

Sales and Credit Feuds? Communication Is the Key to a Profitable Team!

Dear Friends:

As '92 draws to a close and we celebrate the beginning of a new year, we at Szabo Associates would like to thank all of you who have chosen to enter financial partnerships with us. Our successes are your successes, and we look forward to continuing to serve you in as many ways as possible.

By now, all of you should have received our recent mailing, which describes our new value-added services. We look forward to expanding our partnerships with you into these new areas.

As we move into 1993, we all wait with interest to see what effects a new administration will have on individuals and on the business sector. To all of our friends, we wish a most happy new year, filled with optimism, good will, and prosperity.

Best wishes,



Pete Szabo, President
Szabo Associates, Inc.

P.S. Once again, our Christmas party was a smashing success. Thanks to all who joined us in making it another memorable Szabo event!

Do relations between your sales and credit personnel sometimes remind you of the feuding Hatfields and McCoys? Have your sales representatives resorted to such tactics as begging, sneaking, or even lying – anything – to circumvent the steely-eyed scrutiny of credit personnel?

If so, you're not alone. The conflicting objectives between sales and credit often result in predictable patterns of avoidance and/or confrontation between the two departments.

Credit, in its attempts to minimize past-due receivables and bad-debt losses, insists on pre-payment terms for questionable accounts. Meanwhile, sales representatives, desperate to meet quotas and increase commissions, may even try to get around the system in order to salvage existing accounts and sell new ones.

Reconciling the divergent interests of these two groups can seem like a formidable if not impossible task; however, by concentrating on the shared objective – maintaining credit losses below a certain percentage of sales – instead of conflicting ones, sales and credit departments can establish a profitable team.

The key to forming an effective sales/credit team is good com-

munication, both formal and informal. Informal communication between departments as issues arise as well as formal communication in regularly scheduled meetings can do much to bring potential problems to light long before they appear on the ledger sheet.

Formal credit meetings should be held on a regular basis (at least once a month) and attended by the sales manager, business manager, and other sales and management personnel as appropriate. These meetings should facilitate understanding of the reasons behind credit policies in general as well as decisions about specific accounts.

Sales reps may not realize that the company suffers increased costs until payment for advertising is received; that is, unpaid advertising is more costly than unsold advertising. Credit staffers can also broaden their perspectives by trying to understand the pressures that sales reps face each month, especially in an economic downturn.

Communication is never more critical than when implementing changes to the credit program. If the credit function has been lax and disorganized, sales personnel may balk at policies that seem radical in comparison to previous credit

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Credit Feuds?

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operations. If they are involved in the process, however, they are more likely to accept change.

Of course, sales personnel's understanding of policy will go only as far as the next commission check if they believe their own interests are not being served. "Enlightened self-interest" will most effectively benefit both individual and company; therefore, there should be incentives designed to further motivate sales representatives to cooperate fully with credit.

There are numerous ways that sales and credit departments can cooperate to maximize collected revenue. Sales representatives should make sure that credit applications on new accounts contain complete information. The credit department should reciprocate by approving an advertiser's credit quickly upon receipt of the proper credit information to assist the sales rep in making the sale. When required by credit policy or when appropriate to the situation, sales reps should collect prepayments.

Because they maintain continuing personal contact with advertisers, sales reps are in the best position to become aware early of management or cash flow problems that could make collection on the account difficult. Such situations or information should be reported immediately to the credit department. The credit department may even rely on the sales person to collect on the account, since he or she is most familiar with the account and may know the best way to approach a particular client. Sales reps should review accounts receivable reports on a regular

basis and formulate a plan with the credit department to collect on delinquent accounts before or at the same time they solicit new advertising.

Management may also choose to withhold commissions on sales until the sale is collected. While this approach successfully addresses a common problem among sales personnel – to concentrate on the immediate sale without concern for its long-term collectibility – it suffers from a motivational standpoint. Timely reward for efforts is a great motivator. Management might instead opt to advance commissions to the sales rep the month sales are made. If a sale is

uncollectible, the commission advance can then be charged back.

Of course, the "carrot" of getting a bigger commission check will always win out over the "stick" of its getting taken away later. For that reason, there should be rules and controls to prevent the sales rep's succumbing to the temptation to circumvent the system. And while there should be room in the rules for exceptions, those exceptions should never become the rule.

Credit applications on new accounts should be submitted and approved by the credit department before

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"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 is an "Assignment for the Benefit of Creditors" and how is it different from a "Receivership"?

L.G., Richmond, VA

Answer: An "Assignment for the Benefit of Creditors" is an informal, voluntary plan by the debtor to appoint an assignee to take over and liquidate the assets of the debtor's company. It transfers all or substantially all of the debtor's property to another person in trust to collect any money owing to the debtor; to sell property; to distribute the proceeds to the debtor's creditors; and to return the surplus, if any, to the debtor. An Assignment for the Benefit of Creditors is an out-of-court settlement between the debtor and creditor whereby all assets are liquidated and distributed pro rata in order of priority of the creditor.

A "Receivership" is a state court action that is filed by a judgment creditor. A "receiver" is appointed to take over a business and liquidate the assets of the debtor. The assets are then distributed pro rata in order of priority of the creditor.



While a "Receivership" is forced by a creditor and an "Assignment for the Benefit of Creditors" is voluntary on the part of the debtor, the results are the same. All assets are sold, and the money goes to pay creditors.

