collective wisdom®

SZABO ASSOCIATES, INC. VOLUME 9, ISSUE 1, MARCH 31, 1994

Build a Partnership Between Sales and Credit

Establishing The Relationships and Policies that Work for You

Dear Friends:

Has there ever been a more exciting time to be in media? Every day it seems that each medium assumes new shapes and capabilities that no one has seen before. That's what our reengineering was all about – achieving total flexibility in order to most effectively service your changing environment.

You've probably noticed that we've changed our newsletter, too. Not essentially, but also in important ways. "Collective Wisdom" will continue to serve you with timely information about media credit issues, and we hope that you will continue to offer suggestions on how it can better serve you.

We think, however, that its new design more effectively reflects the dynamic changes we've experienced recently as a company and as an industry. Additionally, we want to maintain flexibility in content in order to "plug in" items of timely interest to our readers. To that end, please let us know what you would like us to include in future issues of "Collective Wisdom."

And speaking of input, I've been asked to participate on a panel entitled "Small Claims Court" at the upcoming BCFM convention. If you have experiences on the subject to share, I'd appreciate hearing about them, so please call!

Best wishes,

Pete Szabo, President
Szabo Associates, Inc.

We all know by now that the media industry in the '90's is a different playing field than it was in the 80's. It's tougher than ever for the guys and gals who sell (not that it was ever easy), as media properties scramble to create new revenue streams and challenge their salespeople to meet or beat difficult quotas in order to remain on the players' roster.

In this survival-of-the-fittest environment, it's no wonder that often when sales and credit staff converge on issues of credit, the flags fall, tempers get short, and nobody laughs in the locker room.

So can sales and credit departments ever really be friends? The answer is "yes," with qualifications of course. As in any successful relationship, it takes willingness and work on both sides to create and maintain a mutually beneficial partnership between sales and credit.

Perhaps the first step in creating an amicable situation is to appreciate this simple fact: Neither sales nor credit can exist successfully without the other in this complex industry. Sales needs you (to say "yes"); you need sales (to give you a reason to show up for work).

The next step in establishing a mutually beneficial relationship is to recognize the conflicting objectives of sales and credit. The credit department's goal is to minimize past-due receivables and bad-debt losses. The sales staff's goal is to keep existing accounts and sell new ones.

The third step is to focus on the shared objective – that is, keeping credit losses below a certain percentage of sales. And while the first two steps require effort of an internal, or attitudinal nature, it is this third step that demands action. Here are a few things you can do:

Recognize . . . and appreciate the salesperson as one of your most valuable sources of information. The salesperson makes the initial contact with the advertiser or agency and should obtain the signed credit application. Additionally, the salesperson's continuing personal contact with the client can bring potential problems to light long before they become a real problem for you.

– continued on page 2

Build A Partnership

–continued from page 1

Reciprocate . . . by approving credit quickly upon receipt of the proper credit information to help the salesperson make the sale. Look for ways to accept a new account rather than to turn it down. Try to find a way to keep an existing account that is experiencing an obviously temporary problem period rather than letting it go. For example, a visit by both the sales and credit departments to an advertiser can often result in a manageable and comfortable payment arrangement. Such temporary measures can go far to build stronger relationships between your department and sales as well as with the customer.

Communicate . . . One of the main ways to maintain a spirit of teamwork between credit and sales is simply to keep the lines of communication open. Attend sales meetings periodically to expand and reinforce your understanding of the sales perspective. Salespeople will appreciate your willingness to hear discussion from their point of view, and such meetings will facilitate your ability to communicate the reasons behind credit policies and your decisions about individual accounts.

Understand that a credit application on a prospective customer represents for the salesperson a great deal of time, effort, and money, so it is important that he or she clearly understands your areas of concern. If, however, after carefully reviewing the application and discussing areas of concern with the salesperson, you still feel that there are unresolved issues, ask for a conference with the salesperson and management. Your company may not be able to afford the luxury of a large reserve to cover bad debts, so it is essential to feel comfortable with your assessment of the risk.

Evaluate thoroughly and fairly ... The first important information needed to evaluate the risk is usually contained in the credit application. The application, obtained by the salesperson, should include a bank reference and at least three other media references. It is important that the salesperson obtain several references that are in a similar line of business as yours. The fact that an advertiser in the restaurant business pays his produce supplier on a timely basis is fairly insignificant for your purposes.

When reviewing the credit applicant's history, ask yourself a number of questions. What is the highest credit limit that other media references have established with the applicant? If the applicant requests a higher limit with you, you should know why you've been asked to become the largest provider of credit. There might be a good reason (better value, for example).

Does the applicant own his building and equipment or have a long-term lease? Is there a bank with a secured interest in the history? What is the applicant's pattern of payment?

The latter question may be the single most important question to ask yourself. It is costly for your station when the collection period exceeds 45 days, so proceed with caution if the applicant's payment pattern with other stations frequently exceeds 45 days. There my be unusual circumstances in which payment was delayed through no fault of the applicant, however, and you should consider the possibility of such extenuating circumstances

collector's corner

"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.

Question: I used to be able to call a post office to get the address of a business that uses a p.o. box. Recently, I've been told by postal employees that they can no longer give out that information. What's up?

R.A., Asheville, N.C.

Answer: There is confusion among postal branches with regard to the January 21, 1994 memo issued by Samuel Green, Jr., Vice-President, United States Postal Service. The memo states: "In order to protect 'battered individuals,' all postal units are to cease disclosing the address of any person who submits a change of address form." The memo goes on to state, "This does not apply to requests for addresses of businesses."

