



Archive Map

Monday, May 16, 2005

Search

Go

- All of Playthings
- Articles

Welcome, Guest.
Register/Log in for extra features.

[Home](#) > [Manufacturing News](#)

| [Subscription](#) | [Online Store](#) | [Events](#) | [Home](#) |

Topics

[Manufacturing News](#)
[Retailing News](#)
[Licensing News](#)
[New Products](#)
[People](#)
[From the Editor](#)

October 18 – 20, 2005



[Printer friendly version](#)



[E-mail to author](#)

Registration

Sign up today for special features, including free e-letters, access to archives, and much more.

[Register](#)



Tools & Services

[Resource Center](#)
[Archives](#)
[Classifieds](#)
[Event Calendar](#)
[Toy Industry Links](#)

Inside Playthings

[About Us](#)
[Contact Us](#)
[Media Kit](#)
[Editorial Calendar](#)
[Frequently Asked Questions](#)
[Magazine](#)
[Subscription](#)

Powered by



Credit Collective shares info to manage risk

By Brent Felgner
 Playthings -- 5/16/2005 7:20:00 AM

LOS ANGELES—If there's anything tougher than being a small independent retailer struggling to make ends meet, perhaps it's being a small vendor waiting to be paid by a small struggling retailer.

That's the foundation under The Credit Collective, a company formed to cooperatively share retailer credit histories directly among vendor credit managers. The idea is to make the info specific, current and right.

For small and mid-sized vendors there are no easy choices. Suppliers routinely balance their need to drive fresh sales against the risks associated with a cash flow-challenged trade class. It's either chance getting burned—sometimes badly—or toss their own sales forecasts in the waste basket.

The problem doesn't rest simply with retailers that choose to opt out of existence. It also presents with over-leveraged and undercapitalized merchants who must routinely choose who gets paid and who doesn't. For them, it's a no-brainer: to keep product pipelines open and flowing, big vendors get paid. The smaller guys don't. It's B2B math at its most painful.

Moreover, traditional credit reporting agencies will often not track the small stores closely or offer out of date information, notes Swingset Press president Ron Solomon, who launched the Credit Collective in 2001. Worse, typical credit sheets supplied by the retailers themselves will often contain only the positive credit information they choose to put forward.

With six initial client companies, including his own, Solomon founded The Credit Collective with a focus on the toy and gift industry and its membership has since expanded to 40 companies. He also sees potential to migrate to other industries with similar profiles: large bases of independent retailers and suppliers. Those smaller vendors are often locked out of—or sometimes choose to forego—the chain-dominated mass retail market. But independent merchants present a much greater risk profile.

The concept is seductively simple: Beyond maintaining a continuously updated central database, suppliers form small "circles"—similarly sized companies likely to share a similar retail customer base, sales and market space.

When a new credit query is received it's initially checked against the general database. If information on the prospective account hasn't appeared there within the last 90 days, corporate credit managers poll others in the circle. Responses generally come within 48 hours, Solomon says, and if there are fewer than three hits within the circle, the query is then put out to the entire membership.

It's all done on the Web, with secure log-ons at the company's site, www.creditcollective.com. Annual membership costs \$375.

"It facilitates a dialogue between the credit managers enabling them to draw their own conclusions," Solomon says. "The information is very specific."

It's an additional tool enabling vendors to hedge their credit risks—or at least know and accept the risk in the transaction, he suggests. Moreover, when a retailer in the database becomes a credit risk with one member, email alerts are put out to the entire membership.

Solomon eschews any competitive downside to The Credit Collective concept, although he acknowledges a few member companies have raised concerns over sharing potentially competitive data. In those rare instances, specific members may be blocked from seeing queries of their competitors.

But Solomon spins the contrary argument: sharing that information increases sales opportunities for everyone, he says, at the same time it reduces the risks. It's effectively a method that qualifies new sales leads, he argues.

"You make money from improving receivables and by getting new orders with new business," Solomon says.

© 2005, Reed Business Information, a division of Reed Elsevier Inc. All Rights Reserved.



[Printer friendly version](#)



[E-mail to a colleague](#)

Ads by Google

[Retail Net](#)
Retail Industry Top 100 Research, reports, e-mail alerts
www.retailnet.com

[Merchandising Services](#)
For Retail Outlets. Store Resets, Secret Shoppers & More.
Learn More!
www.JRDemos.com

[Over 24,000 Retail Jobs](#)
Executive, Corporate, Store Mgmt, Merchandising and
Associate Careers
www.AllRetailJobs.com

[Home](#) | [About Us](#) | [Advertise](#) | [Register/Log In](#) | [Contact Us](#)

© 2005 Reed Business Information, a division of Reed Elsevier Inc. All rights reserved.
Use of this web site is subject to its [Terms and Conditions of Use](#). View our [Privacy Policy](#).