

Dear Friends:

I hope y'all had a terrific Thanksgiving and a cheery Christmas.

We've certainly had much to be thankful for here at Szabo, including the installation of our new state-of-the-art mini! This hardware gives us more power and additional flexibility in stringing peripherals. Ten months of this past year have been spent off site converting our custom software over to Unix. I would like to mention again to all of you that we keep experience of more than 80,000 local and national agencies and advertisers on-line, and you are most welcome to use this information base.

Upcoming on our seminar calendar is the Broadcast Credit Association workshop to be held in San Diego on February 16th and 17th. Robin Szabo has been asked to speak at the event on the subject of telephone collections or, as we call it here, "dialing for dollars." Hope to see some of you there!

In the meantime, I would like to say "thanks" once again for your support in 1987, and I wish all of you a joyous and prosperous 1988.

Best wishes,



Pete Szabo, President
Szabo Associates, Inc.

Timing is Everything!

Success in recovering slow pay accounts receivable depends on consistently following structured policy guidelines. These guidelines should clearly indicate to the collection manager what steps should be taken and when—including the criteria for considering turnover of the account to a third party collector.

Credit managers issuing open account credit or net pay (30) billing should have a firm policy of requiring a credit application or an in-house check sheet. The client probably has a similar requirement in his own business and normally accepts the application request as a sound business practice. While the most important function of the application is to help determine a client's ability to pay, an important secondary function is that it lets the credit department know the name of the party responsible if a bill becomes past due.

If it does become past due, timely follow-up will result in the best collection results. Few credit grantors enjoy contacting a slow-paying customer, and often the unpleasant task becomes low priority. When this happens, the debtor often takes the attitude that "if it's not important to them, it's not important to me." If, on the other hand, you consistently follow up on past due accounts on a predetermined schedule and clearly establish pay-

ment deadlines, your customers will know exactly what you expect and will very likely pay up.

One recommended schedule for follow-up is the 15-day diary system:

- 45 days past due:
Call—Set Up Terms—Letter
- 60 days past due:
Call—Set Up Terms—Letter
- 75 days past due:
Final Demand Call—Letter
- 90 days past due:
Call—Consider Placing With Third Party Collector

As a general rule, a problem account (slow pay, discrepant) shows itself as such within the initial 60-75 days of being invoiced. At this point, the sales representative should work jointly with the credit department to recover the money owed. After 90 days of non-payment, the discrepancy should have been resolved or adequate money should have been received to roll the account back into a 60-day or better status. If the matter has not been resolved by this time—if the credit department has lost effective contact with the customer, the customer has ignored repeated requests for payment or he has broken promises to pay the debt—management should consider placing the account with a third party collection agency.

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True Collections

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

Arson And Old Lacy

For anyone who's never experienced a fire in an aerosol air freshener plant, it is something to behold. A veritable explosion of sights, sounds and smells. And by the time the fire engines screamed into the parking lot of SweetAir, Inc., manufacturer of Pine Thicket Air Freshener, at 3:00 a.m. on that fateful Monday in September, the situation was deemed hopeless. The air was redolent with the scent of a burning pine forest as the flames soared high in the treeless industrial suburb of Wannamaker, Ohio.

Meanwhile, Lou Lacy's familiar, smiling face was rolling off the press for the next morning's edition of the newspaper. Nothing to do with the fire, mind you. With his newspaper ads and TV spots, Lacy had been determined that Pine Thicket was to be the air freshener of choice in every household in town.

So determined, in fact, that he had accrued a media debt exceeding half a million dollars prior to the fire—a debt that I was called on to collect. When I called Lacy, a year to the month after the fire, he told me he had assumed his insurance claim would come through in time to cover the debt. It didn't. In the meantime, he used the money earmarked for advertising to rebuild his plant, which had just recently begun production again to fill back

"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: If I decline credit on a new or prior customer, do I have to give the reasons why?

Answer: Absolutely not. In commercial credit, it is not necessary. The easiest response is, "At the present time, you don't meet our criteria."—Period.

Question: I am acquiring information on a new account through a credit application. Is there a particular area of the credit application that applicants are most likely to fill out incorrectly and to which I need to pay particular attention?

Answer: When indicating the name of the company, many applicants fail to give its correct legal name, which is extremely important information. The correct way to fill out this section is to give the legal name of the company, followed by other names that the company uses (dba's). For example: Joe Smith Enterprises, Inc. dba/Joe's Bar & Grill.

