

E~Credit News

The Business Credit
Management
Association Wisconsin

March 2019

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International Credit Executives Group
Administered by Wisconsin Credit Association, Inc.

www.icewi.org

“SURVIVING A SYSTEM’S IMPLEMENTATION UPGRADE” March 12, 2019 | 9:00AM – 4:00 PM

Led by representatives from Johnsonville, LLC, Briggs & Stratton Corp, Gustave A Larson Co. and Weir Minerals, all of whom have been active in their company's Implement Upgrade and SURVIVED will walk you through the process they endured from beginning to end. This was no easy endeavor. During this no-frills, roll-up-your sleeves workshop, we will look at:

- ◆ How companies began this global vision and how that vision was communicated
- ◆ What steps were taken to train global staff
- ◆ The implementation
- ◆ Where they are today
- ◆ Training and change management
- ◆ Encountering negativity
- ◆ The process of change and personalities
- ◆ Credit/collections process design
- ◆ End-user process managing team to follow the implementation
- ◆ Accounting for other departments in order-to-cash cycle Encountering negativity

Click [here](#) for the meeting announcement or register [online](#).



“ANATOMY OF A FRAUDULENT TRANSFER LITIGATION” WEBINAR

March 26, 2019
3:00 PM - 4:00PM

From the Statute 13 of Elizabeth (1571) through today, recipients of fraudulent transfers have sometimes had such transfers voided and the funds taken away. But your receipt need not have been intentionally fraudulent; a “constructively fraudulent” transfer will suffice, which involves no fraud and no bad intent. Huh! Well, the lawyers make out ok. And if you are not sued, your yield from your claim may actually rise.

Click [here](#) for the meeting announcement or register [online](#).

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Perlick Corporation

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Aggressive Collections Can Backfire

"Collectors are often too aggressive," observes Shauna Fox, Credit Manager/Accounts Receivable Supervisor, Intermountain Staffing Resources (Salt Lake City, Utah). "You have to be somewhat demanding and somewhat aggressive, but there's a fine line. In the past, I have been on committees that decided on who would be paid next. Collectors who were more aggressive and demanding did not get their money. You remember the people who call."

Fox instructs her employees to be friendly and courteous, and they get good results. In her first 18 months as head of Intermountain Staffing's credit department, DSO dropped from 66 to 37. Here is what she tells collectors and why:

Be friendly. Whether dealing with customers' accounts payable personnel, the controller, or company owners, be friendly. Start every conversation on a friendly, upbeat note and be sure to end the conversation in the same way, no matter what has transpired.

"Treat customers as you would want to be treated," she says. "Accounts payable people are under tremendous stress. You can almost hear the tension in their voice. If you say, 'How are you doing today? How's your day going?' and you talk to them, they are taken aback because not a lot of people do that.

"The nicer you are to them, the more likely you are to be the first on their list to get paid."

Fox also visits customers' offices to meet accounts payable people and other contacts. She may also drop off a basket of "goodies" for the payables people.

Aggressive Collections Can Backfire (Continued)

"You can schmooze a customer who normally pays at 45 days to where you get paid a little sooner," she says. "That's why I visit them."

Take a positive attitude. There is no room for collectors who have a chip on their shoulder because they are having a bad day or they have just had a bad call.

"You need a good attitude when you're making calls," Fox says. "You can handle people with a little courtesy and kindness and still be somewhat strong."

"Credit and collection is like sales. It is still selling your company. Sales is out there schmoozing and catering to customers. If the credit and collection people come across, as we want our money, you are past due, it does not matter how nice the salesperson is. The customer won't buy from your company anymore."

Smile, listen, and keep your cool. Place a mirror on your computer. Look at your reflection when you make calls. If you are frowning, that comes through in the conversation. If an irate customer calls, just listen. Do not escalate a negative situation by snapping back.

"If you've called a customer several times, and they just don't have the money, they may get snappy," notes Fox. "There's a way to work around that, even if they're at 60 days or longer. Stay calm and ask them how much they can pay."

"Just say, 'You can't pay the full amount, but what can you pay?' If you take the time to talk to them, they know you will work with them. Even if you only get \$50, you are getting something."

"A lot of customers may be having financial problems. Their customers may not be paying them, so it has put them behind."

"They appreciate it if you work with them. The situation may be temporary. Do not be afraid to ask questions like, 'How can I help you? Are you having a cash-flow problem?' Once they see that you will help them, when they get money trickling in, they will send it your way."

"You have to keep the channels of communication open. Just listen to what their needs are and then meet those needs."

Remember that every situation is workable. Even when a customer gets nasty and says, "We just don't have the money. Take us to court," try to develop a workable solution.

