

Dear Friends:

Welcome to our spring issue, the second to reflect our newsletter's color change to burgundy and white. While we liked the old image, we decided to create a coordinated look with the rest of our corporate materials and stationery package. We hope you like our new, updated version.

Next month's calendar of events includes the Broadcast Financial Management Conference on April 17th through the 20th in New Orleans. The theme of the conference is "quality," and what could be more important to all of us than learning new ways to help us become the best we can possibly be! The itinerary promises a very informative four days as well as plenty of fun in the "Big Easy." Hope to see you there.

Until then, I wish you all a profitable second quarter and a terrific spring season!

Best wishes,



Pete Szabo, President
Szabo Associates, Inc.

Dialing for Dollars (or: How To Collect More By Telephone)

Here's a multiple choice question. The major reason why past-due dollars are hard to collect is:

1. credit has become a tool of marketing, aggressively promoted and loosely given.
2. credit/collection activities are tightly budgeted, with too few people handling an increasing amount of customer debt.
3. many debtors consider holding off creditors to be a commendable accomplishment.
4. none of the above.

While the first three reasons are certainly valid comments about the current state of credit affairs and do describe factors that contribute to the ballooning of bad money, the answer is actually #4. The major reason for exorbitant past-due dollars is that most organizations fail to teach personnel to understand and effectively control the three phases of a telephone collection call—the **collection statement, the customer response (or excuse), and the rebuttal.**

Credit personnel who know how to properly handle each of these three elements stand the greatest chance of success in meeting their objectives—collecting past due money and preventing accounts from reaching a severely delinquent status.

The collection statement is simply what you say to the customer

in order to arrange for payment. This phase involves identifying the customer, identifying yourself, asking for payment in full, solving the problem (if any) and arranging for payment, and following up with the customer. The collection statement can be illustrated by the following telephone conversation between Molly Money Penny, the collector, and Freddy Mack, the customer:

Freddy: Freddy's Used and Abused.

Molly: Is this Mr. Freddy Mack? (identifying the customer)

Freddy: Yeah.

Molly: Mr. Mack, this is Molly Money Penny from KWWWTV, Channel 3. (identifying yourself)

Freddy: Oh yes.

Molly: Mr. Mack, the amount of \$1500.00 is outstanding on your account and is 15 days past due. Will you mail a check for \$1500.00 today? (asking for payment in full)

Freddy: Ms. Money Penny, I don't have it.

Molly: Mr. Mack, how much are you short in making full payment today?

Freddy: Well, um, I don't know.

Molly: Mr. Mack, will you mail a check for \$1000.00 today and also mail a check today for \$500.00 post-dated for the 25th of this month? (solving the problem)

Freddy: Yes, I'll do that, Ms. Money Penny.

—continued on page 2

szabo's

FORECAST

1988 is shaping up to be a most challenging and difficult year for the economy.

Most corporations should be putting heavy emphasis on cost containment and should be prepared to take necessary measures in the event they do not meet their sales projections.

There is, however, a good chance that we will avoid a recession in 1988. Since worldwide inflation is not a major concern, central banks will not be forced to adopt overly restrictive monetary policies that could trigger a recession. In addition, the reduction in personal income tax this year should give a boost to personal savings, which should, in turn, give assistance to the overall economy. And finally, it would be extremely uncommon for an election year to also be a year of recession.

I believe that the financial challenges of 1988 can be successfully met if we operate with our eyes open and our ears close to the ground. ♦



Peter Szabo, President

ment. If you say "can you pay?" and the advertiser answers "yes," what have you learned? Only that he is able to pay, not that he necessarily will pay. "Can" is negative; "will" is positive.

Mail: More specific than "send." "Mail" creates a picture in the advertiser's mind of an envelope, check, stamp, and so on. "Send" is not a picture word and doesn't collect as much money as "mail."

