

The Tried and True and New . . . Collection Tools and Tips for Our Times

Dear Friends:

As advertising choices expand and change, so does our arsenal of collection tools. Traditional methods to collect have retained their uniqueness and value; however, new methods brought to us courtesy of digital technology have given us new levels of efficiency and effectiveness. This issue's feature article discusses how to make the best of both the old and the new, alone and in combination, to get the optimum results for your organization.

Our spring calendar features the MFM/BCCA 55th annual conference, "Media Finance Focus 2015," on May 17-20 at the Arizona Grand Resort in Phoenix, Arizona. Szabo is pleased to sponsor the opening night party at Rawhide Western Town.

Best wishes for a wonderful spring,



Robin Szabo, President
Szabo Associates, Inc.

Sometimes, often in fact, things balance out. There is the yin and the yang, the good and the bad, the easy and the difficult. Such is the case with technology. For all the challenge and complexity that digital advertising brings to media, there are not only benefits but also digital tools to help us deliver the products, track their progress, and—of utmost importance to credit managers—collect the accounts that become past due. The traditional collection tools have not lost stature as effective methods to collect; rather, they are fortified by the addition of new technology-driven ways to communicate with the customer.

Face-to-Face.

Will any tool ever take the place of personal, face-to-face contact? (Ask anyone who has ever subscribed to an online dating service.) There is absolutely no substitute for human contact if you want to know and understand another person. Being social and business animals, we realize that so much can be read in a person's facial expressions and body language, information that often cannot be attained through any other kind of communication.

Traditional face-to-face contact, the hand-shaking kind, creates the most benefit, particularly if the first contact pre-dates any signs of trouble. We recommend a personal visit by the credit manager for large new customers, direct advertisers as well as agencies, when possible. This initial visit allows you to solicit feedback, confirm receipt of the first invoice, and find out if the

customer has questions about the invoice or terms. Perhaps most importantly, however, it allows you to present a friendly-customer-service face to the new customer rather than an I'm-here-to-find-out-why-you-failed-to-pay face. If the unfortunate situation of having to present the second type of face occurs at a later date, you will be in a much better position to negotiate pleasantly and successfully.

We realize, however, that personal visits are not always feasible. When that is the case, face-to-face is still possible through telecommunications application software such as Skype, FaceTime, or Google Hangouts. While not as impactful as a personal visit, these "videotelephony" options offer you and your customer the opportunity to see and hear each other, maintain a relationship, and react to nuances of expression and body language that are absent in other types of communication.

Video chat technology is developing at a rapid pace among competing applications, with Skype, FaceTime, and Hangouts being the dominant three. Microsoft's Skype offers free video calls to other Skype users; however, a subscription fee allows calls to cellphones and landlines. The service's reasonably priced premium account includes everything the product offers, such as group screen sharing, call forwarding when you are offline, and the ability to make Skype

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calls directly through a certified office system. Skype has had some call quality issues, which are dependent on the internet connection, and participants using cellular devices sometimes experience out-of-sync audio and video signals. On the other hand, Skype is a standalone service available in just about every platform. Also, since Microsoft purchased Skype in 2011, the company has been making good on its promise for improvements and enhancements. For example, in January, Microsoft introduced a new version of Skype for iPhone, and the company invited people to join a pre-release program. In exchange for their feedback, participants get access to early versions of Skype for iOS before they are released to the general public.

Apple's FaceTime requires you to have an Apple platform, and the service is free if both parties have it. Its quality and ease of use make it a popular choice for personal and inter-office communications among Apple users. Google's Hangouts features ease of use, high-quality video, with a strong focus on multi-person video chats. Google Apps for Business offers complete cloud computing business solutions at a reasonable price. Last July, the company announced a number of new features to facilitate easy, open, and affordable video conferencing for its corporate customers.

Voice-to-Voice.

Phone calls continue to be one of our favorite tools in the collection arsenal. Tone is telling, feedback is immediate, and resolution is often quick. Phone calls convey the message that you are serious about collecting and willing to have a conversation about why you have not been paid. The main drawback to this method is that receptionists and Caller I.D. are effective gatekeepers, and the customer may repeatedly (or forever) not be "in" to accept the call. In that case, frequent voice-mails, each subsequent message conveying increased urgency, will

inform the customer of your intention. Additionally, calling personal cellphone numbers of the responsible party (acquired with permission at the beginning of the business relationship) may be effective if you are unable to get through using the office number.

