

## Dear Friends:

It was certainly nice to see so many of you in New Orleans at the Broadcast Financial Management Association Conference. I trust you all had your fill of beignets, crawfish tails, and shrimp creole and are now ready to get down to the serious business of summer barbecues and picnics in the park.

Spring has been good to us here at Szabo Associates. We've acquired a number of new clients, and several new employees have joined us in the last few months. Also, I'm honored to have recently been elected to a three-year term on the Board of Directors of the Broadcast Financial Management Association.

Our summer calendar is quickly filling up with activities. The Enterprise Systems Group is hosting a user's conference in Colorado Springs on July 24th through the 26th. We'll be speaking there, then coming home to attend the Georgia Association of Broadcasters annual conference on August 6th through the 8th at Callaway Gardens.

Best wishes for a delightful and productive summer,



Pete Szabo, President  
Szabo Associates, Inc.

## Dear Debtor:

In this age of instant telephone communication, is there still a place for the collection letter to collect past due accounts? Or should it retire beside manual typewriters, correction tape, and carbon paper as a once-essential-but-no-longer-needed business tool?

Most experts would agree that, while you wouldn't use a routine collection letter to collect a \$100,000 balance running 90 days late, the letter can be an effective collection tool in the majority of cases and particularly with smaller accounts. The reasons are simple: A letter takes less time, less effort and costs less than any other means of collection. And a carefully worded letter can be the least offensive collection communication, serving as a mild reminder that will often produce the payment.

Every organization should develop its own collection "form" letters, taking into consideration the special conditions that exist in the industry and the organization's credit policies. Two or three variations of the same message can disguise the letter's appearance as a form and add flexibility, and guidelines can be drawn up to help collectors to personalize the letters without altering the message.

Collection letters that work best follow several principles for writing effective business letters:

1. **The writing style is clear and uncomplicated.** Complicated wording, "clutter" and jargon can be misleading.
2. **The structure is simple and easy to follow,** with brief sentences and paragraphs.
3. **The letter easily fits a single page.** Unless the letter concerns something more involved than a reminder of debt and a request for payment, it should be no longer than one page, and most of that page should be white space. This creates a more inviting appearance and tends to focus the reader's eye on its content.

The content of the letter should always present the situation clearly (amount due, number and date of invoice) and should always ask for action ("Please mail your check today!"). Records on the account should always be checked before sending the first or any subsequent letters to make sure the invoice hasn't been paid or that special terms haven't been recently granted.

The "First Reminder" letter should, in a mild and non-accusatory manner, offer the suggestion that the non-payment is probably the result

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## FORECAST

Presently, the economy is growing at a much stronger pace than most economists had anticipated. First quarter real Gross National Product increased by a healthy 2.3%, while the unemployment rate is at a nine-year low of 5.6%. First quarter automobile sales were very robust, and March housing sales were up 4% over the previous month.



Pete Szabo, President

All of this good news does not mean all is well with the economy. In order to rectify our massive trade deficit, the U.S. needs to shift away from a consumption-oriented economy and move toward a production-driven economy.

So far this year, consumption has not slowed and has kept the dollar under continuous pressure. Also, inflation is gradually creeping upward. The underlying inflation rate is approaching 4.5%, up from 3% last year. This upward movement is encouraging a rise in interest rates also.

I continue to believe the economy will grow between 2 and 3% with no recession in 1988. ♦

### Dear Debtor:

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of an oversight. Since this is often the case, first collection letters frequently produce the payment.

If the "First Reminder" letter has gone unanswered, it is time to hint at some puzzlement (in a non-threatening way) over the non-payment in the "Second Reminder" letter. Your puzzlement might be expressed by stating, "We have had no response to our recent reminder of your past due account. We still believe the items called to your attention have either been overlooked or delayed in payment for some other reason." Or perhaps this very direct approach: "DID WE DO SOMETHING WRONG? If that is the case, please tell us so that we might correct whatever might be amiss. We're puzzled by the delay since, to our knowledge, both the schedule and invoicing were in order."

When two reminders, properly spaced to allow time to respond, have produced neither payment nor communication from the debtor, the "Third Reminder" letter must reflect growing concern. This is the time to include a positively phrased benefit statement to motivate the debtor to take action. If a customer has not paid by this time, there is a reason for it. Although the letter may not uncover the reason for non-payment, it can give the customer a way in which he will benefit by paying the bill.

The benefit statement should always be worded in a positive, non-threatening way. "If your note payments fall behind, we will cut off further business" is threatening. "If your note payments are maintained on a current basis, we will be able to continue doing business" is a more positive approach. "If you don't pay, your credit standing will suffer" is a negative statement. "Payment of the invoice by the 10th will insure your continued favorable credit standing" is positive.

It is wise at this stage to maintain a sense of proportion between the amount you are trying to collect and the cost of collecting it. It should also be kept in mind that a large account may warrant a phone call rather than a third letter. And there are some cases in which no single method of collection will produce payment. In these occasional situations, a combination of letters, phone calls and a personal visit may be necessary.

