

Dear Friends:

As we sail into another long, hot, southern summer, I'm happy to report that we've already begun to celebrate the season. The annual Szabo employee summer lake party on June 13th was great fun, with everyone feasting on pigs and chickens and various refreshments.

On request of the National Association of Broadcasters, I've submitted a chapter on collections for a book that the association is publishing for radio stations. NAB has also asked me to submit a chapter on collections for a desk reference book it is publishing for television general managers.

We look forward to the Georgia Association of Broadcasters annual conference on August 1st through 3rd at beautiful Jekyll Island, Georgia. Hope to see many of our friends there.

All of us at Szabo wish you a fun-filled, happy summer!

Best wishes,



Pete Szabo, President
Szabo Associates, Inc.

Be Certain of Procedures in Uncertain Times

Many of our clients have contacted us recently to express their concerns about today's business climate. Everyone has been "toughing it out" for two years now, and this year's forecast offers little encouragement.

Growth in the media industry has been minimal, and the outlook for the remainder of this decade is for low to medium single-digit growth. What this means for media properties is tighter operating margins with increased emphasis on the collectibility of every account.

And as far as businesses in general are concerned, we have only to look at the numbers of business failures since 1990 to note a clear lack of stability:

BUSINESS FAILURES					
1990		1991		1992 Projected	
Number	% Change	Number	% Change	Number	% Change
59,797	19.1	87,805	46.4	96,532	9.9

If we then look at the pattern of recovery in the '74 and '82 recessions and presume that the present recession will recover similarly, we can anticipate two more years of increasing business failures. The number of failed businesses will most probably peak at the end of 1993 with a total of 103,897. These failures translate into a probable

increase of 15% in bad debt for our industry unless media properties implement protective measures, particularly in the area of payment term enforcement.

We all operate on profit margins that are necessary if we are to earn a return for our efforts. Unless we collect within our terms, that profit begins to slip away and even deteriorate into a loss.

Life would certainly be simpler if you could adopt an across-the-board "cash on the barrelhead" policy. Of course, then your competitors would soon put you out of business. And remember: While there always will be those accounts that for one reason or another fail to honor the terms of

your contract, most customers will pay their obligations within the agreed upon terms.

Those accounts that do not honor their commitment to pay require you to expend extra effort and cost to collect your money. The point at

—continued on page 2

Be Certain

—continued from page 1

which the customer fails to meet the terms of your contract is the point at which profit on the sale starts to deteriorate. The amount of profit you lose largely depends on the action you take; therefore, it is critical to have a process in place to collect your delinquent accounts.

The most important aspects of your collection process are order and consistency. Sporadic efforts may collect funds but do not change a customer's paying habits. It is your responsibility to insure that your customers understand the credit terms and know that you will take action if the terms are ignored.

When a contract is broken, the customer should expect you to make a professional, consistent collection effort. This is not a time for timidity! Handling past due accounts immediately and firmly will gain you more respect from your customers than if you ignore the problem. Contacting the customer by telephone shows that you intend to collect and that you consider the delinquency a serious matter.

In addition to payment term enforcement, protective measures should also be taken in the area of liability position. There are four liability positions currently in use by media:

- 1) Sole Liability (agency liable)
- 2) Advertiser Liability (advertiser liable)
- 3) Dual or Joint and Several (agency and advertiser liable)
- 4) Sequential (agency liable to the extent it is paid).

We recommend joint and several liability. Assuming there are proper credit checks and notification, this clause protects you if either party fails to pay by providing you with recourse against both parties.

In these next two challenging years, there are a number of specific steps you can take in your efforts to minimize risk. Here are a few to think about:

- 1) Know *exactly who* is liable for payment.
- 2) Get credit information on all parties and make a reasoned credit decision.
- 3) Get *signed* contracts.
- 4) Suspend future schedules or revoke credit privileges on 60-day past due accounts.
- 5) Place accounts for collection when they are between 90 and 120 days past due. Collectibility is substantially decreased beyond that point.
- 6) Accept that collection expense is a part of the cost of doing business. Your collection expense will probably rise over the next couple of years; however, placing accounts on a timely basis should result in more money for your company, even after collection costs, than you would collect otherwise.
- 7) Keep your sense of humor and look forward to better times ahead! ♦

"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: I have two questions regarding the following scenario: Mr. X was sole owner of debt-ridden Y Corporation. Y Corporation closes down. Mr. X files personal bankruptcy. Corporate bankruptcy is not filed but Mr. X includes the corporate debt in his personal bankruptcy.

- 1) Does Mr. X have the legal right to include corporate debt in his personal bankruptcy?
- 2) Assuming he does, does its inclusion protect him from collection efforts (such as phone calls to his place of employment) regarding the corporate debt?