\$1500.00: A specific amount and the total amount. An assumption on your part that the debtor can't come up with the entire amount or that smaller payments would be easier to collect can be costly and dangerous. The debtor may be waiting for a comment or even a voice inflection that will enable him to conserve some cash. Always ask for the **full payment**, and don't even hint that less is acceptable.

Today: Again, a very specific call for action. Much better than using "now" or "immediately" or "right away," which are vague and which the customer may define differently than you do. If you don't use the word "today," then use a specific date.

In this call, the collector also solves the collection problem. Your success in this part of the collection statement depends largely on how well you've mastered the other two phases of the collection call—the customer's "response" and your "rebuttal."

Sometimes the customer fails to respond positively to your collection statement. He may instead interrupt your statement with an infinite variety of responses, or excuses, which can take you out of control of the call. These responses can range from the customer's claiming he has a cash flow problem to aggressive or attacking behavior, denial of the debt, or even total defiance.

While it is difficult or impossible to predict just how the customer

will react to your collection statement, you can stay in control of the call if you do several things: show a genuine interest in resolving the customer's problem, reaffirm to the customer the value of good credit, and remain objective—that is, don't allow the customer to draw you into an argument or cause you to lose your temper.

In the previous exchange between Freddy Mack and Molly Money Penny, Freddy's response was simply that "I don't have it." Rather than reacting with an intimidating "pay up or else" rebuttal, Molly coolly and objectively put the customer "on the spot" by asking how much he lacked in making full payment.

The majority of customer responses, including Freddy's, can be categorized as "frequently occurring"—that is, one of them will occur on almost every telephone collection call. The most effective process of dealing with these responses involves, first of all, conducting a meeting of your company's collection personnel. Ask one question at this meeting: "What are the frequently recurring responses (excuses) debtors make when they are asked to pay?" Then compile a list of these excuses, some of which may be unique to your own organization.

Second, follow up this meeting with another, and ask this question: "When debtors use a 'frequently occurring' response, what do you then say to rebut the response and collect the dollars?" The resulting answers from your personnel will comprise a list of "thought starter" comments that remove the excuse and leave payment as the only alternative.

Third, turn the information you have compiled from these meetings into an effective reference tool for your collection personnel. Type each response (excuse) in all caps onto the bot-

—continued on page 4

Dialing for Dollars

—continued from page 1

Molly: Thank you, Mr. Mack. (Molly makes a note to follow up in five days if checks are not received)

In the above exchange, the collector makes a complete statement of intent—"Will you mail a check for \$1500.00 today?"—using several key words:

Will: Much better than saying "can." "Will" asks for a commit-

True Collections

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

Yet Another Story About Love and Money

The roads were wet and slick on the night that Ed Blecker backed his brand new red Isuki hatchback out of the garage for the first time. The streetlights along the cul-de-sac cast an eerie, yellowish sheen on the patches of hard-packed snow still remaining from the storm three days before. The temperature had finally climbed above the freezing point, and Ed could hear the plop-plop-plop of melting ice falling onto the hood of the car as he cleared the garage door. He shifted into first gear, then watched and listened with pleasure as the tachometer needle rose steadily with the pitch of the finely-tuned engine.

As he turned onto the main highway into town, Ed's thoughts shifted from the joy of new car ownership to his imminent reunion with his girlfriend, Mary Beth. Three days spent alone in his townhouse had given Ed not only a severe case of cabin fever but also an unbridled desire for female companionship in the voluptuous form of Mary Beth. It was this vision of blond loveliness just 10 minutes away that occupied his thoughts when the patch of black ice on the highway threw his car into a sudden tailspin. By the time it came to rest, bent neatly into a hairpin shape around a telephone pole, the little red sports car had taken out a yield sign, several newly planted birch saplings, and any hopes Ed had of cohabitating

"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: What special considerations should I be aware of when extending credit to a corporation?

