

Dear Friends:

In this issue, we are pleased to present the second installment of our series, "Media Credit Managers Speak Out on Issues." Szabo Associates is always interested in finding out what's on the minds of our customers, so we hope that you'll call or write to tell us about your own credit and collections issues. And . . . of course, we'll be happy to provide access to our library of resources to assist you in dealing with troublesome situations as well as promising opportunities.

Speaking of communications, we are hard at work developing our new Szabo Associates website! Very soon, our customers will be able to use our site to communicate with us, to retrieve Szabo-designed business agreements, and to transfer data. I'll let you know the address in our next newsletter.

Best wishes for a wonderful spring season,



Pete Szabo, President
Szabo Associates, Inc.

P.S. If any of you missed seeing Part I of our series in the December 1996 issue, let us know. We'll be glad to send you a copy.

Media Credit Managers Speak Out on Issues Part II—International Business, Changes in the Marketplace, Customer Service, and Management Support

What do you think will be your greatest challenges and opportunities in the coming year? In this second installment of our two-part series (see also *Collective Wisdom*, December 1996), credit managers continue to answer that question by discussing the challenges of doing business internationally, staying informed of changes in the marketplace, increasing the focus on customer service, and the importance of management support for their credit policies.

International Marketplace Poses Challenges, Opportunities

"Industry-wide, I think our biggest challenge is moving into the global environment," says David Tynes, Credit Manager for Warner Brothers Consumer Products, whose business is licensing Warner characters. "Our domestic niche is worked out because we do business with the best U.S. companies. Internationally, the situation is more complex. The risks are high, the laws and economies are different, the litigation process is difficult, the banking industry is volatile, and the competition is stiff."

In the face of these problems, however, Tynes states that the opportunities in the international marketplace are great. "There are wonderful untapped markets, such

as Brazil, and much opportunity in such areas as Eastern Europe and Asia Pacific. We consider the risks as a cost of doing business," he says.

On Tynes' wish list are standardization of laws and assistance for companies entering the international marketplace. "Szabo Associates has been very helpful, but I've found there are very few companies that provide that kind of service at a reasonable cost," he says.

Bill Wallace, Credit Manager of the *Daily Oklahoman*, also sees value in getting more information on the credit and collections aspects of doing business internationally. "I can definitely see us focusing efforts on international business in the future, particularly with the Mexican market opening up," he says, "but I would find such information useful in my own state right now. Since 1982, when a law was passed granting Indian tribes 'sovereign nation' status, disputes involving members of tribes cannot be tried in our civil courts. As a result, we find ourselves requiring cash in advance and letters of credit to protect our interests."

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Credit Managers Speak Out

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Changes in Marketplace Require Constant Monitoring

Another challenge, according to Tynes, is keeping up with rapid change in the many industries with which he does business. "We do business with many different types of industries—interactive, apparel, and others—and what happens in those industries greatly affects us," he says. "For example, when a major retailer was threatening bankruptcy, it couldn't pay its apparel manufacturers that held our licenses, and so the manufacturers couldn't pay us. A major electronic games manufacturer was another problem. Suddenly it was stuck with merchandise it couldn't sell."

Information is the key to dealing with these kinds of changes, according to Tynes. "We've become much more proactive," he says. "I use the internet, subscribe to periodicals, and communicate with other studios in order to stay abreast of economic indicators and try to anticipate trends. If I foresee a problem, I take a more conservative approach, perhaps with more upfront money or letters of credit."

Dee Vickers, Credit Manager of WDIV Television in Detroit, MI, finds her subscription to a weekly news clipping service very helpful. "That publication, in addition to the Wall Street Journal, trade publications, and of course, the business section of the local newspaper, keep me fairly well informed," she says.

"Advertising Age has been particularly useful to me," says Mike Singer, Director of Credit and Collections for The Hearst Corporation Service Center in Charlotte, N.C. "We deal with all the large advertising agencies, and that publication always car-

ries the latest news regarding legislation and litigation which might affect the industry."

Credit Departments Focus on Customer Service

Kathy Clark, Director, Credit and Collections at Disney, feels that one of her biggest challenges is building an organization that both takes risks and earns its customers' trust. She sees the role of her department changing into one that focuses primarily on customer service and business processes.

