE companies can on their own. Due to our size and scale, we are often able to collect payments more quickly as well, lowering your days sales outstanding (DSO).

Credit Protection Ensures against Buyer Inability to Pay

However, outsourcing AR management doesn't always ensure your invoices get paid. In today's volatile retail environment, you need to protect yourself from bad debt losses. Credit protection is the solution. When vendors have credit protection, they're covered for what they're owed on undisputed receivables when buyers are financially unable to pay these receivables. Vendors can sleep better when their cash flow becomes more reliable—and they'll find it easier both to plan for the expected new product cycle and to react to the unexpected.

Credit protection has three advantages over most credit insurance on the market:

- 1. There is no upfront premium** — you pay as you go based on the receivables submitted for protection.
- 2. There is no deductible or co-pay** — you typically get paid the undisputed invoice amount less a small commission

(instead of the 85–90 percent you'd typically receive with insurance).

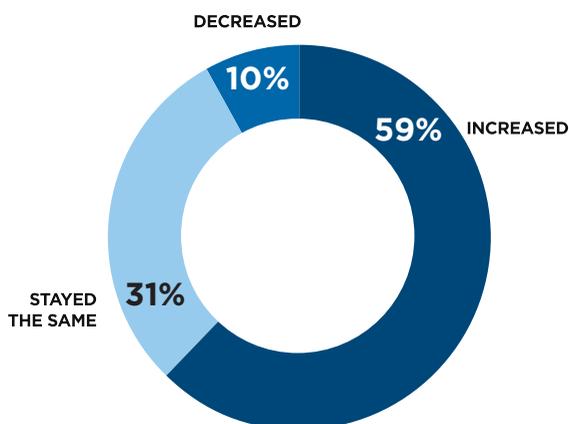
3. Flexibility is key — when it's clear your buyer is unable to pay for credit reasons you will generally get paid faster.

At CIT, we leverage our decades of experience and our credit knowledge of big and small retailers and the overall retail environment. Instead of having to call an insurance company's impersonal 800 number to get assistance, CIT clients have access to a dedicated client service officer (CSO) who can discuss credit issues and provide information on prospective new customers.

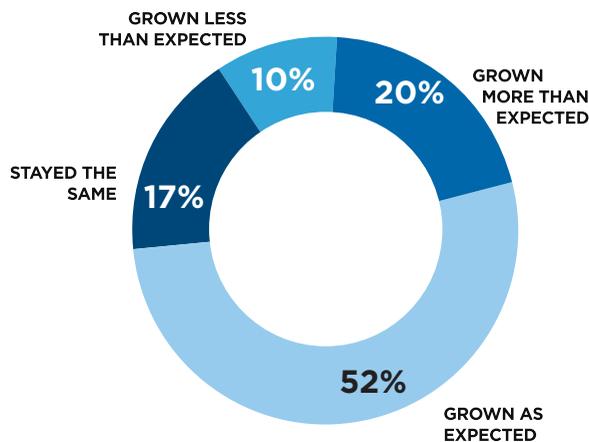
In other words, outsourcing AR management, combined with credit protection, allows vendors to concentrate more fully on their company's primary function: to develop and sell the “next big thing.”

Click here to see more information on credit protection for consumer electronics vendors on the [CE Financial Strategies Center](#). If you would like to learn more about credit protection, please contact me at joel.wolitzer@cit.com +1 212 461 5299.

CE VENDORS FIXED/OVERHEAD COST CHANGES (LAST 5 YEARS)



CE VENDORS BUSINESS GROWTH (OVER LAST 5 YEARS)



Source: *TWICE CE Vendor Survey, September 2016*

ABOUT THE AUTHOR: Joel is a business development officer at [CIT Commercial Services](#). With over 18 years of experience, Joel has structured many financing arrangements for companies in the consumer products space, including consumer electronics, apparel, textiles, and housewares. Joel has a deep understanding of the retail supply chain and of the retailers to whom his clients sell.

[CIT Commercial Services](#) provides financial solutions to middle market consumer product companies. Our lending, financing, and receivable management services are designed to improve cash flow, reduce operating expenses and mitigate credit risks.

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