

E~Credit News

The Business Credit
Management Association
Wisconsin

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Wisconsin
Credit
Association



ANATOMY OF A PREFERENCE LITIGATION WEBINAR

NOVEMBER 13, 2018
3:00 PM - 4:00PM

You May Or May Not Have Known That The New-Debtor Was In Trouble. But You Provided Goods Or Services Anyway, And Were Paid For That. And Maybe You Provided More And Were Not Paid For Them. Now The Debtor-In-Possession Or Committee Or Chapter 7 Trustee Or Liquidation Trustee Wants You To Pay Back Funds You Justly Received? Yes, That's What Happens. What To Do?

Click [here](#) for the meeting announcement and register soon! You can also register [online](#).

COMPREHENSIVE CREDIT PROFESSIONAL'S TRAINING SERIES

Why should business credit and collection professionals apply for Credentialing Standards Board (CSB) accreditation as soon as the opportunity is available? The answer is this. By having accreditation in place, Certificate holders are more valuable to their employers. Because they have invested in their own professional development in order to strengthen specific skills needed on the job. Individuals with professional credentials are also more respected by their colleagues and peers in the industry.

BCMA, in collaboration with the American Society of Credit & Collection Professionals launches 32 hours of online training.

This comprehensive series of training courses is now being offered to individuals interested in 1) stepping up their approval process for Certification, 2) broaden your knowledge in areas necessary to perform your job, 3) train others in your department, 4) recertification, 5) the need for concise, in-depth an relevant continuous education.

Take a look at all there is to offer. Chose one course or more individually, one module or both. These courses can be taken at your convenience. A full description of their role in the achieving the Certified Credit Profession (CCP) and Certified Professional Collection (CPC) is included with the announcement. Contact the Association for more information and to register.

[Download Announcement & Registration](#)

NEW ASSOCIATION MEMBER

Lori Janny

Drive Source International Inc

NEW ASSOCIATION REPRESENTATIVE

Mark Brici

US Bank

Bill Neureuther

GA Larson Company

Ryan Arneson

Minvalco Inc

NEW GROUP MEMBER**INTERNATIONAL CREDIT EXECUTIVE GROUP**

Mark Brici

US Bank

PLUMBING & HEATING SUPPLIERS GROUP

Ryan Arneson

Minvalco Inc



Insuring Credit Selectively

Time was when it was pretty hard to do business with credit insurers unless you were giving them your whole AR portfolio--maybe minus your very worst risks. Then, two or three years after recovery from the Great Recession began, competition seemed to open up the trade credit insurance arena. It was about that time, in 2011 and 2012, that one of our Credit Today members decided to look into some selective credit insuring for his riskier domestic accounts.



Chris Finch

Five years ago, after eschewing credit insurance for most of his 30+-year career, Credit Director Chris Finch of Sumitomo Electric Lightwave Corp. began to insure some of Sumitomo's Central and Latin American business. More recently, he began looking at insurance on domestic customers. He started by asking for quotes on "some of his higher risk-'dogs'." Insurers' responses tended to confirm his judgments. These were accounts that he had been extending credit to on a limited basis, if at all, but they weren't slamming the door on all of these accounts.

"I noticed that, probably because of competition, they are more willing to consider a smaller portfolio of high risk accounts, like mine," he says. "You will probably pay a higher premium to insure only a portion of higher risk accounts as opposed to your entire portfolio but they will now consider them. Before you couldn't find anybody who would cover a partial set of your AR. It was all or nothing. You could say, 'I've got two accounts I want to insure. I don't care how high the premium is. I'll pay whatever you come up with.' And they wouldn't even look at them.

"And they're still not willing to insure just any customer but it's an added credit analysis tool: If they're not willing to insure an account for anything or only a minimal amount, do I really want to be extending credit to them anyway? It causes me to take a second look to see if I've missed something in my analysis. There are reasons other than strictly creditworthiness that insurers use when considering whether to insure an account or not, such as the total exposure they may have on that customer globally, not just what you are asking for."

His first venture into insuring one-off U.S. accounts pretty much illustrates all of the challenges and frustrations that these situations can lead to. There was a large customer that Sumitomo's parent company wanted to sell into because of its particular market niche. Finch's average exposure was quite high, but the best coverage he could find was for only a small portion of that exposure. Worse yet, after only a few months of coverage, the insurer abruptly cancelled the policy completely on that account.

An underwriter didn't like some of the things showing on their financial statements. There were some one-time transactions that were really just paper transactions and didn't affect cash. So suddenly Finch is selling completely uninsured to this account.

At this point he isn't overly concerned. "They pay like clockwork. But there is, of course, the risk that, were we to get into another recession, they could get into trouble," he notes. "That's one reason I have insurance in the first place."

Insuring Credit Selectively (Continued)

So now he's carefully and anxiously scrutinizing the customer's new financial statements hoping for evidence that will fuel his arguments for reinstatement of the policy. Their most recent statements show major improvements in all areas and Finch hopes this is a trend, not just a one time bump.

"If you look on paper strictly at one or two quarter's financial statements, this is a very high risk account," he says. "But if you have the experience that we do with them and take all factors into consideration, particularly the improving trend, that helps explain the risk better. It just goes to show you don't want to make a credit decision simply on one piece of information or one set of financial statements."