Now let's suppose that you've reached the end of the line with an account. You've decided to mail a "Final Demand/Other Action" letter containing your final request plus a statement of what you will do next if the invoice is not paid. Besides being absolutely sure of the facts and sure that there has been no payment or response to previous letters, you should be fully prepared and fully intend to follow through on your "other action" if this letter fails to produce payment.

"Other action," more often than not, consists of referring the account to a collection firm. This consequence of non-payment might be worded this way: "We have reminded you many times of your \$12,200 past due account. You have yet to offer even partial payment or a response of any kind. We simply cannot understand your neglect of this serious matter. Accordingly we now advise that unless we receive full payment by September 15, we will refer the matter to our collection firm. Do let us have your payment and save us both this extra time, effort and expense."

The collection letter series should serve over 90% of your collection needs. Some of your collection activities, however, will be exceptions and require special (non-form)

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# True Collections

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

## The Worst Case

"Kath, get this account for WZOD vs. Sue Quick out to the attorney PRONTO!"

"Sure thing," I replied to my boss, Pete. I'm Kath, and I've been in the litigation department of this collection firm for eight years. After seeing the legal system in action for that long a time, few situations cause me to so much as bat an eyelash. And this case seemed like so many others that come through here—a radio station suing an agency for non-payment for air time.

Usually, if things get bogged down somewhere, it doesn't happen until at least all parties involved know what's going on. This time, however, the quicksand first appeared in the U.S. Post Office, which swallowed up the paperwork and the court cost check that I had so efficiently mailed upon Pete's request. So while we were putting a tracer on the check and WZOD was putting together another package of paperwork, Sue Quick was enjoying an extra three weeks of no legal consequences.

Lawyer Cyrus Saperstein already knew of Sue Quick. "Suing Sue is surely the smart shot," spat Saperstein when he finally received the second packet. Sue's response to the lawsuit was equally predictable. "I didn't authorize those ads," she told Cyrus on the phone.

"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:** From the time he gets served with a lawsuit, how much time does a debtor have to answer it before the plaintiff receives a judgment by default?

**Answer:** Most state court time limitations for a debtor to file defensive pleadings are 30 days. The debtor or defendant in a lawsuit must file in court or answer within 30 days after service (delivery of the suit papers to the debtor by the sheriff of the court).

In many states, a defendant has the right to reopen the case during the thirty-first to the forty-fifth day if he pays the court costs. This means that a creditor will not obtain a judgment until at least 46 days have expired. The creditor should also bear in mind that it may take days or even several weeks for the sheriff to serve the debtor.



"And furthermore, the signature is forged, the ads ran in the wrong time slot, my agency has no assets, and I'm only an agent for Camel's Back Movers. Why don't you call them?"

"C'mon Sue," said Cyrus. "You know I'll have your lunch in court. You owe \$10,000. Make me an offer."

"Okay. I'll settle the account for \$600 at \$22.50 a month."

Needless to say, the case was going to trial. The first trial date, six months after the conversation between Sue and Cyrus, coincided with the judge's untimely case of mononucleosis. On the second

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**"YOU KNOW THAT BALLOON PAYMENT THAT'S DUE, MR. WHIPPLE? WELL, IT TOOK SOME DOING, BUT YOU'LL BE PLEASED TO KNOW IT'S ON ITS WAY!"**

## Dear Debtor:

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letters. Exceptions may include delinquency on the part of a major account or a new account, an unusually large amount outstanding, or a combination of situations requiring a carefully composed letter directed to the specific problem. In these situations, the "custom-tailored" letter should be firm but courteous in tone, addressed to a particular person, and signed personally.

One important final note: Any collection letter that you intend to use, whether form or non-form, should be reviewed before use by your attorneys to insure compliance with Federal and State legislation. ♦

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## True Collections

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trial date, Sue was hospitalized. (The official reason was acute gastritis, but those in the know let it be known to anybody who would listen that it was a tummy tuck.) A

third date was set for eight months later, when the salespeople from WZOD took off for a sales bonus trip in Pago Pago. It seemed time was truly on the side of Sue, who already had a two-year, interest-free loan.

Finally the case was heard, and we won. The lawyer representing Sue (who indeed did have more gall than girth since her operation) immediately filed an appeal. Another year went by, and we prevailed in the appeal. Cyrus immediately garnished Sue's bank account and collected the money in full.

Then two months later, I received a piece of mail that made my justice-hungry blood boil. Smart Sue had filed bankruptcy, and the money collected for WZOD had to be paid back to the bankruptcy court under a "Preference Action."

Yesterday, Pete brought me

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another claim against Sue and her new agency, Ads Infinitum. When I hesitated to send it to the attorney, Pete asked me why.

"Well, Pete, in the worst case..." ♦

—story contributed by Kathleen May

## The Fine Art of Media Collections

At Szabo Associates, we're more than just collection experts. We're well-versed in the fine art of media collections. In fact, Szabo Associates is the nation's first—and only—collections firm exclusively for the electronic and print media. And we do it with diplomacy and goodwill. Call us collect.

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Media Collection Specialists

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