collective wisdom®

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MORE is better than less.

Dear Friends:

Another challenging year is in the books, and it's time to look ahead with some optimism toward 2022. With COVID rates declining and vaccination rates increasing, businesses are navigating a "new normal" that includes striking the right balance between fully remote work, hybrid models and fully opened offices.

In this issue's feature article, we share some tried-and-true best practices for collections, as well as some lessons learned on video conferencing and determining how and when to re-open your offices. These practices will serve you well as we transition to more "normal" times and into the future.

Our winter calendar of events includes presenting at two virtual events – the BCCA's Media Credit & Collection Workshop, January 19 and 20, and the MFM's Distance Learning Webinar on Political Advertising, February 10. Then we are looking forward to attending MFM's 2022 CFO Summit in Ft. Lauderdale, March 3 and 4.

All of us at Szabo Associates wish you a very Happy New Year and a healthy and prosperous 2022.

Robin Szabo, President
Szabo Associates, Inc

Collecting in Strange Times . . .
Old and New Strategies for Success

Congratulations! You made it through the chaos of this unusual year, shepherding your personnel through workforce shortages, working remotely, and other pandemic-related issues. Dealing with a myriad of urgent and unconventional matters can sometimes result in leaving other important matters on the sidelines. Specifically, credit and collection policy and procedures may have loosened as you focused greater efforts on meeting both your organization's and your customers' unique challenges.

The beginning of the year is the best time to revisit those areas that need attention and to put back in place your best practices. Here are some credit and collection suggestions to help you meet your organization's ongoing COVID-related challenges while maximizing profits in the coming year.

The Timely and Timeless. The following are practices that will serve you well as we transition to more "normal" times and into the future.

For new customers, determine creditworthiness. Analyzing a customer's creditworthiness up front could save you time and money by minimizing or eliminating collection efforts and costs later. Offer payment terms commensurate with a customer's ability to pay. For marginal customers, consider payment in advance or partial cash in advance with the balance due within 30 days.

Prioritize your collection efforts. New customers and high-stakes customers should be at the top of your action list. The former need to know at the outset of your relationship that you will enforce your policies. The latter need to stay current because you have too much to lose if they do not. Slow pays should be your third priority. Those with an established pattern of paying late this past year will likely continue to pay late if allowed the luxury.

Enforce your terms of payment. Start the collection process when the account falls 15 days past due. Follow up at least once a week, starting with the larger accounts that owe greater amounts. Communicate directly with the decision-maker. You never want to let a customer think that an extra week or two makes little difference to you.

Be prepared to revoke credit privileges on overdue accounts as outlined in your company's policies and procedures, usually at 60 days past due. Finally, enlist third-party help when the account is 90 to 120 days past due, as specified in your policies and procedures.

Pick up the telephone. The telephone is still the collector's best friend and, short of a face-to-face meeting, the best tool for relating effectively with the customer. Clearly state your reason for calling and request prompt payment. Suggest solutions if you suspect your customer might be having difficulty making payment. Consider enlisting the help of the account's sales rep, either for the first try or after your

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first try meets with resistance. Stay positive and polite, no matter what happens.

Send effective written communications. After that telephone call, a follow-up letter (via mail, fax, or e-mail) is critical to your confirmation process.

A carefully worded collection letter can be the least offensive collection communication. The "First Reminder" letter should have a mild and non-accusatory tone and should offer the suggestion that the nonpayment is probably the result of an oversight. Future communications should reflect growing concern and should include a positively phrased benefit statement to motivate the debtor to pay. ("Payment of the invoice by the 10th will ensure your continued favorable credit standing.") The "Final Demand/Other Action" letter contains your final request plus a statement of your next action if you are not paid. "Other action" usually means referring the account to a third-party collector. In any case, collection letters should always comply with federal and state legislation.

Your organization can develop its own "form" letters, with two or three customizable variations of each message. Send your Request for Payment letter on company stationery to convey a professional image. You might also develop guidelines to help collectors personalize the letters without changing the message or impact. Explain how you wish your customer to render payment, such as a link to a secure online payment portal. Offer to answer any questions about the payment and include your direct phone number.

Make it easy for the customer to pay. This may seem like common sense, but it is an element that is often overlooked. Make sure invoices are sent on a regularly scheduled basis and that they include all necessary information. Include your payment terms and any past due interest charged on the invoice itself. Invoices should include a due date, or state a range, such as "due in 21 days." Avoid jargon such as "net 15" or "net 30." Some customers may understand that means within 15 or 30 days respectively, but not all.

Do you offer secure electronic bill presentment and payment? Can customers easily pay online with ACH, credit cards, PayPal, wire transfer, or other automated payment options? Electronic payments take any "it must be lost in the mail" claims out of play and give your customers immediate confirmation that their payment was received.

