

## 16 Tips For Collecting in Tough Times

Dear Friends:

As we roll into spring, we at Szabo have much to anticipate. Personally, I look forward to a successful turkey-hunting season, but more importantly, we will be celebrating our 20th year of service to the industry.

In this landmark year, we'd like to reaffirm our dedication to the continual improvement of our service to our customer. In this regard, we have realigned some responsibilities and added six more staff members.

On April 21st through the 23rd, the Broadcast Cable Financial Management Association will be holding its annual convention at the Century Plaza Hotel in Los Angeles. On Monday evening, April 22nd, Szabo will throw a 20th Anniversary party at the hotel. There'll be plenty of live music, dancing, and adult beverages. Y'all come!

Best wishes,



Pete Szabo, President  
Szabo Associates, Inc.

Okay, here we go. No more theorizing on why things are tough. Just some straightforward suggestions on how to make your collection efforts more productive in this kind of economic environment:

**1. Start the collection process when the account falls 15 days past due.** This is critical. People are usually more rational early on. There's no scientific basis for that statement, but if you conduct your own personal study of delinquency, I'll bet you find that a debtor's degree of receptiveness is inversely proportional to the length of time the account is overdue. Trust me on this one.

**2. Confirm in writing any monies promised outside of 10 days.** You know the old trite but true saying, "Out of sight, out of mind." Written confirmation reinforces promises of payment.

**3. Salespeople: Reinforce payment terms at the time of sale on new accounts.** It's really easy, in the fever of a sales pitch, for a salesperson to overlook the unpleasant business of payment. Additionally, it's a good idea for the business department to send the new client a "welcome aboard" letter, thanking the client for its business and restating the credit terms.

**4. Prioritize your collection efforts.** First priority, new customers. This is not intended to sound cold or condescending, but customers need to be "trained" to pay according to your terms. If you allow them to set a precedent of paying at 60 days, that will become the payment pattern and they will have "trained" you to accept those terms. Second priority, largest dollars. If you don't have time to call everyone, go for the ones where you have the most at stake. Third, slow payers. For whatever reason, some clients will always be late. A quick call to "speed things up" is worth it if you have the time. And fourth, anything else you have time for.

**5. Enlist third-party help at 90 days past due.** After 90 days, your chances of collecting rapidly deteriorate. In this kind of competitive environment, chances are that if you're not getting paid, someone else is. Take action quickly, or you risk losing the entire amount.

**6. Revoke credit privileges on 60-day accounts.** If your policy has been to do so at 90 or 120 days, it may be time now to further limit your downside risk.

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**7. Get confirmation of responsibility for payment from advertising agencies.** Agencies sometimes play “both sides of the fence”; that is, they say either “The client is responsible,” or “We’ll be responsible if we get paid.” If the agency is not responsible, then run a credit check on the advertiser or responsible party.

**8. Be alert to the types of business that are volatile right now in your market.** Extend credit carefully if you suspect that a business is particularly vulnerable to present economic conditions.

**9. Get credit applications and check credit on new accounts.** Cash in advance is also recommended.

**10. Make sure your “cash in advance” check clears before running the schedule.** No need to say more on this: You’ve all heard the horror stories.

**11. Institute total management involvement and support in the credit and collection process.** Make sure everyone is “on the same wave length” with regard to account status and collection procedures. Cooperation and communication among management and personnel can make collections infinitely less painful and more productive.

**12. Don’t oversell your customers.** As much as they would love to run prime time every Sunday night, if they can’t afford it, they probably won’t pay for it.

**13. Be flexible but firm.** Times like these require a bit more “give and take.” Respect reasonable offers of compromise or suggest terms yourself that you both can live with. When you reach an agreement, be firm in your insistence that the client honor those terms.

**14. Take immediate action at the earliest sign of problems with an account.** A delay of even two weeks can seriously compromise your collection efforts; in this economy, it can even result in your not receiving payment at all.

**15. Lose the battle if it means winning the war.** You may have to work a bit harder than you have in the past to reach a resolution on a past due account. If a debtor’s proposal is not what you’d hoped to receive, consider the likely alternative. If by not accepting the proposal you seriously decrease the likelihood that you’ll receive payment at all, “bite your lip” and reconsider.

