Business to Business Credit Approval Process
Team Exercise 1

The purpose of this exercise is to analyze CBH's current credit approval system, the process, the data it uses and the business rules it follows:

Current Systems:
- Sales Order Entry (SOE) system- only CSR's have access
- Customer Credit System (CSS) – only credit analysts have access but CSR's get a weekly report of how much credit every customer can be offered
- Email
- Desktop productivity applications

Current process
1. Customer places an order and asks the CSR to put it on credit.
2. If this is a new customer, the CSR completes a Credit Request Form (CRF) and emails it to a credit analyst who looks at the customer's external credit rating, sets a preliminary credit limit and sends it to the sales manager for approval as required by company policy.
   a. Once approved, the new credit limit is entered in the CSS and the order is either taken in the SOE on credit (if less than the credit limit) or the customer must pay cash.
   b. If not approved, the credit limit is not entered and the customer is notified that business cannot be done at the current time. There is a recommended limit of 90 business days, but not all CSRs tell the customer this.
3. If this is an existing customer and the order is less than the customer's existing credit limit, the CSR enters the order into the SOE using credit.
4. If this is an existing customer and the order is more than the customer's existing credit limit, then the customer must pay cash or ask for a credit extension.
5. The process for getting a credit extension is very similar to the process for setting up credit for a new customer.
   a. The CSR completes A CRF and emails it to credit analyst. The credit analyst looks at how much is being requested, the customer's payment history, the customer's buying pattern, any external credit information that is available, and then makes recommendation to CSR:
      i. If recommendation is to "grant" the extension (must be no more that 20% of the original credit limit), then the CSR contacts the salesperson via email for business approval.
      ii. If recommendation is to "possibly grant" the extension (must be between 20% and 100% of the original credit limit), then the CSR contacts the sales manager via email for business approval.
      iii. Finally, if recommendation is to "not grant" the extension, the CSR informs customer and then notifies both the salesperson and the sales manager via email of action taken as required by policy.

        b. CSR documents, request, recommendation, approval/notification as required by policy. This is done by printing out and filing all of the credit request forms and emails and then filing them in a customer credit file.

6. The company monitors this process by watching its DSO and tracking the recommendations by each credit analyst and the approvals of each sales manager.

7. While lost paper work is occasionally a problem, the current system meets local regulations which require approvals by designated managers and credit decision documentation to be kept for 3 years. There is word on the street that policy may increase to every 7 years; some companies have implemented this already however STBC has not.