

Dear Friends:

I hope you and yours had good times during the holiday season.

During the past few months, Szabo Associates has undergone a few changes. We have just completed the construction of 11 new offices and a new employee breakroom. While all this was in progress, we also were busy developing new Media Collection Kits, stationery, and ads. While we're enjoying this expansion, we realize that we now have an even greater obligation to continue to provide the best service to the customers who have made this growth possible.

We're also enjoying the letters we continue to receive in response to our newsletters. Please keep them coming! Not only do we need your input for "Collector's Corner" but we also would like to receive interesting true anecdotes to publish in our "True Collections" column.

At the close of our 15th year of serving the media community, I want to say "thanks" to those of you who have supported us so much over the years. All of us at Szabo Associates hope that 1987 will bring new levels of prosperity and personal enrichment to all of you.

Best wishes,



Pete Szabo, President
Szabo Associates, Inc.

Reduce Your Credit Risks

"Poor credit management" is the biggest single reason that businesses fail. Yet even with this commonly-known fact, there are very few credit management courses available in our colleges. Instead, effective credit managers develop their skills through a combination of good basic knowledge, experience, and sharp instincts.

The primary questions that the credit manager is charged with answering are, of course, "Will we get paid?" and "When?"

The first step in answering these questions is to study the customer's credit application. The information that Connie Allcorn, credit manager of WSB-TV, asks for on the application includes the year that the agency or company was established; its structure (proprietorship, partnership, corporation, or other); business license number; the principals of the company, their addresses and home phone numbers; bank references; at least three trade references, preferably including media; and whether they've previously advertised with the station. "Whether they've advertised before is very important," says Ms. Allcorn. And if they have references in other media,

such as print, their chances will be more favorable."

John Sloan, credit manager of Turner Broadcasting, concurs. "Some companies treat media differently than other suppliers," he says. "That's why we like to have newspapers and magazines included in the four trade references we require."

Ms. Allcorn seldom asks for financial statements. "If there is a loan outstanding, the bank will be able to tell us whether it's secured or unsecured," she says. "Financial statements rarely help me." Mr. Sloan believes that while unaudited statements are worthless, audited statements can be valuable when determining a client's ability to pay. These are usually available only from larger companies since audited statements are costly to produce. "Audited statements give me a good idea of the company's performance over the last few years and its net worth," he says.

How long the agency or advertiser has been around is another deciding factor. "If the company has been in existence for 10 years, we are more receptive to doing business with them than if they're brand new," says Ms. Allcorn. "There isn't much track record to go on if they're only a couple of months old, but that doesn't mean we absolutely won't do business with them. If we're dealing with an agency in a situation like this, we will often ask for the client company's name. If

—continued on page 4

True Collections

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

Act 1 from Torn Between Two Lawyers

The Characters:

Mike Shwammer, the Collector
Dick Dregs, the Agency's Attorney
Fred Fickle, the Advertiser's Attorney

Background:

Mike Shwammer, a handsome energetic employee of a major collections firm, is called on by a radio station to collect a \$35,000 debt from an ad agency for a carpet company.

Scene 1

(A smoky back office of the famous collection agency. Shwammer, seated at his desk, picks up phone receiver and dials.)

Shwammer: Mr. Dregs? Mike Shwammer from Famous Collections. I'm calling on behalf of my client, WZAB Radio, who's trying to collect an old debt owed by your client, Triple X Advertising... That's right. The ad agency for Clipshag Carpets. Rumor has it they've had a financial setback. Seems a woman in Poughkeepsie bought a Clipshag carpet infested with carnivorous Samoan dog beetles. Settled out of court for \$3 million plus a new poodle... True? Hmm. Too bad. But Clipshag still offered to pay WZAB directly, except he said you threatened to sue him if he did... you did... The agency's going out of business?... Well I'm sure they do

"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 do I do when an advertising agency to whom credit was extended says, "I can't pay you until I get paid by the advertiser"?

Answer. There are four things that you might do:

1. Find out what the agency is doing to collect what the advertiser owes. If the agency isn't doing much to collect, you might offer to assist in their collection efforts.
2. Let the agency know that they are liable, as the agency of record, for the debt, even though they have not been paid by the advertiser. The agency agreed to these terms when credit was granted.
3. Find out from the agency if it still represents the advertiser. Notify the agency that unless payment is rendered you will approach the advertiser directly for payment since both parties are liable for the debt.
4. Try to collect at least a portion of the debt from the agency while it is working through its problems with the advertiser.



need this money to pay off secured creditors, but this is net billing and they have no right to it... Leave my parents' marital status out of this, Dregs. Without litigation there's no way your client will touch my client's money. Interfere and I'll complain to the Bar Association in D.C.

(Shwammer slams down phone. Phone immediately rings.)

