

2ND DEBT MANAGEMENT SEMINAR

Presentation by:

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Theme



The Role of Trade Credit as an alternative Financing Solutions in the Post Capping Era

CAUSAL FACTORS TO DELAYED PAYMENT IN KENYA RETAIL SECTOR & HOW TO ENFORCE PROMPT PAYMENT SYSTEM

Introduction



Introduction



What comes to your mind when you see this photo?????

Introduction



Suggestions;

- Successful business
- Cash business
- Convenience
- Bad payer
- Business fro crooks

Introduction



In the recent past, bad news has been in the media on retail stores, ranging from;

- family wrangles,
- closing down of branches,
- killing of staff,
- staff strike,
- court battles with the taxman
- Lease disputes etc.
- Mergers & acquisition

Causes of Delayed Payments



- Retailers treating suppliers like beggars, who are at their mercies
- **over-expansion**; use of cash meant to pay suppliers to open new businesses
- **Theft by employees** which negatively affect the cash flow.
- **Extended credit days**; the retailers by holding too much cash end up investing elsewhere,

Causes of Delayed Payments



- Renting out premises at very expensive rates to beat competition.
- paying Leases before buildings are habitable.
Working capital is tied up.
- Meager margins and high costs of operation.
- Blotted work force that is very expensive for the business (union staff)
- Poor stock management system leading to overstocking and dead stock

Ways of Enforcing Prompt Payment



- Suppliers should not accept to change credit days as requested/demanded by retailers.
- **Contract** between supplier and retailer should be water tight.
- Hold supply's whenever the retailer fails to pay.
- Supplier to change perception

Ways of Enforcing Prompt Payment



- Suppliers to form an association and agree on terms to be extended.
- File an involuntary bankruptcy petition before things get out of hand.
- Government to enact laws to protect suppliers from unscrupulous traders.
- Have a regulator to enforce prompt payment within the sector

Ways of Enforcing Prompt Payment



- Suppliers should adopt load over load terms of payment.
- Chasing payments aggressively
- Negotiate payment plan with the retail stores
- Pre-agree on credit terms and strictly adhere to terms.
- Suppliers to obtain directors guarantee due to limited assets

Way Forward for Retail Business



- Use of information technology; online shopping, stock management
- Focus on supplier relationship
- Focus on customer care/service
- Invest on research and Development (R&D)
- Franchising of their stores to bring in independent investors.
- Drive-in shopping concept

Question Time





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