



MORE is better than less.

## Dear Friends:

Collecting without employing a keen understanding of human nature is like fly fishing without a hook. Just as there are reasons why customers are good, slow, or bad, there are effective ways to address those reasons and appeal to their “better angels” at every stage of the collection process. In this issue’s feature, we discuss the merits and how-to’s of “casting a wide net” to include all of your customers in your collection efforts—training the new, appreciating the good, and encouraging the not-so-good to meet your terms.

The MFM/BCCA annual conference last month in Arlington, Virginia was great fun and very informative as always! Szabo was pleased to sponsor the opening night party at the National Press Club. We look forward to celebrating the achievements of our talented associates at our annual Szabo Quality Awards Banquet on August 27 in Atlanta.

Best wishes for a wonderful summer,

A handwritten signature in cursive script that reads "Robin".

Robin Szabo, President  
Szabo Associates, Inc.

## Fishing for Dollars? Cast a Wide Net!

When most people hear the words “debt collection,” the first image that comes to mind is someone hounding someone else for money, chasing after elusive dollars that a debtor is unable or unwilling to pay. While some organizations operate only within that construct, others realize that effective collecting is so much more complex than simply asking for what is owed. Rather, by identifying the “who,” “why,” and “how” in a broader context, they begin relationships with their customers in a positive way, forestall potential problems, and more effectively resolve disputes and discrepancies if they occur.

General goals and timetables for taking actions to collect are simply not sufficient for preventing or reining in problems. If you truly want to maintain good relationships with customers while slashing your DSO, a comprehensive approach—including tactics that can be applied to specific customers and situations—is the only solution.

### Who and Why.

There are four basic categories of “who” and “why”: new customers to train, good customers to thank, slow customers to remind, and bad customers to hunt down and collect. Your customers may be direct advertisers or the agencies that serve them.

*New.* These customers should be your first priority because this is your opportunity to lay positive groundwork for moving forward successfully. The method of contact should be face-to-face or voice-to-voice (telephone), the best by far when beginning any business relationship. The communication

should take place between 15 and 30 days from the invoice date.

This is not the time to ask about payment since it is assumed the invoice will be paid according to your agreed-upon terms. Instead, express gratitude for the business: “Thank you for choosing us to help you grow your business. We contact all of our new customers after their first billing to thank them, get feedback about our service, make sure our invoice has been received, and answer any questions they may have about our invoice or terms of payment. You are important to us, and we want your experience to be rewarding.”

Then ask questions: “Is there anything you would like to share about our service?” “Are we meeting your expectations?” “Have you received our invoice?” “Do you have questions I can answer about it or our terms?” Additionally, if the customer is an agency, ask, “Has the buyer approved it?”

Even if all is well, this is not the time to file away the account until a problem arises. Notate the file and set a follow-up date of the sixth working day of the following month. Check that day for payment. If made, move the date forward 30 days and monitor the account. If payment was not received, immediately send a reminder notice via fax, email, or overnight delivery, and follow up later that day or the next.

*Good.* The most enjoyable communications are with good customers. They are also among the most productive because they

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indicate that you value the relationship enough to take the time to communicate when nothing is wrong. If something goes awry in the future, resolution is easier for having made this investment of time, effort, and appreciation early on.

Even the best of customers can run into cash-flow problems or other obstacles from time to time. If you have an ongoing pleasant relationship, the customer is likely to be candid with you when problems arise and to be willing to work with you toward an acceptable resolution. Additionally, customers often have “gatekeepers” whose job includes fending off unwelcome callers and creditors. Establishing a phone relationship with the gatekeeper can help you get through to the debtor when the need arises.

*Slow.* Customers who fail to meet your 30-day terms should be contacted 40 days from the invoice date to keep them below 45 days or more. At this point, you will likely encounter excuses involving terms, unresolved discrepancies, or cash flow issues. In the case of an agency, a common excuse is nonpayment by the client; however, even if the agency did not bill on estimate, it should have received payment by the 40-day point. Exceptions do occur, of course, particularly with digital campaigns where billing sometimes takes place at the end of the campaign rather than monthly. Find out what the problem is, and attempt to resolve it then and there. If an agreement is reached, follow up on the date payment is expected.

If a customer fails to pay at 60 or 75 days, they likely are customers who have become accustomed to being allowed to pay at this age, smaller customers who have not been contacted at the 40-day point, customers who have broken promises to pay, or customers who have had recent changes in financial strength.

