How to Enforce Credit Lines at the Rack

www.dtn.com

Maximizing your sales while minimizing risk comes down to control, even when you don't have physical possession of the fuel you are selling.

Assessing risk, assigning the right value to a customer's credit limits, and implementing the right terminal controls to protect yourself while serving your customers are all part of the equation.

As a supplier, how do you manage credit across all terminals? How can you accurately track variables like geographic pricing differences or varying tax rates? Are you confident that your accounting systems are up-to-date and that your customers are maximizing their credit lines? And, most importantly, how do you enforce and communicate those credit limits to your customers?

Your current credit control solution may be able to give you a partial answer to some of these questions, but does it give you the immediate, accurate data you need for real-time credit and product allocation control? Read on to better understand the challenges and variables of managing credit at the rack, and how an advanced credit control solution can take your operations to new heights.

Accounting for Attributes

Tracking the price of your product can make or break your business. The value of a load of fuel can be dramatically different depending on the specific product and location. Let's look at two main value differences:

Geographical Differences

Products can be priced radically differently across regions or spot markets, so one price won't be valid across your entire marketing area. An advanced credit control solution will account for the difference in prices across different spot markets.

Product Differences

Gasoline and distillates are your main types of products. Gas and diesel prices often move in the same direction—but not always. When their values swing and prices suddenly diverge, you must be able to track the different types of product and account for the value difference of the products you're selling, whether it's gasoline, diesel, or both.

> If you don't know the amount of the load that represents tax dollars, you're missing part of the credit line.

Enforcing Taxes

Local, state, and federal taxes can be a significant portion of the load, so it's important to get them right. Some of your customers may be tax-exempt, some may pay their own taxes, or perhaps you collect the taxes and are reimbursed at a later date. If you don't know the amount of the load that represents tax dollars, you're missing part of the credit line.

An advanced credit control solution will help you configure and track any tax situation, including differentiating by customer and recognizing differences by geography. Your customers aren't all the same, so treating them uniquely and enforcing taxes accordingly will help them maximize the use of their credit limits to better serve both of you.

Tracking Liftings Against Credit Lines

The lag time between the lifting of a load and when the invoice hits your accounts receivable leaves plenty of opportunities for errors. To have complete real-time visibility of available credit (rather than relying solely on a delayed accounting system), suppliers with an advanced credit control solution can track the loads through the billing process and have true real-time visibility into what credit is available at the rack.

Suppliers can also better manage their customer relationships by enabling customers to view their available credit online in real time. This way, customers can see how many dollars are left to spend, giving them more relevant data to better manage their credit. As such, customers can be more proactive about pre-paying loads, increasing letter of credit, etc., to enable them to purchase more fuel from you.

You can't eliminate the variables that will affect your product margin, but you can understand and manage them better to maximize your margins. With unprecedented command of your lines of credit and risk, you can deliver better service to your customers and keep a healthy bottom line.

The question of last load is an interminable and tricky one for suppliers.

Do you sell the last load of fuel when a customer doesn't have enough available credit for the full load?

Or do you forgo selling that last load until there is enough credit available to pay for the entire load? How much risk are you willing to tolerate?

The key to properly managing last loads comes down to the control and freedom you have to handle this issue on a customer-by-customer basis. For some customers, you may want to take the risk and sell them a full load. For others, you may want to shut them off if their remaining credit only entitles them to a partial load. With an advanced credit control solution that accommodates this by credit line and by customer, you can treat each customer differently based on their risk profile. This flexibility offers your most trusted customers an exceptional service while not exposing you to unnecessary risk.