J.L., Lincoln, NE

Answer: 1) Yes, he does. Corporate debt is often included in a personal bankruptcy to protect an individual from answering the corporate obligations in the event that there was a flawed incorporation procedure and a "corporate shield" was never really established.
2) No. Including corporate debt in a personal bankruptcy does not bar creditors from contacting the bankrupt corporate officer about obligations of the corporation provided no attempt is made to hold him *personally* responsible.



True Collections

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

Diving for Dollars

Collections is a difficult enough game when things are simple: Debtor has a physical address you can find, a phone number you can call, and he isn't living under some alias in Pago Pago.

Debtor boats, on the other hand, are another matter altogether. Moving targets, you might say. So when I got the assignment to collect a bill on behalf of Charter Boat World Magazine from a 34-foot fishing vessel, I knew I was in for a chase.

The "Stingray," as it was aptly named, docked in Turtle Key,

Florida at the Bayside Marina. Employees of the marina and owners of other boats docked there seemed honestly to have no clue as to the current whereabouts of the Stingray. Delinquent on docking fees for several months, the Stingray and its owner, Captain Eli Blue, had quietly and mysteriously disappeared the previous week.

On the subject of Blue, there was a clear consensus of opinion: the guy was a conniving, irresponsible cheat—a direct and worthy descendant of Handy Hook Blue, who had been summarily hanged in Connecticut a couple of centuries earlier following a particularly heinous pillaging spree. According to legend, Handy's last words as he ascended the scaffold were, "I may be a thief and a murderer, but I've never overstepped the ethical boundaries of my profession."

Anyway, sixty days of fruitless phone calls later, I clearly needed a vacation. A week of diving, fishing, and rum swizzling seemed the ideal

ticket, so I headed for my favorite spot in the Florida Keys.

The third morning there found me basking on the deck of a rented fishing boat, anchored in a quiet cove, well-known to locals for its good lobster catches. The gentle lapping of waves against the bow had lulled me to sleep when suddenly I was jolted awake by the rude splash of an anchor dropping into the water close by. The rising sun cast an amber glow on the side of the neighboring boat, on which I could clearly see a name lettered in glossy black script: "Stingray."

Convincing myself that a good collections agent is nothing if not flexible, I immediately altered my vacation itinerary and reviewed the possibilities. The best case scenario was, of course, to collect the entire debt from Captain Blue on the spot. Short of that, at least the effort might make the trip tax deductible. Worst case, I might get run through by Blue, whose tattered denim jacket concealed who knows what and whose general air of malice rivaled Captain Ahab's on a bad day.

I was still contemplating the possibilities as I emerged from the water alongside the Stingray and asked permission to come aboard. It was then that I noticed the mangy lime-green parrot perched on Captain Blue's left shoulder.

"Yo, Matey," said the bird, which I took as an invitation and clambered aboard. From there, the meeting took a dramatic downward turn, as Captain Blue demanded to know the nature of my business and the bird insulted my parentage in no uncertain terms.

"I've heard of ye," said Blue, after



"YOU KNOW THAT 'FORECAST FOR THE FUTURE' YOU WERE TALKING ABOUT, BOSS? WELL IT'S LOOKING BAD NEXT WEEK FOR THE NORTHEAST AND MIDWEST, BUT IT'S SUNNY SKIES IN HONOLULU!"

—continued on page 4

True Collections

—continued from page 3

I quickly explained my mission, “and I’ll thank ye now to get off my boat.”

“Man overboard,” said the bird, which I took as my cue to think fast.

“I see you have no fire extinguishers around,” I said. “The Coast Guard Charter Licensing Division won’t look too kindly on that omission.”

The bird squawked and Blue became remarkably silent.

Emboldened by what I sensed was a slight edge in my favor, I went on.

“And that license,” I said, as I pointed to the yellowed paper posted over the cockpit. “Seems to have expired about eight months ago.”

“Walk the plank, walk the plank,” said the bird, flapping its wings in agitation.

“Shut up,” said Blue, and I wasn’t sure to whom he was responding since he suddenly turned to retrieve something from an aged knapsack.

“How much was that bill?” he grumbled.

“Twelve hundred fifty,” I said, as he quickly scribbled his signature on the check.

He jerked the check in my direction, and I tucked it quickly into my waterproof pouch.

“Ye should hope we never meet again,” said Blue, with steely-eyed conviction. And as I readied myself to jump over the side, I heard him mutter, “Who says these seas don’t have pirates anymore.”

And the bird said, “Make mine a double, Matey.”

Amen. ♦

—story contributed by
Sanders Green of Szabo

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