"Still try to be nice," urges Fox. "Ask them, 'Can you use any other avenue? Can you pay \$__?' You would be surprised how all of a sudden they start sending in \$50 or \$100. I have had customers, who were close to bankruptcy, but I worked with them and they paid the full amount with finance charges."

"If customers say they'll send a check but they don't, call again and be friendly. Say, 'We didn't get your payment yet. Do you know if that went out?' It takes many reminders but if you give them nice reminders, you can call several times. I have only had one customer who was upset because we were calling so often."

"There's always a reason they're past due. They may have lost an invoice or they have a cash-flow problem. But everything is workable if you take the time."

Aggressive Collections Can Backfire (continued)

Know when to take a break. When customers become irate, you are apt to be angry or upset. After a bad call, do not immediately make another call, because your bad mood can easily carry over to the next call. "Go for a walk or do something else for a few minutes," Fox says. "Then, go back to your calls."

"In the past, when I supervised Accounts Payable, I had several employees who would literally break down because a collector was rude. I would tell them to go for a drive and get an ice cream cone or a soda. The company owner was appalled at first, but then he saw the change in the employees. They would go for a ride and they always felt better. They could take calls again."

Lead a balanced life. Relax in your spare time and enjoy activities with family and friends. Getting away from job responsibilities, according to Fox, enables collectors to be more focused and more productive when they return.

Thanks, to Credit Today's Collection Portal.

Good Money After Bad By Steven Kozack

Steven Kozack is a business consultant specializing in credit and collections. He has worked with six of the Fortune 100 companies in the last five years.

One of my clients retained me recently to offer them some advice on dealing with a particularly difficult situation. They have a customer with the following problems:

- A debt to equity ratio of 13 to 1.
- A current ratio of .95 to 1.
- Loss of 60% of remaining equity in the year ended 6/30/01.
- Sales drop of 12% in the year just ended.
- Net losses of 4% of sales at year-end.
- Operating loss almost as large as the net loss.
- Inability to pay invoices on time.
- Out of covenant with its bank on a loan of more than \$14 million.
- The bank (the secured creditor) demanding that the debt be paid down, and that another lender be found to replace it quickly.

The debtor owed my client almost \$1 million, and proposed the following arrangement as an alternative to filing Chapter 11 Bankruptcy:

- Debt forgiveness of one-half the outstanding amount.
- A four-year repayment schedule on the remaining \$500,000, interest free.
- An agreement that my client continue to sell to it on open account terms and at the same credit limit.

In return, my client would receive:

- A security interest in all assets of the debtor (but that security would be second to the bank), and
- "The undying gratitude of the debtor to vendors who supported them during this crisis."

Good Money After Bad (continued) By Steven Kozack

My research showed:

- The liquidation value of the company was far less than the amount owed to the bank--so the security offered to my client was a sham.
- The debtor was trying to make separate deals with each of its 10 largest creditors, but each creditor was negotiating its own deal - and the larger the creditor, the more concessions they received.

I reported these recommendations to my client:

- Do not ship except on wire transfer terms.
- Negotiate for as much upfront cash as possible from the debtor.
- Recognize that the "security" being offered by the debtor is an illusion.
- Do what you can to reduce your accounts receivable balance, but keep in mind that the payments received may be considered preferential transfers any time within 90 days of a bankruptcy.

My observations included these:

- There were lots of warnings documented in the credit file that the customer was in financial trouble, so some of the expected bad debt losses could have been avoided if the credit manager's recommendations were adopted.
- There is very little my client can do now to improve their position. Risk management must be done consistently -- it cannot be on-again, off-again (as it was in this case) without potentially serious repercussions.

NSF Checks: A Three-Step Approach

It is important to have a set of sound procedures for your credit department to follow for this and many other common occurrences.

You do not have to have been in credit management for very long to have encountered the problem of NSF checks -- a notice or call from the bank explaining that one of your customer's checks bounced. While some customers bounce checks on purpose, more often than not the source of the problem is either:

- The "float game," in which a customer writes a check and hopes to be able to cover the amount before you deposit it, or
- An administrative error (discussed in detail below).

Even customers who pay C.O.D. may end up bouncing checks, hoping they will be able to collect from their customers in time to cover the checks they wrote to you. If you receive an NSF check from a customer, here is what to do:

1. **Contact the customer and explain that you received an NSF check from him.** Initially, give him the benefit of the doubt. Explain that you understand it could have resulted from problems outside of its control:
 - Its bank failed to transfer authorized funds into the proper account.
 - Its bank did transfer funds to the proper account, but did not do so in a timely manner.
 - A check your customer deposited from one of its customers bounced, thus leaving your customer's account short.

