

Dear Friends:

The Szabo Associates Christmas Bash this year was very special to us, since it was an opportunity to celebrate our 20th year in business.

As we roll into our 21st year, we would like to express how grateful we are for the many friendships which have made Szabo Associates, Inc. a success.

I have always felt that formal representation is one of the most important services that a collection firm can offer to a client. As we go forward, our focus will be on achieving and maintaining the highest standard of client representation in debtor situations.

From all of us at Szabo Associates, Inc., best wishes for a joyous holiday season and a prosperous New Year!



Pete Szabo, President
Szabo Associates, Inc.

Is Tough Enough?

(The station's call letters and credit manager's name in the following article are fictional. Any similarity to existing stations or persons is coincidental.)

In difficult economic times, companies often fall prey to one of two approaches regarding credit. One is to avoid risk by extending credit to only the most obviously creditworthy. The second is to try to "beef up" falling quotas by extending credit indiscriminately. Either approach can lead to disaster.

Difficult times call for prudent credit policies administered with a healthy dose of flexibility and communication with all parties involved. Here's one credit manager's experience:

Credit and Collections at KXXX was simple. One person sent out form letters and made a few phone calls. Days sales outstanding had increased steadily until they were 80 days or more.

The management of KXXX then hired Susan Masters as credit manager, granting her the latitude she required to turn things around for the station. Masters wasted no time in changing the department's entire structure.

Then came the auditor's review, which showed that while DSO's were down, as were losses against

sales, so were company profits. "Fix it," Masters was told. Masters was faced with examining her former policies from the aspect of long-term benefits. In the process, she admitted that she had two basic problem areas that had resulted in failure of her policies: 1) **inflexibility** and 2) **lack of communication**.

Masters found that her insistence on an in-depth credit check on every new account, even if the initial order was less than \$1,000, had angered both customers and salespeople.

She became more flexible. On new orders of \$1,000 or less, a credit check was no longer required if the customer's credit application seemed okay.

She also began to periodically review Cash in Advance accounts. Formerly, any customer with a past history of payment problems and any customer who could not wait for a credit check went on the CIA list and never got off. By reviewing these accounts, Masters realized that customers with past histories of payment problems sometimes improved their situations. For these customers, she began granting open accounts, sometimes with 60-day limits. Her periodic reviews sometimes revealed customers

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Is Tough Enough?

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who could buy more with an open account. And on occasion, her review turned up mistakes that resulted in an account that should have received a positive credit check getting stuck on the CIA list.

Masters also discovered that the station's salespeople had been afraid to talk to her, assuming that she would turn down any requests for special consideration for their customers.

She made a determined effort to open the lines of communication with the sales force. By becoming more open with sales personnel, Masters found that she had previously been missing additional information that salespeople often pick up through direct dealings with prospective customers. She began to make an extra effort to help the sales personnel make a good sale, and in turn, they kept her apprised of any developments that might affect the customer's ability to pay. Masters held frequent meetings with salespeople to teach them about credit collections. And in turn, she adjusted her attitude to become as sales oriented as they were.

Masters' new attitude enabled her to get the salespeople's help in collections. Her new policy stipulated that her assistants would call the customer twice when the account was unpaid 35 days after the invoice date. If payment did not arrive, she would send a memo to the salesperson listing the account and payment history. The salesperson was required to respond to the memo

and describe his or her action. This process was effective: Usually the response was accompanied by a check, a definite payment promise, and a new order.

Masters also began to cultivate and rely upon better communications with people outside the station, particularly bankers and other credit managers. Because of increased access to more accurate and complete information about customers, she was

able to grant a greater number of open accounts.

Through a difficult and somewhat painful process, Susan Masters learned that too tough a credit and collections policy may bring in the dollars but can too often turn away the business. With her new credit policy, tempered by flexibility and increased communication, she won the cooperation and assistance of the station's sales personnel to effectively deal with collection problems. ♦

"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 are some of the things I should consider when deciding whether or not to litigate an account?

