



Dear Friends:

Fifteen years ago, I became increasingly aware that the very unique collection needs of the media community were not being met adequately. At that time, Szabo Associates, Inc. became the nation's first and only media collection specialist. We've experienced remarkable growth since then and have made our unique way of handling media collections the standard of the industry.

We appreciate the trust that the media community has given to us since 1971. This year, we would like to expand the scope of our service to you by giving you timely information on your industry in an entertaining newsletter format. Each quarterly issue will contain such features as "True Collections," short stories of true cases (with names and places changed, of course!); "Collector's Corner," your forum for letters and suggestions; "Szabo's Forecast," my own prognostications on the various industries with which you do business; and a feature article on credit management issues.

We hope you enjoy the premier issue of "Szabo's Collective Wisdom." We also welcome and encourage your comments and suggestions, which will help us to tailor our newsletter to your best advantage.

Best wishes,

Pete Szabo, President  
Szabo Associates, Inc.

## Sales and Credit — Tug of War or Team Effort?

It's an all too familiar scenario — those conflicts of interest between media credit and sales departments that often erupt into angry confrontations.

**Salesperson:** Sam Spendabuck will be buying advertising for next month.

**Credit Manager:** I know you're trying to meet and exceed your quota, but we just can't carry this guy any longer. We're cutting him off until he pays the balance on his account.

**Salesperson:** I know the account's delinquent, but he's starting to get a return on his ads now, and I feel confident of his ability to pay. Besides, this account has the potential to bring in lots of new business through its subsidiaries.

**Credit Manager:** I'm sorry. We've got to draw the line at some point, and we can't be responsible for his cash-flow problems.

The conflicting objectives are obvious. Credit attempts to minimize past-due receivables and bad-debt losses while sales attempts to salvage existing accounts and sell new ones. But by recognizing and focusing on the shared objective — keeping credit losses below a certain percentage of sales — instead of conflicting ones, sales and credit departments can form a profitable team.

Credit departments usually have to depend on salespeople for a certain amount of credit information. The salesperson makes the initial contact with the customer and at the point of sale usually gets the basic credit information and references. The salesperson's continuing personal contact with

the client also can bring potential problems to light long before they appear on the ledger sheet. He or she may become aware of management or cash flow problems, for example, that could make collection on the account difficult. In some instances, the credit department also relies on the salesperson to collect on the account, since he or she is most familiar with the account and may know the best way to approach a particular client.

The credit department can reciprocate in this teamwork approach by approving a client's credit quickly upon receipt of the proper credit information to assist the salesperson in making the sale.  
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## FORECAST

Two industries to watch carefully in the fourth quarter of this year are the automobile and computer industries.



Peter Szabo, President

The automobile industry, as we all know, has been reaping the benefits of plummeting interest rates. Many consumers who ordinarily wouldn't have purchased a car this year have been successfully enticed to purchase in the last 12 months because of attractive financing offers, discounts, and rebates. Consumer appetite for new automobiles, for the most part, has been satisfied by now. I predict that in the last quarter, the automobile industry will begin to show signs of a downturn as consumer interest diminishes, and '87 models will be slower to roll off the lots. Keep a sharp eye on auto dealerships.

The once-glamorous computer industry is maturing. And as the number, power, and variety of computers have grown over the past few years, so have the risks to the many computer manufacturers and retailers. There has been a general slowdown in computer buying, which some observers say comes partly from the sluggish economy and partly from buyers' disappointments. There have also been imitators, many of them imports, glutting the market with less expensive versions of the originals. This combination of decreased sales and competition in the industry will cause a "weeding out" of many computer models,

which will in turn cause both manufacturers and retailers to suffer. Look at computer companies carefully. ♦

### *Sales and Credit — Tug of War or Team Effort?*

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Another helpful reciprocation on the part of credit is attitudinal — to look for ways to sell the account rather than to turn it down. If a client is obviously experiencing a temporary problem period, a group visit by both departments to a client can often result in a payment arrangement in which the client pays off the balance in manageable

increments over a set period of time. Another arrangement might be for the client to pay \$1.50 on every \$1.00 purchased from that time forward until the balance is paid off. Such temporary agreements resulting from a team approach to credit problems often salvage a generally good account and lay the groundwork for increased business with that client when the problem period is over.

One of the main ways to maintain a spirit of teamwork between credit and sales departments is simply to keep the lines of communication between the two constantly open. Credit seminars can help to instill a credit-conscious attitude within the sales force, and timely discussions between salespeople and credit managers can often prevent a credit problem from becoming a lost account. ♦

## COLLECTOR'S CORNER

"Collector's Corner" is our readers' forum for suggestions, comments, and idea swapping. If you have information to share or input on how our newsletter can better serve you, please write or call. We want to hear from you!

Question: At what point should I turn over an overdue account to a collection firm? 60 days? 90 days?

J.T., Atlanta, GA

Answer: I don't believe that the decision should be based on the number of days the bill is overdue. Each situation is unique and should be evaluated individually. Ask yourself the following:

1. Was the client a "borderline" when you first extended credit?
2. Is the industry in general "borderline"?
3. What's the "word on the street" about the client?
4. What is the client's excuse for non-payment?
5. Have a number of promises to pay by the client been broken?

The answers to these questions should help you to get a good "feel" for each credit situation and to determine when a collection firm's services are warranted.