Answer: When extending credit to a corporation, you should keep three basic points in mind:

1. In most cases, the corporation only will have liability should a debt occur. Only the assets (if any) of the corporation can be used to satisfy a debt incurred by the corporation.
2. The corporation employee who is ordering, accepting delivery, signing contracts or leases, etc. must have authority to do so in order for the corporation to be responsible for the transaction.
3. If, after checking credit references, you are not positive that the corporation will be able to satisfy any claim that might result

from non-payment of the debt, get an unconditional "personal guaranty" from the parent corporation or owners. This is a statement, in writing, that the guarantor is responsible for the debt.



with Mary Beth for at least six months.

Maybe it was this last sobering situation that prompted Ed, as he lay in traction in the local hospital, to sue Isuki of America (the manufacturer) and East Wind Isuki (the dealership that sold him the car)

for \$15 million. He and his attorney, Bill Swackett, alleged that the new 6-cylinder, fully-equipped Isuki represented a potential safety hazard and that he, as a customer, should have been forewarned of the dangers of driving such a vehicle

—continued on page 4



YOU'RE IN CHAPTER 33 AND CAN'T PAY? HONEY I UNDERSTAND. WHEN I'M IN THE MIDDLE OF A ROMANCE NOVEL, I CAN'T THINK ABOUT ANYTHING ELSE EITHER.

Dialing for Dollars

—continued from page 2

tom of a 4" x 6" card. On the body of each card, type the corresponding rebuttal "thought starters." Insert the cards into 10 1/2" x 6 1/2" flip trays so that the response (excuse) is clearly visible. You will then have assembled an instantly available "Telephone Collection Guide" that is unique to your own organization.

The Telephone Collection Guide can be a boon to both new and even some seasoned collection personnel. It can help assure that your company's collection policies are being followed, it can result in more dollars collected by fewer people, and in addition to all that—it costs so little! ♦

True Collections

—continued from page 3

before he purchased it.

Meanwhile, the owner of East Wind Isuki, Nathan Nebbish, had just finished wrapping up an agreement to sell all of East Wind's assets to another dealership. In accordance with the "bulk sales

transfer agreement," funds were to be set aside by the new owner for disbursement to Nebbish's numerous creditors.

Since the dealership was insured for only \$5 million, the news of Ed Blecker's \$15 million lawsuit threw the funds into an immediate "deep freeze" pending the outcome of the case. With Nebbish's creditors getting more anxious by the day, the new owner's attorney came up with a suggestion that could free the funds held in escrow: Isuki of America would agree to indemnify and defend East Wind if East Wind would agree not to help in the defense of the plaintiff or make any representations that might differ from Isuki of America. It seemed to be a simple and effective solution, except for one minor obstacle: Nathan Nebbish, principal and defendant in the case, could not be found and was rumored to be somewhere in the south of France.

Months passed, with Ed Blecker

Szabo Collective Wisdom®. All rights reserved. Materials may not be reproduced or transmitted without written permission.

linguishing in his hospital room, the disbursement funds languishing in the escrow account building a sizeable amount of interest, and a growing list of creditors, collectors, and attorneys grappling with the terms of the bulk sales agreement. Then the Internal Revenue Service gave notice that approximately \$369,000 was owed the government, primarily in interest and late fees, and proceeded to take the money from the escrow account. When the creditors found out—after months of pressing their collective nose against the "store window" to no avail—that the federal government had simply marched in and taken its due, they responded with a multi-class action suit against the I.R.S.

Several months have again gone by. All lawsuits are still pending. Ed Blecker got out of the hospital only to find Mary Beth engaged to his orthopedic surgeon. And someone recently reported that Nathan Nebbish was seen on the French Riviera, sipping Beaujolais and no doubt musing over his former attachment to the world of big business. ♦

—story contributed by Andy Carros

szabo

Szabo Collective Wisdom® is a publication of Szabo Associates, Inc., 3355 Lenox Rd., Suite 945, Atlanta, Georgia 30326 Telephone 404/269-2884

FIRST CLASS
U.S. Postage
PAID
Permit No. 747
Atlanta, GA