Written Word.

Well-crafted letters continue to have value as a collection tool. One advantage over phone calls is that letters are assumed to reach the party to whom they are addressed. The nature and details of your request are presented in clear black and white, and you have a copy should it become necessary to provide documentation of your communications in a court of law. Paper letters, mailed and delivered, convey a "this is serious business" attitude, particularly since it has largely been supplanted by more immediate methods of communication. Express mail conveys an even greater serious business attitude, with signatures guaranteeing delivery to the appropriate party, and should be seriously considered for "final demand" letters. Certified mail is also an option, but it carries the risk of refusal by a suspicious customer.

Some dinosaurs still breathe, if not thrive. Faxes are the pterodactyls that still fly, in spite of digital technology. One reason is that businesses who need to receive authentic, hand-signed documents remain skeptical about the viability of digitally certified documents. Predictably, government agencies continue to use fax machines. While emails may be acceptable, the series of security standards and encryption required for emails by some agencies make it simpler to use a fax machine. Thankfully, it is no longer necessary to own a fax machine with a dedicated phone line. Online fax services, such as Maxemail, GFI, and Smartfax to name a few, allow you to outsource faxing needs (both sending and receiving via your computer or mobile device) for a reasonable price, resulting in significant cost-savings to businesses.

Email, while easier, cheaper, and more immediate than snail-mail, has the disadvantage of getting lost or ignored in the flood of unsolicited inbox information.

Even so, there are ways to make an email "scream for attention," causing the customer's eyes to come to a sudden stop as he scans the daily mail.

"Texting" (SMS, or Short Message Service) has gained much popularity among mobile device users because the device is always with them and the "call" is less intrusive than a traditional phone call, allowing the recipient to respond when convenient. There are, however, certain rules of etiquette that should guide your use of texting businesses as opposed to social contacts. While less intrusive than a phone call, texting is certainly more intrusive than any other form of written communication. The default settings on most mobile phones ring or vibrate when they receive a message. A text message that is not perceived by the recipient as urgent or welcome may be received very negatively. Additionally, since a single text message is limited to a small number of words, a lengthier text will spill over into another message. The brevity of the communication may also convey a curt tone if not carefully crafted.

A more important consideration are government rules regarding texting; specifically, those interpreted and enforced by the FCC under the Telephone Consumer Protection Act of 1991 (TCPA). The Act prohibits the sending of commercial texts and emails to consumers' personal mobile phones unless authorized in writing by the recipient. Since it is sometimes impossible to determine whether a mobile phone is a company or personal phone, or whether the number still belongs to the intended recipient, we advise extreme caution. There already have been class-action lawsuits against companies that have violated TCPA rules. For these reasons, we recommend that texts to customers be confined to brief exchanges in time-sensitive situations in order to clarify questions on issues previously addressed by other means of communication.

Social Search.

In order to engage your customer, you first must know where he is.

Social networking sites and services, such as Facebook and Twitter, have significantly increased the speed and reach of information, giving skip tracers a valuable tool for finding elusive debtors. Once the debtor is found, these services may also proffer information relevant to the debtor's delinquency. Using social networking sites to gather information and investigate a debtor's history can be difficult and may fail in the end to get you paid; therefore, the amount at stake, time/effort required, and perceived chance of success should be evaluated to determine its worth.

Social networking sites generally have published terms that prohibit commercial debt collectors from using tactics that violate the Fair Debt Collection Practices Act (FDCPA). While a social network site or service may not themselves be able to punish unlawful activity, other than by removing posts and banning users from the site, the FDCPA can. The FDCPA applies to communications between professional collectors and consumer debtors only, not to business-to-business transactions. The law also does not specifically mention social networking, although the language can easily be applied to

its use. Some states are updating their own consumer protection laws to accommodate new technology, and these state statutes govern what businesses can and cannot do. Regardless, it is never advisable, in our opinion, to use social media for debt collection purposes other than to research the debtor's whereabouts and situation. To do otherwise can, at the very least, jeopardize a good or salvageable relationship between you and your customer.

Powerful Communication.