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## True Collections

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

### Phone Tag Blues

**(or: If I always play fair, why am I always “It”?)**

**March 3, 1988, 1 P.M.  
Offices of Air Services of  
Falls End**

“Air Services. Binky Biggs here. We fuel ‘em, you fly ‘em ... Yeah, I always add that now, because Information is all the time getting us mixed up with ‘Hair Services.’ Had a guy come in just the other day wanting a flat top ... Oh yeah. I remember that ad ... Well, we didn’t pay the station

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“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:** When should a creditor consider a personal guarantee?

**S.B., Billings, MT**

**Answer:** You might consider a personal guarantee when you want to extend credit to a company that has shaky or limited credit. The company applying for credit is liable for payment; however, the principal of the company is personally liable as well.

Always secure the written personal guarantee from the principal prior to running the company’s ads.

**COLLECTOR'S  
CORNER**

## True Collections

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because it was supposed to be a co-op with FuelAmerica, and they didn't pay us. If you can get us a check, I'll be glad to pass something along."

**March 3, 1988, 2 P.M.**

**Office of sales representative,  
FuelAmerica**

"No, I'm in New Orleans. This is an area office ... Well, the documents were all approved. They should've received the check, according to my records ... You want FuelAmerica to provide a cancelled check? Ha! That will be a first. Try Houston ... Oh, and good luck."

**March 3, 1988, 2:30 P.M.**

**Office of Controller,  
FuelAmerica, Houston, Texas**

"The check wasn't issued out of this office ... Yes, I assure you

I'm sure ... You don't seem to understand. No checks are issued out of this office ... Where? To tell you the truth, I have no idea ... Well - heh-heh - you could always call the president of the company in New York. Maybe he knows."

**March 4, 1988, 10:00 A.M.**

"President's office ... I'm sorry, he isn't in right now ... Well, you might try 8:30 tomorrow morning, his time. You know, New York time ... No, this is Dallas ... Yes, I know you called the New York number. It rings in Dallas when he's out, and now he's out you see. Of course, when you call in the morning, it will only be 7:30 A.M. here, so if he isn't in, which he probably won't be, it will ring here and no one will answer that early. But that way you'll know he isn't there ... in New York ... My pleasure. Always happy to serve our customers."

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# szabo's

## FORECAST

Last month, the American Association of Advertising Agencies (Four A's) adopted a revised statement regarding agency liability for payment to the media. While in previous statements the issue of liability was conspicuous by its absence, this time the organization clearly defined what it called "sequential liability": "The agency shall be solely liable for payment of all media invoices if the agency has been paid for those invoices by the advertiser. Prior to payment to the agency, the advertiser shall be solely liable."



Pete Szabo, President

In view of the Four A's new position, along with failing LBO's and increased receivable problems, now is the prime time to review your own contracts with respect to a liability clause that will best protect you in your dealings with agencies and advertisers.

Prudent credit managers realize that in times like these, there are many additional reasons that can be stated to their companies' customers for changes in terms, payment responsibility, policy, etc. They also realize that it is possible to enforce these tougher terms with little or no client alienation.

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\*JONES WANTS TO SEE YOU, BOSS. HE HAS 'VERY GOOD FEELING&S ABOUT THIS ONE'... AGAIN.\*

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## True Collections

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### May 15, 1988, 3 P.M. Offices of Falls End Aviation

"Aviation. Binky Biggs here ... Right. Air Services isn't around anymore. We shut down the day after we got served with the lawsuit for hair breakage ... No, 'hair,' not 'air.' We decided finally to quit bucking the tide, you know? Had a nice little shop in the back, the works — perms, color, manicures. You name it. Then there was that unfortunate incident. Broke off clean down to the roots. 'C'est la vie,' as I always say. Anyway, the new business is doing great. Even own our own planes now. I guess it's always wise to stick to what you know best ... You finally sent a FAX to every

FuelAmerica office involved in this thing? ... True, if you can't get anywhere talking to 'em over the phone, might as well write to 'em over the phone ... Inside of a week? A check in full? ... Well, I tell you what. Give the whole thing to the station, what the heck. With my best regards ... For me? Well, if you happen to run into somebody who needs three cases of Egyptian henna, you know where to find me." ♦

— story contributed by Peggy Brown

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## Forecast

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Additionally, it is more important than ever to enforce your credit terms and call past due accounts

early on. Receivables have become more perishable. Action must be taken earlier to maximize cash flow and reduce losses. It costs money to collect through a third party; however, placing accounts for collection at the first sign of a problem will generally result in more money in the bank in the long run. ♦

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**16. Always collect your sense of humor!** Keep your emotions in check. A good attitude and a sense of control may be your two most effective weapons in the collections wars. Go get 'em. ♦

# szabo

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