Szabo Associates advises that, if you should receive a denial of your request for a business address from a postal employee, suggest to the postal employee that he or she reread the memo!

before issuing a denial on that basis.

How many employees are on the job at the applicant's place of business? What type of equipment does he own? Does the operation have a "settled" look? What is the quality of the housekeeping? (This question may seem bizarre, but a place that is visibly sloppy may also be sloppy in its recordkeeping, which in turn may result in a sloppy pattern of payment. And while you may choose to extend credit, you might also choose to keep it relatively low until the client "cleans up his act.")

Know the customer . . . After a credit applicant becomes a customer, share the responsibility with sales to get to know that customer. When instances of slow pay occur, knowing your customer can help you to fairly judge whether the reason for the delay is unavoidable or just an excuse to keep your money as long as possible.

Reward good customers . . . A good customer should be rewarded with a degree of patience when the infrequent, unavoidable delay occurs. The customer – and the salesperson – will appreciate your willingness to exercise flexibility on these occasions. If payments continue to be pushed out to 60 or 90 days, however, take action to halt a potential pattern of delinquency. If a customer repeatedly exceeds the terms of your agreement, it is not unfair to demand cash in advance.

You can form an amicable – and profitable – partnership between your credit and sales departments. The key is to recognize and capitalize on what you have in common ... shared objectives, shared responsibilities, and best of all, the shared rewards that result from a job well done. ♦

"WELL, EVERYTHING ELSE AROUND HERE HAS A NEW LOOK, SO I DECIDED I NEEDED ONE MYSELF!"

Keeping the Peace with Sales—

One Credit Manager's Story

by Dee Vickers

Dee Vickers has been the Credit and Collections Manager at WDIV-TV (a Post Newsweek station) in Detroit for 12½ years. She presently serves as treasurer of BCCA.

My general strategy for establishing and maintaining a good relationship with sales is to educate the General Manager, the Sales Manager, and the sales staff, in a non-confrontational manner, about why we do what we do. I begin by explaining the importance of the "bottom line"—not sales' bottom line, or even credit's bottom line, but the *company's* bottom line. I say that while it's great to sell an account, if that account fails to pay within 90 days, we've lost a percentage of that money. On slow pays, that potential loss should be tacked onto the rate up front.

By tracking B.O.B.'s (Business on Books), we determine how much money is waiting to air in the present month and in the following two months. We know whether national or local sales need a boost, and we are then more open to taking on a marginal account on whichever side is low. In this regard, we compromise on credit's bottom line in favor of the company's bottom line.

Understandably, it is a greater challenge for sales than for credit to see the "big picture." When a new salesperson comes on board, I sit down with that person for about an hour. I explain credit policy and I teach him or her how to read an aging report. I also explain that if a salesperson fails to assist me in trying to collect an overdue account, and the account is not paid within 90

—continued on page 4

Why We Work the Way We Do
Specialization

No one has to tell you, the media business is unique.

It calls for a unique kind of collection service.

For 23 years, we've concentrated exclusively on media collections. Last year, we became even more specialized, creating separate divisions to serve each major medium.

That means the Szabo representative who works with you is someone who understands your business – its legalities, language and other unique characteristics.

One big example is discrepancies. We know they can be the heart of an honest disagreement – or an excuse for slow pay. We know when to help you negotiate discrepancies, and how to do it.

Media has its own distinct legal subtleties. One involves the problem created when an agency and an advertiser disagree over who's obligated to pay. This is a problem that's unique to the media business, and one that we help solve every day. Media also creates its own special relationship between sales and credit departments. We understand the give-and-take of sales and credit, and we've learned to work well with it.

Some collection services feel comfortable handling a variety of different businesses. We don't. As the world's largest collector of media accounts, we've served more than 3400 clients. We don't think we could keep so many clients happy if we didn't give their business our full-time attention. ♦

Calendar of Events

May 22-25
Broadcast Cable Financial Management Association
Sheraton Harbor Island Hotel
San Diego, California

April 16-18
Outdoor Advertising Association of America
Loews Vanderbilt Hotel
Nashville, Tennessee

Keeping the Peace

—continued from page 3

days, then the sales commission will be charged back. If the salesperson assists credit and the problem rests solely with the client, then we don't charge it back until the account is written off.

Sometimes credit managers make a decision about an account, and then they change their minds solely becuase of pressure from sales. *Bad idea!* Once a credit manager waffles, it becomes expected that he or she will back down on a decision if sales exerts pressure to do so. If my decision is overruled by my General Manager or by the Director of Business, I let everyone know from the General Manager on down that I don't agree. That way, I've maintained by reputation as a credit manager who "stands her ground," and if the account turns out badly, sales management will respect my future decisions.

Visibility is important in my job. I walk through the sales department three times a day, just to say "hello." My presence serves as a gentle reminder to salespeople that an account may need their attention from a credit and collections standpoint.

Sales is a difficult, high-pressure job. I try to be sensitive to that. At the same time, I expect to be afforded respect. If I don't initially get it, then I *demand* it! ♦

SZABO ASSOCIATES INC. szabo

Collective Wisdom® is a publication of Szabo Associates, Inc., 3355 Lenox Rd., Suite 945, Atlanta, Georgia 30326, Tel: 404/266-2464, Fax: 404/266-2165