COLLECTOR'S CORNER

orders. Lacy wasn't worried though. As soon as an agreement could be reached with his insurance company, he would have plenty of money to pay off the debt.

In the interim, it was decided that a reasonable payment plan would indicate good faith on Lacy's part to repay. After he repeatedly defaulted on the agreement, however, I once again demanded the full amount.

For several months thereafter, Lou Lacy never seemed to be available to talk to me until finally, one day in October, he accepted my phone call. SweetAir, Inc. was no longer in operation, he advised me. It seemed a Grand Jury had just indicted SweetAir's parent company

along with Lacy's brother Larry for arson. SweetAir, Lacy told me, was totally defunct with no assets. He was willing, though, to make a disbursement to his media creditors of approximately ten cents on the dollar, providing he could get a loan to do this.

On Friday, November 15th, Lou Lacy died of a massive coronary in his office. Larry became head of the corporation after his brother's untimely demise and advised me that he was "reviving" the company. He had also met with his attorney and accountant, and a proposal for repayment of all outstanding debts was forthcoming—just after New Year's, to be more precise.

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True Collections
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On January 7th, I called Larry Lacy. The inventory of SweetAir, Inc. was up for sale, he said. Should net about \$400,000, to be deposited in a trust account for payment to creditors, he also told me. Then, of course, there would be the royalties, depending on the buyer's success in marketing Pine Thicket. That too would go toward paying his \$700,000 debt.

It is now November. And although I continue to pursue collection of

the elusive SweetAir debt, the situation is about as bleak as a Midwestern blizzard. The company has yet to be sold, Larry Lacy's trial date for arson has been set, and the only can of Pine Thicket in Wannamaker, Ohio was found in the guest bathroom of a 94-year-old widow named Edna Fluke. Mrs. Fluke said she'd owned the can of Pine Thicket for some time, simply because no one had been allowed in the bathroom since 1983. I'm just too old to clean it, Mrs. Fluke was quoted as saying.

—story contributed by
Andy Carros

A New Word In
The Collection Industry

SZABONIZE v. 1: To cut through red tape in media collections 2: To get the highest collection returns more quickly and less expensively than with traditional methods 3: To get results!

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FORECAST

I heard once that making jokes in the wake of disaster is one of the ways people deal with feelings of helplessness—a release of tension, at least, when they can do little else. And so it was, following "Black Monday." Maybe you heard this one: "How do you call your stockbroker?" Answer: "Oh, waiter!"



Pete Szabo, President

Well, the jokes have subsided by now as we all wait to witness the rippling effects of the worst day in stock market history. As we all keep watch during the first and second quarters of 1988, credit managers should definitely support the old adage, "Cash is King," and maintain a sharp eye on accounts receivable.

In the retail market, the prognosis is a definite softening for the next 12 to 18 months as consumers re-evaluate their spending habits. I advise more due diligence and care in extending credit to local direct accounts during this "after-shock" period. ♦



WHAT DO YOU MEAN, THERES A DISCREPANCY WITH YOUR BILL? I NEVER SENT ANY SUCH THING WITH YOUR BILL... SO YOU JUST BETTER PAY UP!

Timing Is Everything!

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There are several advantages to turning over problem or aged accounts to a third party collector. Most collection services have special procedures and a strong psychological advantage in working a delinquent account. The debtor knows that he is now dealing with a third party whose sole function is to collect the account, and he realizes that all legal means of collection will be used to collect his debt.

A second and less obvious advantage in employing a third party has to do with time. It is possible for five percent of delinquent accounts to take as much as twenty percent of a credit department's time. Use of a third party frees the credit department to use its time more

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effectively—hopefully to tighten internal credit controls so that fewer accounts will reach a severely delinquent status. A collection service can maintain the continuity begun with an internal collection effort on these accounts, reducing valuable time loss at a time when your company's cash flow has already been disrupted.

In addition, collection agencies have effective contacts for placing claims with attorneys should other collection efforts fail to bring the desired result.

In the final analysis is what we all know to be true: Time Is Money. Using your time well means not only pursuing delinquent accounts on a predetermined schedule but also going outside your company for assistance in collecting problem accounts. The value of an account receivable depreciates daily, and the timely use of a third party can substantially reduce your company's aging losses. The combined efforts

of your credit department and a good collection service can mean fewer write-offs and higher profits for your company. ♦

—contributed by Jack Fogleman

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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