"We're moving beyond pure mechanics of credit and collections," she says. "We're creating synergy among the various departments in our company and with our customers to identify business opportunities and address our customers' operations and accounting needs. Delays in payment are often the result of processes which are not aligned."

And what if the problem is more serious? "Of course we must protect our company's interests, but if a customer is experiencing a downturn, they deserve our respect and support. We should help them survive, assuming they are operating with integrity and sound business principles," she says.

Dee Vickers of WDIV would like to change the name of her position to better reflect the changing attitudes toward customer service. "'Credit Manager' is too hard-edged a title and has an unfortunate connotation," she says. "It should include the words 'customer' or 'client' and 'service.' Suggestions, anyone?"

Management Support and Cooperation Between Departments Integral to Success

Many credit managers emphasized that, with the many complex challenges facing them today, support from general managers for credit and collections policies and cooperation between departments have never been more important.

Neil Best, Corporate Credit

Manager at Meredith Broadcasting Corporation, states that his company is extremely supportive of the credit function. "That support allows us to stay focused on cash flow, annual collection goals, and upfront credit investigations," he says. "All these efforts give us a good shot at getting our money."

"If you don't have the backing of the general manager and the sales manager, you can't be successful," says Pamela Sharp-Brown, Business Manager of WODT-AM, WQUE-FM, WYLD-AM/FM in New Orleans, LA. "I get sales reps to sign off on our credit policies so there can be no question about our expectations regarding accounts."

Dee Vickers of WDIV proposed a unique challenge to a sales rep who wanted her to extend a substantial amount of credit to a new customer. "I told him that if the check didn't appear on my desk within 30 days, I would shave his head at his desk while the entire department looked on," she says. "The check did come in, and it turned out to be a fun morale booster."

Mike Singer of The Hearst Corporation, along with the company's controller, created a new tradition of regular meetings between sales and credit departments. "Previously, our meetings took place on an 'ad hoc' basis—to address a specific problem that had already occurred. Now, our regular meetings facilitate the continuous flow of information between our departments, allowing us to react quickly when problems arise."

Says Bill Wallace of the Daily Oklahoman, "I just wouldn't want my job if I didn't have good support from management for credit policy," he says. "And I'm just as concerned about sales revenue as the sales manager. Where would I be without it?"

Wallace also emphasized the value of communicating with other

credit managers. "The Advertising Media Credit Executives Association is one of the tightest networks in the industry," he says. "It's invaluable for maintaining friends and allies, exchanging information, and maintaining and developing the professional image of credit managers."

Comments from Szabo Associates

Doing business during the information revolution creates both enormous challenges and opportunities for all of us. As we all scramble to meet those challenges—whether it means throwing our hats in the ring of the international marketplace or reforming the way we do business to take advantage of electronic data interchange—we also need to stay focused, as everyone who took part in this two-part series indicated, on the basics of sound credit and collections policy. Perhaps now more than ever, the speed with which we communicate necessitates the need for our communications—particularly our

business contracts—to be comprehensive and clear. Here are a few pointers to help successfully meet the challenges ahead:

Contracts

Set forth the terms of the contract in words that can be understood by all participants. (See Collective Wisdom, September 1995, "Cover Your Bases" and "Szabo Associates' Recommended Wording for the 'Terms and Conditions of Credit Sales'")

Clearly specify each aspect of the arrangement—price, payment terms, nature of ad to be run, party responsible for payment, timing of airing or publication of ad, etc.

Make sure the person signing the contract has the authority to bind the company. The signature should include the legal capacity of the signer.

Include a joint and several liability clause. Notify all parties of your liability position.

International Business

If you are considering doing business internationally, make sure you have in place a coherent policy for

CALENDAR OF EVENTS

May 21-24

BROADCAST CABLE FINANCIAL
MANAGEMENT ASSOCIATION
Hyatt Regency Embarcadero
San Francisco, California

June 7

SZABO ASSOCIATES
SUMMER PICNIC
The Hydeaway
Lake Lanier, Georgia

your global credit operations. (See Collective Wisdom, December 1995 and March 1996, "Doing Business Internationally," Part I and Part II)

Familiarize yourself with internationally recognized rules and conditions.