Document all communications. Keep a written record of every collection effort and communication. Follow up every telephone or video conferencing conversation with an email summarizing the discussion and attach any invoices in question, along with copies of any contracts and your terms of payment. This record-keeping is vital down the road if you end up in court with a delinquent customer.

Team up with sales. Make sure salespeople clearly explain your payment terms at the time of sale on new accounts. Consider asking the sales rep to help collect a delinquent account. If they have a friendly relationship with a customer, that customer may be more forthcoming and receptive with the salesperson and more willing to share information on any potential issues they are facing. Notify salespeople when their accounts become delinquent and again when they become current.

Give established customers a break. Even your best customer may have trouble paying occasionally. Everyone wins when your customer weathers a short-term difficulty and gets back in the black. In fact, some customers will be grateful for your support in hard times and might reward your loyalty by buying more when their business picks up. Do not alter your payment terms, but be willing to spread the amount due into multiple payments. If a customer is able to pay, but not willing, or is constantly paying late, then be prepared to strictly enforce payment terms, revoke credit, and turn that customer over to collection.

Know when to reach out to a third-party collector. Engage the services of a collection service at 90 days past due or less in more perishable circumstances and 120 days for less perishable. If there is a dispute or denial of liability, provide your collection service with complete information from credit apps, knowledge of any disputes, notices, and any additional information that your sales department may have. Centralize all pertinent documents into a single file. Do not engage in any collection activity once the account is placed, and notify the collector of any payments received by the customer as well as any conversations the customer had with anyone in your company.

Lessons Learned.

In addition to illness and death, the pandemic brought business closures – temporary and permanent – labor shortages, and material shortages, along with the difficulties of managing remote working teams. Thankfully, many lessons have been learned during the past year that can help us sidestep some obstacles in the future. Here are suggestions that may help as we continue to navigate through changes in our work environments.

Establish back-to-the-office protocols. Even with video conferencing, not all job functions can – or should – be done remotely. In 2022, many folks are returning to the office, and that can be a difficult transition. Human resources departments are trying to determine who is vaccinated and what testing is needed for the unvaccinated, all while planning ahead in case of another wave. In today's work environment, remote working is no longer a perk for only a few.

The U.S. Occupational Health and Safety Administration (OSHA) issued an emergency temporary standard on November 4, 2021, which established binding requirements for employers with 100 or more employees to mandate that their workers are either fully vaccinated or tested for COVID at least once per week. The rule was to go into effect on January 4, 2022, and cover 84 million U.S. workers. National business industry organizations have since sued the Biden administration over the requirements. The U.S. Court of Appeals for the 5th Circuit temporarily halted the mandate. Whatever the outcome in the federal appeals court, the case will likely be decided by the Supreme Court.

This has created a very challenging situation for employers. Though federal vaccine mandates have been introduced, little guidance or information on enforcement has been issued beyond common-sense measures such as increased cleaning protocols and occupancy limits. The best we can do now is to stay abreast of new developments in the battle against the coronavirus and resulting recommendations, and to institute measures that make sense for our organizations.

Address staff attrition and well-being. All economic indicators show that the labor shortage is expected to continue for the short term. COVID only exacerbated an existing problem. Seventy percent of businesses reported manpower shortages before the pandemic began. Many businesses are struggling to find qualified applicants or are having to offer higher salaries and hiring bonuses to their best candidates.

Retaining talent needs to be a priority, perhaps even more important than recruiting the right new employees. Incentives such as pay raises, bonuses, work-at-home days and other perks can help keep your fully trained team members enthusiastic and on the job. Of equal importance is acknowledgment of the personal challenges caused by working from home and/or reduced personnel. Whether working in the office or remotely, employees still have the same personal responsibilities, made even greater by the pandemic.

"Great Attrition" research by McKinsey & Co. cites a lack of connection to the organization as a primary reason for leaving a job. One approach to address the employee need for connection and well-being is to build adaptability, the ability to learn flexibly and efficiently and to apply that knowledge across situations. Building adaptability begins with leaders dealing with change gracefully, says the report, avoiding the tendency to default to familiar solutions. This type of leadership instills confidence at the individual, team, and organizational levels, creating a culture that helps employees thrive in an environment of ambiguity and uncertainty.

