

# The 4 Types of Credit Personas to Address



Whether your company is at the enterprise or SMB level, enforcing a strategic risk management policy is a chief priority when it comes to preserving your business. To do this, you'll need to understand the varying characteristics of high-risk debtors and how to successfully combat the threats they present, which can be a difficult task.

In fact, research indicates that businesses are struggling to do so.

Case in point, a [survey conducted by the ERM Initiative and the American Institute of CPAs](#) revealed that only 23% of organizations feel their risk management policy is "mature" or "robust." Perhaps the other 77% of organizations have fallen short because they have failed to develop a solid, fundamental comprehension of high-risk credit behaviors.

For these businesses, we present a breakdown of the four core high-risk personas that must be addressed in any sound risk management policy:

## 1. The Procrastinator

These clients might not have an excellent credit rating, but it's only because they're slow to make payments. They are both willing and able to pay but they need frequent reminders to do so on time. On the upside, you can rest assured that this type of customer will pay eventually. As such, your business will gain extra revenue in late fees and interest charges the longer these procrastinators take to pay.

## **2. The Capricious**

You've heard the phrase "don't write a check you can't cash." Well, debtors with this type of persona haven't yet learned this lesson. They want to conduct business with you so they'll sign a contract without having funds readily available. This type of customer is not an outright credit criminal, but will need incentive and negotiation to follow through with payment. For example, try offering discounts and due date extensions.

## **3. The Unreasonable**

These clients have the necessary funds but tend to complain about and object to payment. Contrary to the procrastinator and the capricious business customers, this debtor needs discipline and persistence on behalf of the creditor in order to pay. Conducting business with this type of persona is much riskier than the former types, as they often have no interest in paying. Creditors may need to get aggressive and get collectors involved to inspire payment.

## **4. The Fraud**

The final persona is rather self-explanatory, and the very reason why businesses must conduct thorough credit history research on potential vendors, partners and consumers. To avoid business entanglements with credit criminals, ensure your credit policy is structured to deny access to potential debtors that have suspicious backgrounds. For example, always conduct a background check, financial stress report and business information report on prospects before signing an agreement.

Creating a comprehensive credit policy that protects your business is difficult without consideration of the various types of credit customers you may engage. Debtors come in all shapes and sizes and some are more threatening than others; know their personas and how you'll handle each type.