CASE STUDY

Laser 1 Technologies
Enriching Credit Policies

THE COMPANY

Laser 1 Technologies is a fabrication shop that prides itself on being neither typical nor traditional. It started out as two separate businesses, one that specialized in laser cutting and the other, precision machining. The companies eventually merged and have evolved into a full-blown manufacturing facility, offering not only its original services, but also fabrication, tooling, welding, metal stamping and more. By maintaining focus on their targeted markets within American manufacturing, Laser 1 Technologies has survived economic downturns and experienced considerable growth since its beginning in the 1990s.

The company's consistent growth during recent years has allowed them to expand and effectively handle – with the same precision and process integrity used when they were just starting out – a large variety of projects ranging from fabricating samples for new parts to facilitating large-scale, mass production. As the company acquired more complex projects and larger clients, it become apparent that they were going to have to offer credit payment terms, especially for their largest orders.

THE CHALLENGE

Extending Credit to New Customers Wisely

"The biggest issue was knowing the amount of credit we could safely extend to new customers," said Chief Operating Officer Tad Kowalczyk, MBA. "Verification of credit was biased." Kowalczyk explained that vendors often provided credit references that were the best for them, while withholding those that may raise red flags. This could lead to offering too much credit to overextended customers.

"After credit was issued, we were not able to easily track the company's credit worthiness," he said. "Consequently, our risk assessments were reactive rather than proactive. We were assessing vendors by their average days payable, which in some cases, unfortunately, led to write offs."

They needed a fast, accurate, and easy solution that would enable them to quickly evaluate the financial viability of their new customers as well as the automated means to monitor for material changes within their existing customer base. Through a conversation with their business bank, they were referred to Argos Risk and soon realized they needed AR Surveillance. "This is really a no-brainer for any institution that issues credit," Kowalczyk said. "Size of the credit doesn't really matter, but risk of the credit does."

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>
> ~ Tad Kowalczyk, former Chief Operating Officer - Laser 1 Technologies

THE SOLUTION

AR Surveillance™

Laser 1 Technologies wanted to keep a closer eye on their significant customers – those with the biggest orders and the largest lines of credit. “Initially, we started monitoring our top 10 customers,” Kowalczyk said. “Today, we are adding new customers to the list depending on the amount of the initial PO and anticipated revenue. We are currently covering about 70 percent of companies that help deliver our revenue through the system.”

When an initial order from a new customer exceeds a pre-determined threshold, or the material costs are higher than average, the customer is placed into AR Surveillance. The near real-time tracking has assisted Laser 1 Technologies in maintaining a strong internal credit policy, setting appropriate credit limits, and has helped reduce payment delinquencies and losses, according to the COO Kowalczyk.

“When a receivable reaches 45 days, we are checking AR Surveillance to see if the customer has experience any material changes,” he said. “Any negative trends in a customer’s financial viability increases our efforts to collect on these accounts. Since the utilization of the AR Surveillance, we do not have past due accounts over 60 days.”

From a strategic standpoint, Laser 1 Technologies discovered more benefits of AR Surveillance. “We are monitoring companies that are on our target list for potential acquisition,” Kowalczyk said. “When we buy equipment, we check the vendor to assess the risk of initial down payment and reliability. We also check our own company risk profile, which we review quarterly to make sure that our scores and trends are positive.”

AR Surveillance has enabled Laser 1 Technologies to embrace their expanding markets with peace of mind knowing their lines of credit are set using timely, accurate, information. Having this security at extremely cost-effective price is, as COO Kowalczyk puts it: “A no-brainer.”

“Overall, cost versus credit protection is: economic and affordable,” he said. “Argos Risk reports are better than traditional commercial credit reports for much less money.”

LASER 1 TECHNOLOGIES

Tim and Don Walsh started their independent businesses back in the 1990s. Tim owned the laser company and Don owned the company that offered computerized machining of steel parts.

In 2006 the brothers decided to join their forces and formed Laser 1 Technologies. The company made its mark by addressing small and more complex jobs. A massive order prompted the company to move to a larger location.

The economic downturn in 2008 and 2009 had a profound impact on the industry. Many similar shops in the area closed their door and buyers switched their attention to Asia. Because of the niche market in which Laser 1 operated, the company not only survived that period but in 2012 acquired GP Performance Stamping business.

The acquisition allowed the company to expand products offering making Laser 1 more competitive and capable to manage even larger projects. Laser 1 Technologies changed its business and operational models. The business prides itself on becoming part of the supply chain for many medium and large-size companies.

In 2012 and early 2013, Laser 1 Technologies went through a major reorganization process. The company expanded its workforce to more than 20 employees. The structured growth also included new equipment and new markets.

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