

Canadian Apparel Credit

By David Schachter Find out how CAF's new credit bureau can work for you



Industry-specific credit bureaus have been established in many sectors, often with the support and intervention of industry associations. The information available from generic national credit bureaus is often found to be insufficient. Members of an industry want to define the nature of the reporting they require in order to make appropriate credit decisions and the national bureaus, despite the fact that they cover a lot of ground, do not cover it in a timely manner.

In mid 2005, the Canadian Apparel Federation (CAF) acquired the CAMA Credit Bureau, operated by the Children's Apparel Manufacturer's Association. Along with the existing client base and database of children's wear retailers, CAF also acquired state-of-the-art software programs that had recently been developed for the credit bureau.

In early 2006, CAF entered into an agreement with David Schachter and Associated Collection Agencies (ACA), based in Montreal, whereby Schachter would develop, build and operate the new bureau, which is now called Canadian Apparel Credit (CAC).

The software is currently in beta testing and will be released shortly to the CAMA client base that was using the service. After some fine-tuning, it will be extended to vendors in the menswear and womenswear sectors. By Fall 2006, the system will be fully functional and able to fill all the credit bureau needs of the industry.

We recently spoke to David Schachter about the credit bureau:

What does a credit bureau do?

A credit bureau acts as a clearinghouse of information relating to the payment habits of your clients. Through the cooperation of a cross section of vendors, aging information is obtained and compiled. Other pertinent information – such as NSF checks, collection activity and financial results – is obtained through other resources. As a result, a more complete picture of an account's behavior is available to those who may be interested.

Why should I, as a Canadian apparel manufacturer, use a credit bureau?

The financial perspective that any one supplier gets is one-dimensional and often out of date. A credit application that was received several years ago is no longer relevant. The customer's payment history with you may have more to do with relationships between employees in both organizations than with the credit worthiness of the account. A credit bureau supplies you with current information on which to make decisions based on the best information that is currently available.

What concrete benefits will I derive from my subscription?

The information CAC obtains and makes available is current and industry-specific. We only operate within the fashion retail sector. National credit bureaus have a broader scope and report on more industries but the reports they produce are less timely and not usually as up to date as ours.

You want to make as informed a decision on the credit worthiness of an account as possible. Information that is one or two years old may not be relevant. If an account has slowed payments from 30 days to 90 days over the course of the past season, that is something you want to know. Up-to-date information will help you make better decisions on a daily basis and reduce your bad debts and recovery costs.

How reliable is the information you provide?

The information CAC obtains is from industry sources, from vendors who are doing business with the accounts in which you are interested. There are, of course, no guarantees when analyzing and reporting on credit worthiness. Credit decisions are always subject to risk. What CAC does is to attempt to mitigate that risk.

Where does the information come from?

Most of the information comes from vendors who have dealings with fashion retailers and who provide CAC with aged receivables on a monthly basis. Information is also obtained from credit meetings organized and held by the CAC. Some of the information is provided by the accounts themselves when financial reports are submitted. Other sources of information are collection agencies, banks, and landlords.

Will the information I provide to you be held in confidence?

It is of utmost importance that information sources be confidential. Most vendors prefer that data such as aged receivables and sales volumes not be divulged. All sources of information are coded and none of these codes are made available to others within the bureau.

What history does this credit bureau have

CAC grew out of the CAMA credit bureau which has operated in the children's apparel sector for the past 20 years. The CAMA credit bureau serviced children's wear vendors in both the U.S. and Canada. In 2002, CAMA undertook to upgrade its software and developed a web-based, interactive system. CAMA wanted to develop a system by

which information would be obtained and distributed in the most efficient way possible. At the same time, CAF entered the picture with the purpose of expanding the scope of the CAMA system to include the menswear and womenswear areas.

What is your own background and why should I have confidence in you?

I have worked in the industry for over 30 years and have extensive first-hand knowledge of most of its aspects, including manufacturing, importing, operations, merchandising and sales. Everybody associated with CAC has experience in the fashion industry and understands the vendor/account relationship. You are dealing with individuals who understand your problems and the day-to-day issues that confront you in the area of credit.

How much will this cost me?

An annual subscription fee that allows the vendor to call an unlimited number of reports will cost \$1500. There are other packages available that allow the vendor to request from 25 to 80 reports and these cost from \$500 to \$1000 per year. If the vendor prefers to request reports on a one by one basis the cost is \$50.00 for each report

How do I obtain the information?

CAC's technology is a web-based platform. All interaction between CAC and its clients is online. All reports are available online 24/7. The uploading of monthly aging information from our clients is also done seamlessly through an online connection.

Does CAC handle customers in the U.S.?

The database extends to and includes U.S. retailers and our clients have the option of joining either our Canadian bureau or our U.S. bureau. Service packages are available for both.

Other services

CAC is affiliated with ACA Collection Agencies and can provide asset recovery services to its members. Commercial collections, legal collections, bankruptcy follow-up, judgment enforcement and insurance claim mitigation are some of the services provided by ACA. Members of CAC also benefit from special rates for ACA services. ■

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