With your priority in this category being the biggest accounts that will have the

greatest impact on DSO, contact these customers immediately and make every effort to prevent them from becoming habitual slow pays. It may be necessary to elevate the discussion to the senior management level in order to reach new terms that are acceptable, even if they do not meet your usual standard. Do all you can to prevent the account from aging further because accounts that are 90 days aged are major problems!

Chances are good that accounts allowed to age to 90 days are not slow-pay, but no-pay—“bad” customers who simply have no intention of paying, now or ever. At this point, credit privileges should have been cancelled and discrepancies resolved. This is your last effort to collect by making a final demand. It is usually unproductive and costly, both in time and recovery, to continue to pursue accounts beyond 120 days. At this point, turn them over to a third-party collector.

### **How.**

The “how” of effective collecting includes methods (vehicles) and techniques (responses). The method and technique should be chosen according to the specifics of each case.

*Methods.* Luckily, we now have a variety of methods to communicate that were unavailable not so many years ago. For example, in the past, “face-to-face” meant a personal visit to a customer’s place of business, a costly and time-consuming effort that usually was limited to very large accounts. While personal visits are without parallel for their effectiveness, video chat technologies such as Skype, FaceTime, and Google Hangouts allow you and your customer to achieve a similar exchange with much less expenditure of resources. Other traditional methods, such as voice-to-voice and the written word, have also benefitted from technological advances.

Second to face-to-face contact, the telephone remains one of the best devices for voice communication; however, it is not without its limitations. How many times have you tried to reach a debtor, only to be told by a gatekeeper that he is “unavailable” or “out of the office”?

Or, you reach the debtor’s voicemail, leave a message asking for a return call, which you never receive? On that subject, any messages left should not include the specific reason for the call (“I am calling about the \$10,000 you owe us”); rather, it should be a request for a call back to discuss an urgent matter.

The printed word has some distinct advantages. Printed communications are assumed to reach the party to whom they are addressed. Additionally, they provide a written record that can be used to support your case. Letters (snail mail), email, faxes, texting, and social media are all valuable tools, depending on their specific applications.

Social media (Twitter, Facebook, etc.) can be useful for, and usually should be limited to, finding elusive debtors. Once the debtor is found, these services may also proffer information relevant to the debtor’s delinquency. This process can be time-consuming, however, so its worth should be based on evaluating the amount at stake, the time and effort required, and the perceived chance of success.

Texting, while less intrusive than a phone call, is certainly more intrusive than other forms of written communications. Additionally, government rules regarding texting, interpreted and enforced by the FCC under the Telephone Consumer Protection Act of 1991 (TCPA), prohibit the sending of commercial texts and emails to consumers’ personal mobile phones unless authorized in writing by the recipient. Since it is often impossible to know whether a mobile phone is a company or personal phone, or whether the number still belongs to the intended recipient, extreme caution is advised.

We believe that texting, like social media, should not be used for collection purposes. Texting can be useful in time-sensitive situations to clarify questions on issues previously addressed by other means of communication. To use it otherwise can, at the very least, jeopardize a good or salvageable relationship between you and your customer.

Whichever form of printed communication you choose, make it matter! For it to work as a call to action, it must first get the attention of the debtor. Failure to do so is a common pitfall of email as opposed to snail mail. In order to avoid your email getting lost or ignored in your debtor's list of unsolicited inbox messages, make your subject line arrest the debtor's daily scan. "Payment overdue!" conveys urgency and importance in a way that "Friendly reminder" does not. Make sure to include a clear reference line at the top of your message: RE: Unpaid invoice (#). Follow with the salutation line, a brief and to-the-point message, your name and position. End with 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 reviewed by your attorney to ensure compliance with federal and state laws.

Every form of communication, whether in person, by voice, or by written word, has the 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. Choosing the combination of contact methods that best suits your organization's needs is an important step in your collection strategy.

**Techniques.** In addition to a variety of contact methods, every organization should have a prepared arsenal of techniques (responses) for its credit and collections personnel to employ in any situation. For every excuse, there needs to be a response or rebuttal at the collector's fingertips.

