

Dear Friends:

As we welcome the fall season, I am reminded of the inevitability of change. Some things, however, seem never to change, at least not to our satisfaction. Case in point: the contentious relationship between sales and credit. But does it really have to be that way? This issue's feature offers a practical approach to narrowing the chasm between these sometimes combative departments.

Our fall calendar is a busy one! Our convention schedule includes the Advertising Media Credit Executives Association (AMCEA), October 15-19 in Charlotte, N.C.; the Commercial Law League of America (CLLA), November 10-13 in New York, N.Y.; and the National Media Credit Group, November 15-16 in New York, N.Y. Finally, we end the year on a festive note at the Szabo Holiday Party, December 10, here in Atlanta.

We hope you enjoy success and prosperity in the season ahead.

Best wishes,



Pete Szabo, President
Szabo Associates, Inc.

A Conversation with Sales ... We Can Help You Make More Money!

If you could choose only one word to describe the relationship between your credit department and your sales department, what would it be? Tolerant? Adversarial? Downright combative?

If any of these adjectives apply to your organization, you find small comfort in the fact that the traditional relationship between sales and credit is one of conflict. We all know why this is the case. The functional autonomy of each department combined with dissimilar objectives is a recipe for conflict, right?

Perhaps, but does it really have to be this way? After all, sales personnel and credit personnel do work for the same organization and share its objectives of growth and profitability.

Still, let's get real. It is difficult for any salesperson facing lagging quotas with the end of the month fast approaching to embrace the "larger view." And perhaps their version of the larger view does not match yours to begin with. From their perspective, credit should recognize that sales fills the company coffers and credit should facilitate the flow. Additionally, should there be a problem later with an account, it is credit's duty to take care of it. After all, you are

the credit and collections department!

So here you have a two-part challenge: 1) Motivating sales to recognize and pursue shared objectives, and 2) Getting sales to understand that its role in bringing in the money does not end with the sales agreement. Your success in meeting this challenge depends largely on your ability to assure sales that shared objectives and shared responsibility for payment translate into more money for them.

The following is a sample conversation between credit ("C") and sales ("S"), designed to build a relationship of cooperation, collaboration, and trust.

Shared Objectives.

C: You are right. We have no purpose without you. We exist to help you make money for the company, and subsequently, for yourselves.

S: Well, it's about time you see things our way. Now can you take off that green shade and talk to me about that traveling carnival company? I haven't reached my quota yet.

C: Not so fast, my friend. We're here to help you make profitable sales, not to reach

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your quota. And to make profitable sales, you need us. Remember, a sale is not truly a sale unless and until we get the cash. If an account is not collectible, then it is not a valid sale.

S: I'm painfully aware of that. I'm not a complete idiot, you know.

C: I would never imply such a notion. In fact, I admire your talent, perseverance, and drive in the face of fierce competition. What you do is difficult, and I want you to know how we appreciate your efforts. As I said, without you, we would have no reason to exist.

S: And I appreciate your timely review of my credit requests. Now about that carnival ...

C: You know, it's so much easier for us to review accounts quickly when you give us good basic credit information and references. And of course, some kinds of businesses are notoriously troublesome ...

S: Okay, okay, I'll concede that the concert promoter was a bad risk.

C: I have an idea. We need a clearly stated common plan of action. One that applies specifically to the way credit and sales should work together. One that will focus our efforts on our organization's objective of growth and profitability while fostering a spirit of cooperation and collaboration for our mutual benefit.

S: Whoa, this is heavy.

C: How about this ... "Sales and Credit will actively pursue every opportunity for a profitable sale."

Implicit in that statement is our promise to look for ways to approve an account. We will be flexible and work with you to come up with acceptable payment terms on marginal accounts. And we will do so quickly when you provide us with complete and reliable credit information, including media references, on the kinds of accounts that we can reasonably accept.

S: Fair enough. Forget the carnival?

C: Yes. Thank you.

S: You know, I've always thought of sales as the "customer service" people, the relationship people. Credit managers were the people we needed to "get through" to make the sale. Now, as I think about it, I realize that you do provide a fair share of customer service. I mean, you provide a way for customers to do business with us. The opportunity for profit exists not only for us but also for the customer who is extended credit.

C: Perhaps, within our new plan, we need to regard "opportunity" in a more expansive way—as an opportunity for all of us, including the customer. If we genuinely approach each account as an opportunity to serve the customer, that spirit will become evident in all of our dealings with them.

I believe that it's easy for credit

to get steered away from the concept of customer service, and that's a mistake. If the customer perceives our department as the "good guys" who did everything possible to extend credit with reasonable terms, they will more likely want to retain their status as a good customer and develop a long-term relationship. Also, if they do fail to pay on time, our calls may be more favorably received if we have established a history of goodwill and helpfulness.

S: For that to work, we need to keep you informed about changes in the customer's business as they occur. And we need to resolve disputes and discrepancies quickly.

C: Absolutely. For example, what if your customer is experiencing a temporary cash-flow problem? If we know about it, we can perhaps work with the customer by establishing temporary, more lenient terms until the crisis is over. That way, we bolster our customer service reputation, and we also keep a valuable customer.

And speaking of ways you can help ... we need to talk about collections.

Shared Responsibility.

