

## Take Charge And Get Paid!

Dear Friends:

The dust from our recent office expansion has finally settled, just in time to enjoy Atlanta's most beautiful season. The city will soon be awash in lacy pink and white, and I think it will be a "bloomin'" good year business-wise too.

Our February and March meeting calendar has been busy. We plan to be in Boston on April 26th-29th for the Broadcast Financial Management Association convention. I've been invited to play the role of a station credit manager and speak on ways to collect debts, reducing the need for a collection agency—certainly a different and interesting position for me to be in! We hope to see some of you there.

In the meantime, enjoy our spring newsletter. We appreciate the questions you've sent for "Collector's Corner," so please keep them coming!

Best regards,



Pete Szabo, President  
Szabo Associates, Inc.

After a sale is made, people tend to forget that the money for that sale must still change hands. For most customers, timely payment of their bills depends a great deal upon making sure they get invoiced properly for what they have purchased.

Many people will use any excuse not to pay. Having a detailed bill and a date that payment is expected will eliminate a great many excuses at the start.

Some customers will pay if they can, which means either they will pay if they don't spend the client's money somewhere else first, or they will pay if their client pays them. A very small but growing minority of customers have no intention of paying from the very start, and the need to recognize such customers is important to your credit policies.

Whenever a payment is late, immediate action needs to be taken. Most customers will appreciate a reminder if they've overlooked your invoice and will pay immediately. But if no payment is made after you've contacted them on the matter, that's a cue to you that a problem exists. This is the time to let your customer know, diplomatically but firmly, that you are serious about collecting your money.

Once an account is 30 days overdue, you should call to determine when

the money will be sent. Make sure that you get the name of someone in charge, so you don't get the "run-around" each time you call. Try to pin down an exact date and amount of payment, and try to limit the promise of payment to a maximum of 10 days.

A common problem in collecting debts is the customer's claim of a discrepancy in billing. Discrepancies should always be handled immediately. A number of major national agencies state in their discrepancy notices that if the agency does not hear from the station within, for instance, 30 days, the agency will assume that their deduction is correct. While these clauses have questionable legal status, the problem at hand needs to be cleared up as soon as possible to avoid confusion later.

A number of customers will not pay any part of an invoice until a credit is issued for the amount in dispute. This can result in thousands of dollars left unpaid while a credit is issued for \$150. Some customers will use a claim of a discrepancy as a tactic to stall payment when they do not have the money for the bill. Needless to say, it is imperative that you keep thorough records of transactions and schedules.

If deductions are taken out without a discrepancy notice, you should

—continued on page 3

# True Collections

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

## "Did You Get Your Wheaties Today?"

As any well-educated American consumer knows, it isn't difficult to acquire a fair amount of goods and services within a short period of time, often with little or no credit investigation by the vendor. Consequently, even the most well-intended business operation can find its liabilities growing like kudzu while its ability to create revenue shrivels at an equally rapid pace. Add to this one eager-to-represent-you attorney for every 200 people in America, and you have the makings for a double dose of collector's blues.

The majority of people in financial trouble really want to pay up. It is a relatively small number of businesses and people who abuse the system. And Sparky Sputnik was just one of those people.

Sparky went out of business as often as most people go out to lunch. During the numerous and brief periods of time he was in business, he became very well-educated in such guerilla tactics as "the sidestep stall" and the "so do whatever you have to" retort. Sparky was no stranger to our collection files, and our conversations were generally brief and pointed. My last brief conversation with him was to let him know that we had been awarded a \$28,000 judgment against his corporation. His pointed

"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.** I received an advertising agency purchase order with the following statement typed at the bottom of it: "NOTE: In placing this order, ABC Advertising, Inc. acts solely as agent for our client, the advertiser named herein, and assumes no liability whatsoever for payment of these charges. The agency will, however, undertake to collect and forward monies due the vendor under this order, with diligence and in good faith." Would this statement hold up in litigation?

N.B.  
Waterloo, IA

**Answer.** The agency is notifying you in advance that it disclaims any liability to you for payment since it is acting as an agent for a disclosed principal as opposed to acting as an independent contractor. Check the credit of the advertiser and get a letter from the advertiser stating that it acknowledges responsibility for payment directly to you.



response was to let me know in his own colorful way what I might do with it.