Identify all important legal and regulatory issues to be covered in the contract.

Include a properly drafted arbitration clause.

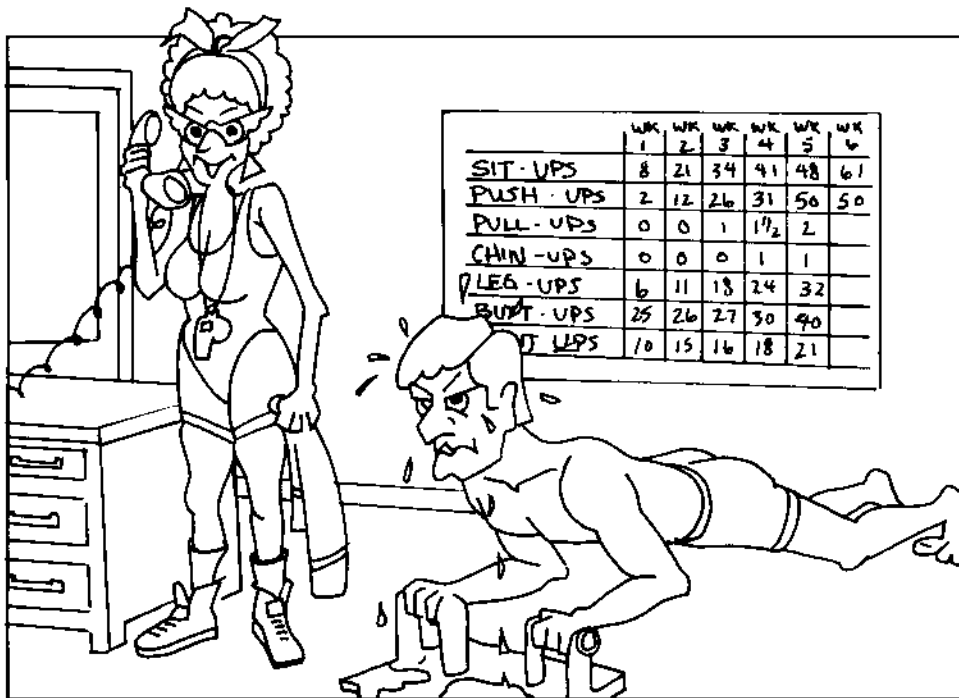
Management Support and Sales/Credit Relations

Focus on the shared objective — keeping credit losses below a certain percentage of sales. (See Collective Wisdom, March 1994, "Build a Partnership Between Sales and Credit")

Keep the lines of communication open with your general manager and your sales manager.

Plan regular meetings (at least once a month) between credit and sales departments, and attend sales meetings periodically to expand and reinforce your understanding of the sales perspective.

Szabo Associates, Inc. would like to thank David Tynes, Bill Wallace, Dee Vickers, Mike Singer, Kathy Clark, Neil Best, and Pamela Sharp-Brown for their contributions to Part II of this article. ♦



"I'M 'BEEFING UP' THE SALES FORCE, JUST LIKE YOU ASKED, BOSS. HE'S UP TO 50 REPS."

The Szabo Difference: Personal Attention

New Szabo clients often tell us that what impresses them first is the way a Szabo representative works on their accounts.

It's not just personal service — that's easy for anyone to promise. It's a personal approach to their business.

For example, most collection services still work from a series of form letters before they make their first phone call. Our people, on the other hand, work person-to-person, by phone.

Form letters are undoubtedly cheaper. But personal phone

calls do a much faster, more reliable job of getting the past-due payment into your pocket.

Szabo representatives spend the time and effort to dig deeply into your past-due account problem. Often they discover certain elements useful to creatively bring additional leverage to collect the account.

That takes hard work, determination and persistence. It also takes training and experience in the customs and practices of your business, as well as a knowledge of commercial law.

At times, our representatives may have to be as much mediators as collectors. By acting as a buffer between you and your debtors, we may be able to negotiate solutions to problems that had previously seemed insurmountable. That's why our people are specifically trained in the most modern negotiating techniques.

The end result is that Szabo people can often make collections where others fail.

That's a Szabo difference you can take to the bank. ♦



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