S: Collections? Isn't that your job?

C: After a point, it certainly is. But since we share the same objectives, we need to also share responsibility for payment. As I mentioned before, a sale is not a true sale until we get the money.

S: I'm still not sure you understand that salespeople

face enormous pressures, and I have a deskful of antacids to prove it. I don't have time to collect money. I'm too busy chasing after potential customers.

C: We do understand. And I'm not asking you to take on another job. I'm asking only that you participate in the process in ways that logically fall into the purview of sales.

S: Such as?

C: Bringing in pre-payments when required. Explaining our terms clearly at the time of the sale. Reviewing accounts receivable reports regularly and formulating a plan with us to collect on delinquent accounts before or at the same time you solicit new advertising from the account.

By helping us minimize past-due receivables and bad-debt losses, you help yourself both in the short term and in the long term.

S: What do you mean?

C: It all boils down to the fact that collections cost sales big money. In the short term, when sales fails to manage an account's adherence to terms and conditions on a timely basis, the account often becomes either totally unmanageable or manageable at a very high cost. If we get involved too late in the process, the account is harder to collect. It also means that accounts get turned over to third-party collectors later than they should, further decreasing the chances of collection. Meanwhile, the account's value is decreasing over time.

S: And we probably lose the account.

C: Yes. And you probably spent a lot of time and effort to win that account in the first place. So you've lost the commission you should have received from that sale as well as future commissions from an account

that you perhaps did not have to lose.

S: To a competitor.

C: Exactly. To another media organization that the customer doesn't owe money. And chances are that you will never get that customer back. Once again, you're at square one, competing for those new customers, which is so much harder than managing the account that you already sold. The short-term and long-term cost to you can be enormous.

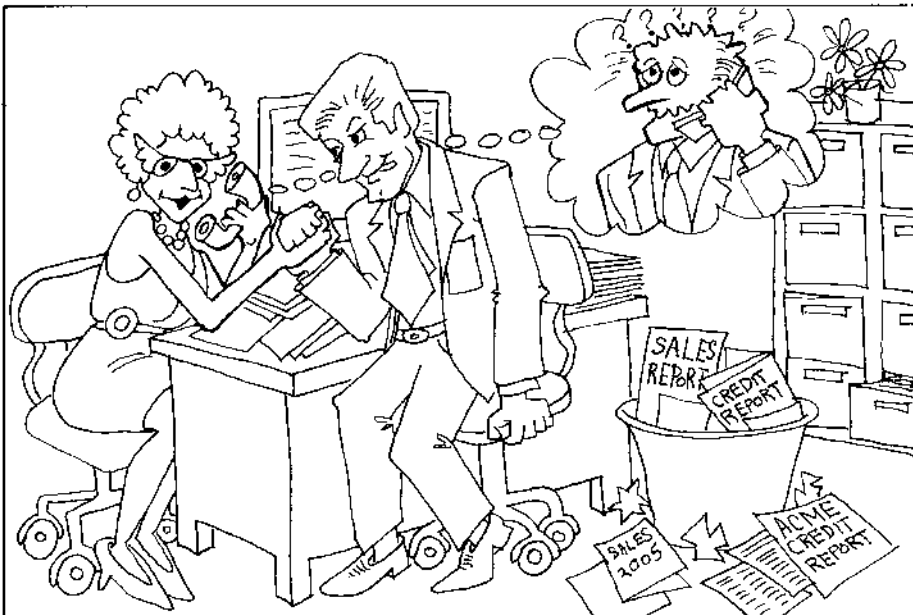
As a credit manager, I hate to see that happen, for our sake as well as yours. That's why we are willing to work with customers that experience temporary setbacks. Both sales and credit need to regard customers in terms of their long-term potential rather than simply the current sale.

S: We need to help them stay current on payments and help them to continue to buy more advertising.

C: Yes. And here's yet another long-term benefit to sales: By helping us minimize past-due receivables and bad debt losses, you help to strengthen our organization's financial status and reputation. It's easier to sell advertising with a strong property than with a weak one.

S: You know, I think we need to write some of this down.

C: I agree. Each of us can recap our contributions to meeting our new plan of action—"Sales and Credit will actively pursue every opportunity for a profitable sale."



"WELL, BOSS, YOU'LL BE HAPPY TO HEAR THAT SALES AND CREDIT HAVE SUCCESSFULLY RESOLVED THEIR DIFFERENCES. THERE'S JUST ONE REMAINING ISSUE ON THE TABLE."

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- S:** 1) Sales will provide complete basic credit information and media references on prospective accounts on acceptable types of businesses.
- 2) Sales will keep credit informed about changes in the customer's business.
- 3) Sales will collect pre-payments, explain terms at the time of the sale,

and monitor and manage accounts to help keep them current on payments.

- 4) Sales will work to resolve disputes and discrepancies quickly and inform credit about the resolution.

C: Great. My turn.

- 1) Credit will be flexible and creative when reviewing applications for credit.
- 2) Credit will respond to requests for credit quickly

upon receipt of information.

- 3) Credit will approach its dealings with sales and with customers with a renewed spirit of opportunity and service.
- 4) I will no longer envy your expense account.

S: I love that last one.

C: Louie, I think this is the beginning of a beautiful friendship. Want to get lunch? ♦



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