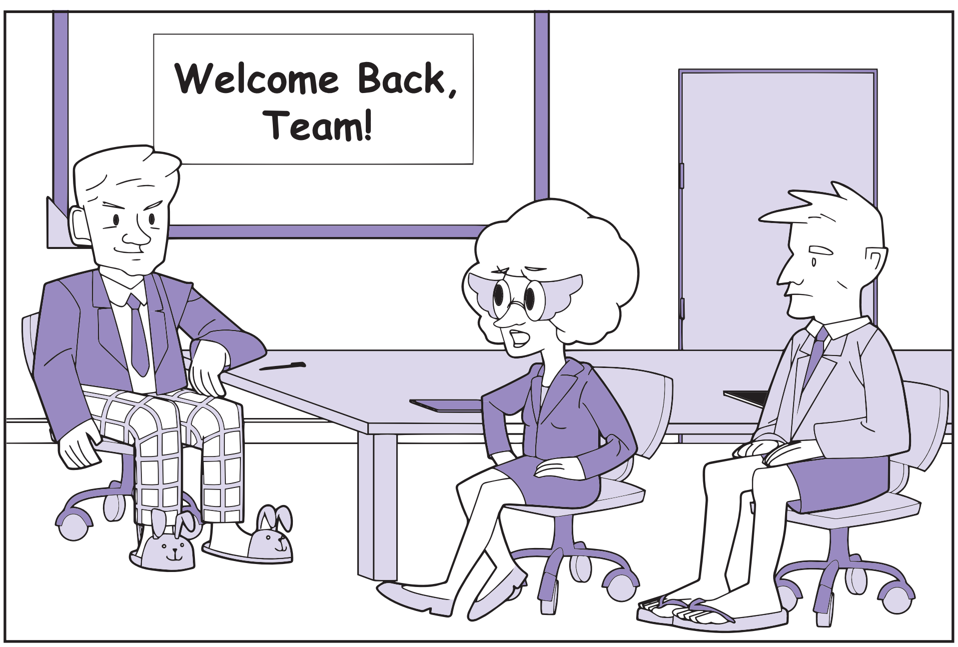
Work remotely and effectively. In this "new normal," there is the expectation among many that telework will be offered on a more permanent basis. Consumer surveys suggest that many American workers prefer to continue some form of telework arrangement even after the pandemic subsides. Telework has also been shown to increase employee happiness and not to hinder productivity.

By now, most professionals have gotten pretty Zoom-savvy. We all (well, most of us) have learned how to create tropical-themed backgrounds, view our co-workers as if they are sitting together in a movie theatre, and hit that mute button just as a pet or a child barks or cries. While it may be a preferred means of corporate communication, collaboration is not as easy as when sitting around a conference table or batting ideas back and forth in the breakroom. Regularly scheduled online team meetings are vital to keep everyone involved and invested.

Make the most of video conferences. For casual internal meetings, it is not a big deal if someone accidentally disconnects, and a bit of small talk is to be expected, as long as everyone mostly stays on topic. You will want to up your game, however, for client meetings. Set a realistic time limit, no more than 30 minutes, and review the client's records before the meeting starts. Then send a reminder the day of the meeting. Be online and begin the meeting five minutes before the start time – don't keep the client waiting in the "virtual lobby." Have an outcome in mind, stick to your strategy, state the facts, and remain polite but firm.

Use a plain, non-distracting background and make sure there is plenty of lighting. If you have a graphic designer on staff, ask him or her to make a background slide that incorporates your company name and logo. Dress professionally, at least enough to achieve business casual, both above and below the waist. If the meeting includes screen sharing, close any email and instant messaging programs before sharing your screen.

And two final tips: <u>Listen</u> and <u>follow up</u> in writing. (It is very easy to get caught up in making your presentation. Leave time for input from your clients.) To make sure everyone is on the same page, send an email summary of the meeting and attach any related invoices, ledgers, contracts, or other paperwork.



This is not a Zoom meeting! Now that we're all back in the office, try paying a little more attention to your bottom half. Who do y'all think you are, television news anchors?

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The Known and the Unknown. The private and government partnership to fight the pandemic has been nothing short of monumental. The record-time development and distribution of vaccines has brought the country and the world back from a horrific and economy-crushing situation. As we know, however, we are not out of the woods yet.

On Friday, November 26, the Dow suffered its worst day of the year after word of yet another fast-spreading strain of the coronavirus, "Omicron," triggered concern that more travel restrictions and other curbs could stall the global economy's recovery. According to *The Wall Street Journal,* "It was the worst Black Friday session on record for all three indexes."

While the effects of the new mutation cannot be assessed yet, many money managers maintain that the economic damage can be contained, as reported in the Journal's headline article on November 27. The efficacy of our current vaccines has been tested against numerous variants that have popped up during the year, illustrating continuing protection from severe illness. These vaccines can be quickly updated if need be, and businesses have learned to adapt to containment measures.

There is, however, another very large elephant in the room. Inflation could prevent central banks and governments from once again showering economies with stimulus money if further lockdowns ensue. Additionally, shutdowns could exacerbate our already significant supply chain problems, further boosting inflation.

Among the many heartaches and challenges of the past year and a half, there have been many bright spots as well. Perhaps the most noteworthy has been the resilience of the American spirit. The courage of our essential workers in the face of physical danger, the creativity of business owners in the face of possible failure and, most importantly, our faith that the country will prevail, as it always has, in the face of hardship and difficulty should carry us well into the next year with hope and optimism.

It is time to close the book on 2021 and charge into the New Year with renewed faith, enthusiasm, and best practices. 2022 can be a very good year! ♦