# True Collections

*The following story is true. The names, places, and dates have been changed to protect the persons involved.*

## The Fishbowl Debtor

It was a glorious, cloudless, spring morning in Atlanta. The kind of day that you'd give up a week's pay for just to be out on Lake Lanier instead of poring over the day's calling schedule.

"Oh no," I thought as I uncovered a very familiar name. "I. Baiten Switchum, from the Hook, Line and Sinker Gift Shop, Hollywood, Florida."

I knew him well, or knew of him, anyway. We'd handled many a claim against old Bait, but they were all for amounts less than \$500. Too small to warrant lawsuits, and none had ever been paid. So now it was my turn to try to collect a \$350 claim.

I fortified myself with a swig of lukewarm coffee, dialed the number, and surprisingly was put right through to Switchum. I guess he was used to this, because he shot back at me like the seasoned veteran debtor that he was.

"Slow time right now. Not enough tourists. Not enough cash flow."

End of conversation, it seemed. I decided to try a straightforward approach on a more personal level.

"Mr. Switchum, why do you do this to so many of your creditors?"

There was a heavy sigh on the other end of the line. I envisioned old Bait, probably a bit heavyset and with the ruddy complexion of a man who's spent fifty summers in the Florida sun and quaffed as many six-packs of beer in a season, leaning back in a worn leather office chair.

"You know, except for the peak summer season, a business like mine has cash-flow problems. So nine months outta the year, I get constantly called, harassed, and even threatened. It's nuthin' new. Let me tell ya, though. Even in the off-season, I pay attention to my bills. I get one in and it goes in the fishbowl on my desk."

"Fishbowl."

"Yeah. And at the end of each week, I stick my hand in the fishbowl and pull one out. And then I pay it, no matter what the amount."

"That's an unusual way to handle accounts payable, Mr. Switchum. But if that's the case, why are we constantly calling you for unpaid

bills? Are they always at the bottom of the fishbowl?"

Switchum gave a hearty laugh.

"Nope. The ones that are a little patient get paid. But if I get a lot of calls about it or get one threatening letter, the bill is fished out of the bowl and trashed. If they leave me alone, it gets paid."

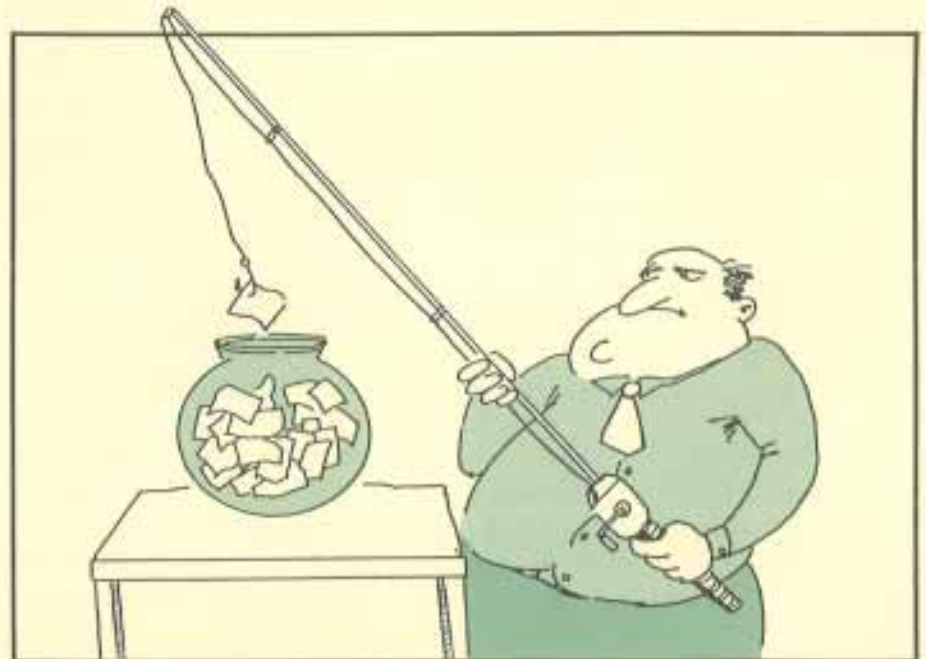
"Is my client's name in the fishbowl?" I asked with a feeling of dread.

"So far. And it'll be paid if you don't call me anymore. That's a promise, and I'm good for it."

"Okay. I'll wait, Mr. Switchum. And you won't hear from me for awhile."

I hung up the phone, filed the account away, and hoped for the best. Exactly forty-five days later, a check from Switchum miraculously appeared on my desk.

It's now another glorious spring day in Atlanta, one year after my first call to Switchum. I'm about to — *continued on page 4*



## True Collections

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give old Bait another call, just to remind him to add yet another client's bill to his fishbowl before I file it away for good. I've done this for several clients whom Switchum has owed over the past year, and they all received full payment within forty-five to sixty days.

Now I get the cards and letters from I. Baiten Switchum's happy creditors, who all think I use a magic Touchtone to call old Bait. ♦

—story contributed by Jim Hamilton

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"ACCOUNTS PAYABLE?" DOES THIS MEAN  
I PAY YOU OR YOU PAY ME?

## WE'RE SPECIALISTS

Szabo Associates, Inc. is the nation's largest media collection specialist. And because we're so familiar with your industry, we're able to save time, avoid unnecessary questions, and most importantly, achieve results. And we do it with diplomacy and goodwill. Call us collect.

### **szabo**

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