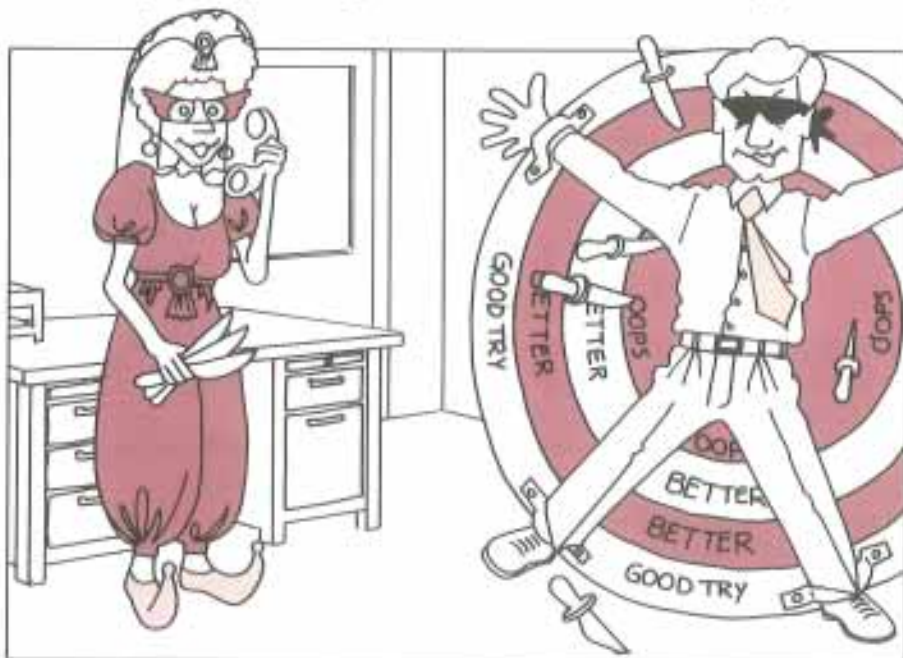
True Collections

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

Seize the Day (and Hold the Fries)

The way I see it, I should still be serving designer salads to the power brokers on Capitol Hill. And if there were truly any justice in this life, which there isn't, I would be running my own classy little bistro right now . . . the kind of place with daily specials like "coq au vin" handwritten on little chalkboards and European chefs with an attitude. Instead I've got this truck stop in a two-horse desert town where no one can find me, a mixed blessing to say the least.

The last customer I had in here – that was day before yesterday –



"NO PROBLEM WITH THE ENTERTAINMENT BUDGET FOR OUR CHRISTMAS PARTY, BOSS. I JUST KNEW THAT CORRESPONDENCE COURSE WOULD PAY OFF!"

sent his whole dinner back to the kitchen. Said if he wanted to see any red in his meat he'd go out and shoot it himself. I get those types in here all the time. If their eggs aren't cooked hockey puck hard, they think they're going to die from some bacterial ailment.

What, you may wonder, is someone with obvious culinary talent and sophistication doing out here in the middle of nowhere? Well, you see, I was number two in charge of this upscale little cafe in D.C., which was frequented by a profitable mix of politically ambitious sycophants who always order more than they can afford and well-heeled lobbyists who could buy the place three times over.

I still figured we could do better, though, and when Leon, the owner, went on vacation for a couple of months, I decided to seize the opportunity. The TV ads were outstanding – lots of beautiful people with capped teeth putting the moves on each other over cracked crab – and they ran at prime time during the last four Redskin games.

Business improved, no doubt about it. We must have brought in no less than \$5,000 more a week while those ads were running. Problem was, the air time cost twice that much.

I still think it would have paid off in time, though. You just have to have vision and consider things in the long term. Unfortunately, Leon saw things more on a week-to-week basis and got a little nerve-jerked when the collection agency's litigation coordinator called him the day he got back from vacation. Leon couldn't deny that the ads had increased business, and then he found out that the TV station suing him was represented by one of the best attorneys in Washington.

The only vision Leon had then, or in his life for that matter, was of this lawyer's most recent courtroom slaughter. According to the "Post," the victim was last seen wringing his power tie and sobbing at the stoney knees of Abe Lincoln. So without further consideration, Leon paid the advertising bill in full and ushered me out the door, screaming something about my being personally liable for the whole affair.

I've got my sources, who tell me they saw those same ads I produced

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Calendar of Events

January 19-21
Georgia Association
of Broadcasters
Georgia Radio and
Television Institute
Athens, Georgia

February 10-12
Broadcast Cable
Credit Association
Las Vegas, Nevada

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the ad is admitted on account. Old accounts should be given credit limits and aging categories so they will come up for review prior to the ad running.

Applications should be processed on a timely basis. The Business Office should review each credit application and perform appropriate credit checks and assessment of client risk, awarding approval if the level of credit risk is acceptable.

Of course, the most helpful reciprocations by both sales and credit departments are attitudinal. Credit should look for ways to sell the

account rather than to turn it down. If a client is obviously experiencing a temporary problem period, a group visit by both departments to the client can often result in a payment arrangement in which the client pays off the balance in manageable increments over a set period of time.

Likewise, sales personnel should remind themselves that credit's objectives — to minimize past-due receivables and bad-debt losses — serve them as well. Consistent application of sound credit policies helps to strengthen a company's financial status and reputation, creating an easier "sell" and maximizing the real return on the sales team's efforts. ♦

True Collections

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running again during this season's Redskin games. I guess Leon finally realized that it takes money to make money, but I know he'd never admit it, even if he could find me.

Now that things have settled down a bit, though, I'm considering making my whereabouts known. The ads are already in progress, in fact. Picture this, if you will . . . a lone rider approaches a neon-lit truck stop in the misty twilight with one thing on his mind . . . a well-done steak with a side of fries . . . ♦

— story contributed by
Jennifer Lee of Szabo

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