At this particular time, Sparky was operating a trucking company that specialized in hauling wheat for other people. I called him on behalf of my client, one of Sparky's latest credit casualties. Of the infinite number of ways that debtors can communicate with creditors, Sparky's style happened to be the one most likely to build a fire under any collection pro. He suggested to me that I lacked what it takes to exercise due process of the law because of a mental deficiency.

Well, Sparky's inimitable style aroused in me that special go-for-the-jugular instinct indigenous to the collection business. I reached for my armor (a monogrammed custom-

color designer telephone) and began tracking Sparky's assets.

Initially, my results were pretty dismal. Sparky had built a fortress around his assets. He was confident in his ability to protect them, and I was depressed over my inability to touch them. As a matter of fact, I was beginning to believe that this corporation of his wasn't real—that I was playing Don Quixote in a multi-layered fantasy land that owned little and owed plenty.

As I was about to abandon the windmills and hang up my sword, an interesting bit of information came across the phone wire. It appeared that old Sparky had agreed to haul some wheat for a business that was to pay him, not with money, but with two loads of wheat. What a  
—continued on page 4

**Take Charge And Get Paid!**  
—continued from page 1

contact the customer immediately, either by phone or by mail. However, deductions of \$25 or less should not be items of major concern. To avoid spending more money to collect than is owed, you should limit your collection efforts for such small amounts to a note or phone call requesting payment or explanation.

If an account goes 120 days without payment, you should refer it to a third party for collection. The reason is simple. The following table, based on experience by major lending institutions in the field of commercial credit extension, indicates how much the value of \$1.00 of accounts receivable shrinks with the passage of time.

Current	\$1.00
90 days	.90
180 days	.50
1 year	.30
2 years	.23
3 years	.15
5 years	.01

The use of a third party, whether it's a collection agency or an attorney, notifies the debtor that you are intent on collecting on the debt. Sometimes this is enough of a jolt to the client to prompt payment.

Once an account is referred to a third party, all collection activity from you must cease. If the claim is returned as uncollectable, you may want to assign it to another collector, but the probability of collection at this point is so low that it would be better to write it off as a bad debt.

If you file suit and are awarded a judgment against the debtor, you must still find property belonging to the debtor to attach. While laws vary from state to state, generally this property must be unencumbered by any other lien. Bank accounts are usually the easiest to attach.

Those customers who take personal offense at being asked for money are the ones who bear watching. By the same token, anyone who practices good business realizes the importance of good credit records.

Once you take a no-nonsense approach to collecting receivables, your customers will realize the importance of paying on time and will generally do so. ♦

# szabo's

## FORECAST



Pete Szabo, President

The stock market has soared recently to record highs, breaking the "2000" barrier. Foreign investors have dropped billions into the U.S. market because of the strength of our dollar and economy. Domestically, we're investing because the new tax laws have left us with fewer favorable alternatives, and we're also placing first-of-the-year IRA investments. This boom has caused many stocks to trade at 15 times company earnings, which is normally the ceiling on their value. Bulls still insist that the market will rise to 3000 this year. If this happens, it will be interesting to see what factors contribute to this further increase.

This phenomenon is not only a boon for investors but also a healthy sign for our economy. Historically, strong stock prices have tended to signal continued short-term economic expansion.

Consumer spending should increase along with the increase in individual spending power due to the tax law changes. This should, in turn, fuel advertising expenditures and revenues as companies compete to capture their shares of consumer dollars. ♦



JUST A MINUTE, HONEY--LET ME CHECK THE STATUS OF YOUR ACCOUNT.

## True Collections

—continued from page 2

"golden" opportunity, I thought—to catch Sparky with the wheat and to lay claim to it on behalf of my client. Unorthodox to be sure, but what the heck.

The "bust" happened just outside of Sparky's favorite truck stop. He was walking toward his truck with a toothpick hanging out of his mouth when I casually approached him. Then I handed him the notice that we were going to take his wheat in the name of "due process of the law." Well, the toothpick fell from Sparky's mouth and he turned beet red, but he regained his composure in time to shout his opinions about my family background and a number of other personal topics.

Sparky had no recourse but to pay in full, which he did immediately. A small but hard-won victory was mine—one that called for an appropriate celebration. I stopped at the grocery store on the way home, stocked up on Wheaties, and planned to celebrate the next morning. Because, after all, in this business, it pays to eat the "breakfast of champions." ♦

—story contributed by  
*Keith L. Gay*

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