Szabo recommends developing four "collection action plans," designed to address collection issues with advertisers and agencies at each stage of the collection process: before the invoice is due, before the account ages to 45 days, before the account ages to 90 days, and before the account ages to 120 days. With each subsequent action plan, the urgency and importance of payment should ratchet up until

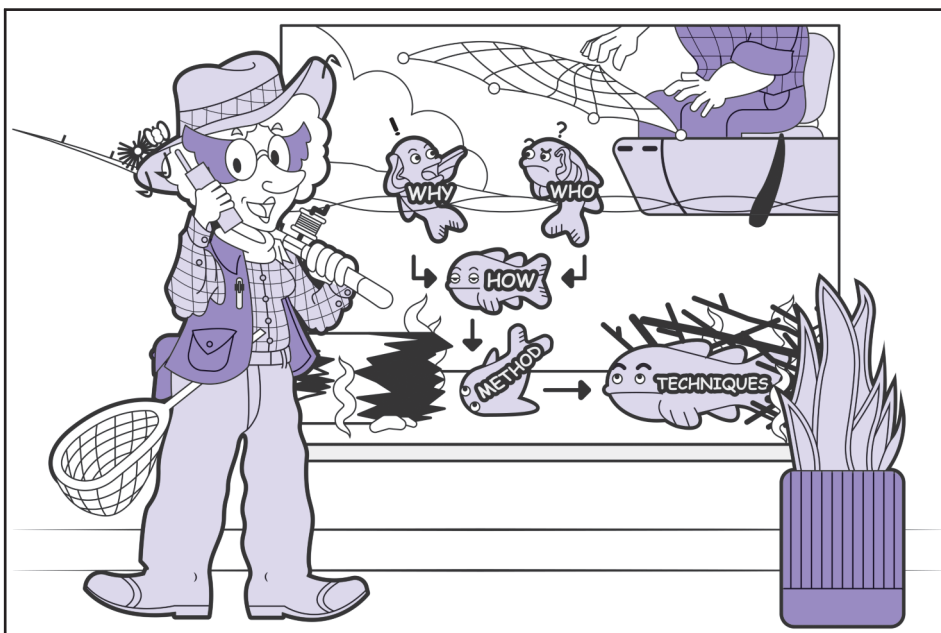
your "final demand." For more detailed descriptions of possible collection action plans, see *Collective Wisdom*, March 2013.

If you truly want to slash your DSO, you need to make every effort to minimize the need to employ your third and fourth collection action plans. We cannot over-emphasize the value of anticipating possible issues and "heading them off at the pass."

For example, one of the most common early-on excuses is, "We do not normally pay at 30 days." In this case, you might have several responses, each designed to appeal to the customer's character. Thank the customer for the information on company policy. Reiterate your policy and the fact that the customer agreed to your terms when you approved it for credit and accepted the business. Obviously, the customer recognized the value of your organization's services when he accepted the agreement, so restate that value now and in the future. State that you would like to continue providing services, but that doing so requires adherence to your terms of payment. If the customer fails to comply with your request to pay, inform him that his current advertising will be stopped and the final bill rendered.

A second common early excuse is that the customer does not have the funds available to pay. With the goal being to receive payment within 30 days and prevent the problem from recurring, it may be wise to accept installments over a short period of time. Ask the customer how much she is short in paying the debt. If she states that she has only half the amount, ask for that much immediately and for the remaining half on an agreed-upon date. If the contract includes future invoices, ask if she will be able and willing to pay them according to your terms.

Agencies can pose different problems. Most national agencies will not partial pay, and require a complete match of order to invoice before approving payment. Additionally, while the talk-off is similar as with a direct account, liability positions may call for different approaches.



"Boss, everything's ready for the Collection Training Seminar. I'm changing my phone message to 'Gone Fishing.'"

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A joint and several position allows you to press the agency for the money even if the advertiser has not yet paid it. More likely, however, the agency holds a sequential liability position that keeps it off the hook for payment until the advertiser pays. If so, pressure the agency to secure payment from its client. If it is

improbable that payment will occur by day 60, you may need to inform the agency that you intend to contact the advertiser, the relevance being that the advertiser's credit-worthiness may need to be reevaluated. Often, this approach is all that is needed to get paid by the agency. Just make sure that you specify the date the payment must be received to forestall contacting the advertiser.

### **End Game.**

Broadening your target audience to

include the good, the bad, and everything in between can provide a substantial payoff in time and money. To do so with the least stress and the most success, however, you must "work smart." Prepare for each account, have well-defined collection action plans, adhere to your procedures timetable, choose the best combination of tools, approach every contact with optimism and good humor, and see how low your DSO will go! ♦