Shwammer: Yes... Fred Fickle? Clipshag's lawyer, of course, how are you? We'll be ready to deal soon... Right.

(Shwammer hangs up phone. Sun sets.)

Scene 2

(Shwammer is asleep at desk. A torn Snickers wrapper, potato chip —continued on page 3

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

True Collections

—continued from page 2

crumbs and several styrofoam coffee cups litter the desk top. Phone rings and he reaches for phone without raising his head.)

Shwammer: Hello. (Rubs forehead and opens eyes.) Dregs, how are ya? Good, and I know you'll be pleased to know that in spite of my bruised sensibilities from our last conversation, I'm fine too... Apology accepted. I'll even cancel the creeping kudzu arrangement I was having delivered to your house... So why don't you and Clipshag's attorney and I get together over lunch and work this thing out... Luciano's at 1:00. Bye.

Scene 3

(A dark corner of Luciano's at dusk. Shwammer is seated between Dregs and Fickle at a table strewn with 15 empty bottles of chianti, garlic bread crumbs, and a pile of crumpled paper. Dregs is scowling at Fickle, who is slouched back in his chair with his eyes closed.)

Shwammer: We've been here for three days. My wife called and said her mother's moving in with us if

I'm not home today, and yesterday my kid put in an application for a Big Brother. This is it. Fickle, you want Clipshag to be relieved of the responsibility for the agency's commission. You know we can't do that. Dregs, you finally agree that all you want is the 15% agency commission. It seems a payment plan over six months to everybody is the best solution. Do we finally agree on that? (Dregs and Fickle, scowling at each other, nod reluctantly.)

Scene 4

(Two months later, a dark corner of The Neon Flamingo, formerly Luciano's. Shwammer is seated between Dregs and Fickle at a table strewn with 15 Perrier bottles, bits of arugula and a few alfalfa sprouts. Fickle is wearing a whiplash collar.)

Shwammer: We've been here two days. I don't know about you guys, but if I see another piece of mesquite-grilled tofu go by here, I'm not responsible for my actions. Besides, I'm expecting a call from my divorce lawyer at 3 and the Bureau of Neglected Children at 4. Work out the assault charges on your own time. Fickle, now you're insisting again on being released of

the agency's commission and you won't budge, even in spite of Dregs's latest attempt on your life. All I can do is talk to all the clients involved and see.

Scene 5

(One month later. Shwammer's office. Desk is strewn with 15 champagne bottles and Chex party mix crumbs. Phone rings and Shwammer answers it.)

Shwammer: Hi Boss... Yep, they all finally agreed 85% of something is better than 100% of nothing... Five-month payment plan... Sure, I'll take the case if no one else will. What the heck, it's what I do.

(Shwammer hangs up phone, puts on trenchcoat and hat, turns off light and exits.) ♦

—Contributed by Everett Lampert

szabo's FORECAST

An economic recession could very well come our way by the end of 1987. Companies will have to employ shrewd marketing strategies to weather the economic storm, and many are now reducing inventories through discount sales.



Pete Szabo, President

The advertising media should see many new customers in 1987, especially in the first and second quarters of the year. With this influx of customers seeking new ways to sell their products to a shrinking market, media should exercise caution when extending credit. ♦



So what's the problem? You told me to balance the books!

Reduce Your Credit Risks

—continued from page 1

the client is strong, we can ask the client to sign the contract along with the agency until the agency establishes a track record. The client signs with the understanding that if anything goes wrong, they are liable."

"We protect ourselves in that situation with a clause in the contract that the agency signs," says Mr. Sloan. "It states that we can go to the client if payment isn't procured from the agency, and it's held up in the few instances litigation has been necessary."

Both managers state that there are some agencies they would never hesitate to do business with, regardless of who the client is. "I know from experience," says Ms.

Allcorn, "that these agencies will protect themselves against potential defaults, and I know they'll pay us even if the client fails to pay them." Mr. Sloan, who conducts about 80% of his business with agencies, agrees that there are about 10 or 12 agencies about which he needn't be concerned. "Unfortunately," he says, "the number seems to be dwindling. There is a growing tendency among agencies to pass along the responsibilities of payment to the advertiser, so if they don't get paid, neither do we."

And if both client and advertiser are new? "We still can do business,"

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says Ms. Allcorn, "but the arrangement is usually cash in advance until a record is established. Then a credit line can be established two or three months later after reviewing what they've done."

Like Mr. Sloan, most of the advertising time she sees being purchased for TV comes through agencies or in-house agencies. She does, however, see quite a few direct accounts for radio. "We're more likely to ask questions about what these advertisers are selling," says Ms. Allcorn. "I tell them, 'Don't think that this spot will automatically bring 5000 customers to your door, and that will pay for your advertising.' Instead, I encourage them to set aside the money to pay for it. Then, if those 5000 customers do appear, that's profit." ♦

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