NSF Checks: A Three-Step Approach (continued)

Giving your customer the initial benefit of the doubt helps him save face and maintains the cooperative relationship you have with the customer.

2. **Next, ask the customer to replace the funds as soon as possible, and remind the customer of the importance of maintaining a good credit rating.** If possible, ask the customer to forward to you a certified check or personally bring a cash payment or certified check payment to you within the next one to two days. (If that is physically possible; if not, you may want to involve a sales rep).
3. **In making this request, though, never use threatening tones or aggressive tactics.** This would definitely come back to haunt you, especially if it turned out the problem was something beyond the customer's control. A negative or aggressive attitude will offend an honest customer, and that customer may elect not to continue doing business with you. (Then, you can be assured that the sales department will find another nail for your coffin!)

In sum, while NSF checks can be the first sign of a serious problem, this is not always the case. It can simply be a one-time problem caused by an administrative foul-up that is easily collectible. By first giving the customer the benefit of the doubt, you not only save the account but also have the opportunity to show your customer that you are fair and understanding.

Thanks, to Credit Today's Collection Portal.

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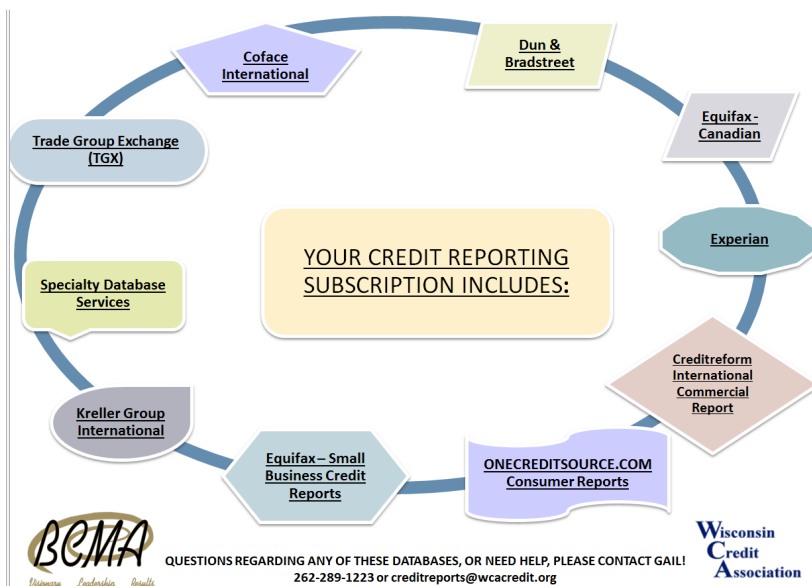
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Would you like to contribute to the BCMA Newsletter? The most important part is your idea. We can handle the polishing. Just write to us at BCMAEditor@CreditToday.net with your idea!

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UPCOMING INDUSTRY CREDIT GROUP MEETINGS

MARCH 8, 2019

Electrical Suppliers Industry Credit Group,
Pewaukee, WI

MARCH 12, 2019

Regional Paper & Packaging Industry Credit Group
Teleconference Call
Fine Paper/Graphic Arts Industry Credit Group
Teleconference Call

MARCH 13, 2019

Plumbing & Heating Industry Credit Group
Brookfield, WI

MARCH 14, 2019

Metals & Industrial Suppliers Credit Group
Brookfield, WI
Food Suppliers Industry Credit Group
Madison, WI

MARCH 15, 2019

Iowa Plumbing Heating Electrical & Construction
Industry Credit Group
Location TBD
IL Fine Paper Industry Credit Group
Oakbrook, IL



MARCH 18, 2019

Western Electrical Suppliers Industry Credit Group
Madison, WI

MARCH 19, 2019

Building & Construction Materials Credit Group
Milwaukee, WI
Minnesota Fine Paper Credit Group
Teleconference Call
WI/IL HVAC Industry Credit Group
Rockford, IL

MARCH 20, 2019

Minnesota Electrical Product Suppliers Group
Brooklyn Park, MN

MARCH 21, 2019

Construction Industries Credit Group
Appleton, WI

MARCH 27, 2019

Food Service Supply Hospitality Industry Credit Group
Location TBD



2019 Education

March 12

"Surviving A System's Implementation Upgrade" ICE Session

April 11

"The Art Of Getting Paid – Quickly!" Barry Elms full-day Seminar

March 26

"Anatomy Of A Fraudulent Transfer Litigation" Webinar

April 23

"Proofs of Claim & Trading Claims" Webinar

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