Every form of communication, whether in person, by voice, or by written word, has the wicked potential to move the recipient to action. Proper style, tone, content, and timing are integral to the success of each form. When used in combination, they can deliver a potent dose of persuasion to the most difficult debtor.

Style. Written communications should be "all business," following the format appropriate to the medium. Develop your organization's own collection "form" letters, which provide the basis for more personalized applications, with two or three variations to add flexibility. Draw up a set of guidelines to help your staff personalize the letters without changing the message.

Keep it short (one page with mostly white space), address it to a specific individual, sign it by hand, and mark the envelope "confidential" or "personal."

Your collection letter series should serve the vast majority of your needs; however, there are exceptions that require special style and content. Nonpayment by a major or new account, an unusually large amount outstanding, or a complex situation may require a carefully composed letter that addresses the particular circumstances.

Tone. Write letters and other forms of written communication as though you were speaking to the customer. The tone should vary according to the stage in your collection efforts. The "First Reminder" should be mild and non-accusatory, implying that the nonpayment is probably the result of an oversight. If the first goes unanswered, the "Second Reminder" should amp up in tone to convey puzzlement and, in a non-threatening way, suggest that the nonpayment might still be the result of oversight or another reason unknown to you. Your "Third Reminder" should ratchet up further to reflect growing concern. If this fails to get a response, compare the amount owed to the cost of collecting, and consider placing the account with a third-party collector. If the amount is considerable, consider making a phone call rather than sending a third letter. If all fails, your "Final Demand/Other Action" letter serves to notify the debtor of your next move if the account is not paid.

Content. Face-to-face contact has distinct advantages regarding content because it allows immediate and substantive exchange of information. You can quickly determine if there was an oversight, address discrepancies, clear up disputes, and acquire a verbal commitment for payment, hopefully in a single conversation. It is the most effective way to negotiate a payment plan, if necessary, and the best way to maintain a positive relationship with the customer. After a plan has been agreed upon in person, follow up immediately with written communication that recaps



"I found Mr. I-can't-pay-because-of-a-temporary-cash-flow-problem Smith. Seems a 'friend' of a 'friend' of a 'friend' of his, who happens to be a 'friend' of mine, just posted a photo on Facebook of him and his staff on the beach in Bali. Think it's time for Facetime?"

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the agreement.

If you choose to correspond by mail, know the facts before you compose your collection letter. Gather every bit of information and correspondence, check for credit file updates, and review the customer's financial condition and operations to get clues as to why the customer is delinquent. Include in every letter the amount due, the number and date of the invoice, and the date the account became overdue. Use clear and direct language ("Please send a check for \$5,000 today).

If you choose to use email for past-due collections, make sure your subject line is an attention-grabber, worthy of immediate attention ("Payment overdue!" rather than "Friendly reminder," "Stop credit notice" rather than "Important notice"). In the message, put the reference line

at the top: RE: Unpaid invoice (#). Next is the salutation line: Dear (Mr./Mrs./Ms.). Keep the message brief and to the point. At the bottom, below your name and position, put a disclaimer, such as, "This communication is confidential and may contain privileged material. If you are not the intended recipient, you must not use, disclose, copy or retain it. If you have received it in error, please immediately notify me by return email and delete the email." Whether form or non-form, snail mail or email, letters that you intend to use should be submitted to your attorney for review to ensure compliance with federal and state laws. (See *Collective Wisdom*, June 2013 for more tips on effective collection letters.)

Timing. The effectiveness of any collection effort—face-to-face, voice-to-voice, or the written word—depends greatly on sticking to a predetermined collection schedule. Within this schedule, prioritize your accounts, with new customers first, riskier customers second, high-stakes third, and slow

pays fourth. Consider combining collection tools for maximum results. For example, make your first contact face to face, before any problems emerge. Use letters or phone calls for past-due accounts at 40 days past invoice date, and 60-75 days past invoice date. Make a "final demand" in person, by phone, or by letter at 90-105 days from invoice date. Move accounts out to a competent third-party collector on a timely basis—at any age if communications lapse, in the wake of a significant negative financial event, broken promises, low balance that is not worth the in-house effort, or 120 days past due.

Words that Work. However you decide to combine your collection tools, make sure every word matters. Assist your staff in mastering tactics and language as part of Collection Action Plans, which can be applied to specific customers and situations. See *Collective Wisdom*, March 2013, for plans and tactics that really work! ♦