C.P., Reno NV

Answer: There are several areas that you should look at:

1. Is the account disputed? If so, what is the cost of providing a witness? How strong is your documentation? Signed contracts? Insertion orders?
2. Is the business still in operation? If not, was it a sole proprietorship with assets?
3. Does the dollar amount justify the time and cost involved? If the claim is less than \$1500, it generally is not. Reasons: Crowded court dockets may push out the case for months. In addition, the debtor may decide to dispute even though he has given no previous indication of that intention. You may have to provide a witness. The debtor may countersue. In these situations, the services of a defense attorney are billed at an hourly rate.
4. It is easy to throw good money after bad. No matter how diligent the collection and investigation work has been, no one knows for sure how collectible an account will be through litigation. As a general rule, determined through statistical analysis we have done over the last 10 years, your chances of a successful recovery are one in five. ♦

 **COLLECTOR'S
CORNER**

True Collections

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

Armed with the Faith

I grew up in the same neighborhood where Reverend Alvin Sampson's church stood. In fact, I remember it well — an aged brick fortress in the middle of a war zone. I figured the only thing holding it together was the spray-paint graffiti that circled its crumbling exterior. That is, until I met Reverend Sampson, or "Reverend Al," as he was fondly called by the membership. Reverend Al was undaunted by the irreverent calls to action scrawled on his beloved church. The day I met him he was meticulously tracing over a particularly offensive epithet with his own can

of brick-red spray paint. I was fascinated with his precision — kind of like an Olympic figure skater tracing over prescribed figure eights in the compulsories competition. Not big on style or originality, but a master of technical proficiency.

Anyway, the Reverend interrupted his painting long enough to give me a personal sermon on the power of faith and the ultimate goodness of human beings, which was okay enough for my 12-year-old view of the world but not nearly as impressive as the Reverend's dexterity with the spray can.

So it was with no small measure of dismay that 20 years later I was faced with collecting a \$1200 overdue debt that Reverend Al had incurred with a local radio station. It seemed that in his efforts to "reach out" to the community with his message of hope, the Reverend had overreached his ability to pay for the air time.

When I called Reverend Al and described myself as the spindly-legged kid on the green bike who always wanted to help him paint, he seemed to remember. His voice was raspy with the passage of years, but his message was the same when I questioned him on the state of the neighborhood. Nothing had changed much, he said. Maybe worse, with the crack that made easy prey of the local youth. But faith was a powerful weapon against the evils of the day, he said, before assuring me that my check was forthcoming.

The money failed to arrive on the promised day, and after four days of repeated phone calls, I reached Reverend Al at home. Forgive me, he said, for failing to deliver the funds on time. He told me he had been away for several days, spending time with the Detroit police, who had arrested the Reverend for carrying a concealed weapon — namely, a MAC-10 machine pistol with hollow-point bullets in a leather shoulder holster. The money owed my client was used to pay the Reverend's bail for the felony charges.

I guess Reverend Al anticipated my question regarding faith as a weapon and all that, because at that point, I heard the deep sigh

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"WHEN I SAID TO 'ROLL OVER THE 60-DAY ACCOUNTS,' I MEANT TO SEND THEM TO OUR COLLECTION AGENCY!"

Calendar of Events

January 21-23
Georgia Association of
Broadcasters
Athens, Georgia

February 17-19
Broadcast Cable Credit
Association
San Diego, California

What Makes A Good Credit Staffer?

What should you look for in credit staff candidates?

PERSONALITY:

Look for people who are outgoing and who are able to think very quickly and clearly on the spur of the moment. Confidence is also extremely important. You want someone who can pick up the phone almost immediately and accomplish an objective. It takes confident people not to get discouraged if someone hangs up on them. Successful credit spe-

cialists are also able to relate to a wide variety of people. They realize that certain professions sometimes require a particular approach and are able to adapt to each situation with ease.

They must be able to control the conversation with the customer. This type of person is admittedly hard to find, but worth the extra effort.

CREDENTIALS:

Basic credit experience is valuable — perhaps three years,

either in a bank, finance company, or manufacturing credit.

An accounting background is often mentioned by credit managers as a good basis for credit work. Certainly it isn't a negative, but just because someone has an accounting background doesn't mean he or she will make a good credit specialist. Hire an accountant to balance your books, but for a credit staff member, hire someone who can negotiate with customers and deal with problems when they arise. ♦

True Collections

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of a man trying to make peace with an internal foe.

"I've never used the thing," he said. "Which is not to say I wouldn't under certain circumstances. But about 10 years ago I

decided that for some folks around here, fear of the Lord wasn't quite immediate enough, if you know what I'm getting at. Word got around, and after that, nobody messed with Reverend Al."

The Reverend and I reached a settlement for the debt, which I received shortly before he be-

came a guest of the state for 18 months. I understand that in his absence, a young minister from Brooklyn has taken over his duties at the church. And I hear he doesn't hold a candle to Reverend Al in the spray paint department. ♦

— story contributed by Chip Cory

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