With the above mentioned large account, he's hopeful that the insurance company will reinstate the policy for at least the previous amount and maybe even increase it. He doesn't expect them to go all the way to what is needed, but if he can get them to reinstate the policy at some level and possibly even increase slightly "that's a lot better than nothing at all and helps hedge our risk."

A Novel Twist

If a customer's risk is too high to permit uninsured sales, what about adding the premiums to the price you're charging? The competitive situation Finch faces is too intense to allow that, but Fred Marlatt, now chairman of Turnmire Logistics, used it effectively as corporate credit manager for Potash Corp.

"Insuring a single account. I'd suggest that you shop the deal thoroughly," Marlatt says. "As with everything else in business, competition will help you determine the price. "I know that the cost of a one-off policy can be very expensive, but if you have a customer that needs your products or services you may want to propose charging the premium cost to them. Remember, if they have to borrow they have a cost. This is just another cost of borrowing for that customer, and you should be able to sell them on picking up the cost of the premiums."

Often these were foreign accounts, particularly in Brazil and Mexico, where interest rates were very high. Options for securing these accounts, like letters of credit, were considerably more expensive than the 3.5 to 4 percent of insurance premiums.

"Then too," Marlatt adds, "we had the unrivaled expertise on the customers and the local markets that the insurance broker provided."

Back to Basics: Proper Collection Call Procedure

"Our terms are net 30, and if we haven't received a check by the thirty-fifth day, we're on the phone to the customer," says an East-Coast credit manager. "To make sure the call will be as effective as possible, I do my research before I dial, and I have all the necessary paperwork in front of me—including the purchase order numbers."

During the call, she focuses only on the customer and the issue at hand, eliminating all other distractions.

"I don't start out by demanding payment," she says. Instead, she asks the customer why payment has not been made. In business, any number of things can go wrong.

A product might be shipped short. The wrong product might be sent. There might be an error in pricing. A customer might not have received proper credit for such problems.

"It's important to find out why a customer has not paid before you demand payment. Addressing a customer's legitimate concerns will more than likely eliminate payment problems."

She uses tried-and-true solutions for customers that give her either of the two most common excuses in collections:

Back to Basics: Proper Collection Call Procedure (continued)

"The check is in the mail." She asks for the check number, the amount of the check, and the date it was mailed. "Then, if we haven't received the check in five to seven days, we make a follow-up call."

"We never received an invoice." She immediately emails a copy.

"This solves the problem quickly," she emphasizes.

Regardless of how a customer responds to a request for payment, she makes sure she doesn't "lose her cool."

"I try never to become irate or talk louder than the customer," she says. "Each time I make a call, I write the name of the person I spoke with in my system. That way, if I have to make a follow-up call, I will know whom to contact to follow up on the previous conversation. If you can make contact with the same person the second time you call, you have a much better chance of getting paid."

Thanks to Credit Today's "[Tip of the Week](#)."

Generation Z By Peggy Morrow

Heads up! Get ready for Generation Z! Sometimes referred to as "Genzilla," Gen Z will be the generation in history.

As part of getting ready for my upcoming presentation of "From Bebop to Hip Hop--Working Effectively with the Generations," I am researching the newest generation coming into the workplace to add to the program. But in my years of giving this presentation (through the entry of Gen X's, Y's and now Z's), I have realized that every generation frustrates the ones already there. Here are some things to think about as they start to enter the workplace.

Born roughly after 1993 (some experts say after 2000), Gen Z has been raised in an on-demand, impatient culture with almost everything instantly available. Totally connected for their lifetime by technologies such as the World Wide Web, text messaging, mobile phones, YouTube, iPads, etc. the answer to everything is "Google it!" and thus they are being called "digital natives."

They are confident to the point that they almost always believe they are ready to take the next step or take on the next task, no matter how prepared they actually are. (Expecting a promotion to manager in six months anyone?) They also crave constant and immediate feedback from friends and managers, which is also true of Gen Y.

The combination of the independence and knowledge gained from technology and the constant support from their parents about their "wonderfulness," has produced a sense of entitlement in Gen Z that can be seen as a double-edged sword. They will bring many positive ideas and talents to the workplace and won't be afraid to speak up but may not have the experience with failure where we all learn some of life's lessons that are not taught in school.

Remember, however, that you cannot put generations into a nice, neat little box. There are so many factors that go into shaping an individual's values, which is why everyone is unique. But each generation often exhibits surprisingly similar characteristics because of their basic values. This can give you ideas on where to start to faster connect with and integrate Gen Z into the workplace.

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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

OCTOBER 9, 2018

Regional Paper & Packaging Industry Credit Group
Teleconference Call

OCTOBER 10, 2018

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Brookfield, WI

OCTOBER 11, 2018

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OCTOBER 12, 2018

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OCTOBER 16, 2018

Fine Paper/Graphic Arts Industry Credit Group
Teleconference Call
WI/IL HVAC Industry Credit Group
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OCTOBER 17, 2018

Minnesota Electrical Product Suppliers Group
Brooklyn Park, MN

OCTOBER 18, 2018

Construction Industries Credit Group
Appleton, WI

OCTOBER 19, 2018

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OCTOBER 24, 2018

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OCTOBER 25, 2018

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2018 Educational Events

November 13

"Anatomy Of A Preference Litigation" Webinar

December 19

"Anatomy Of A Fraudulent Transfer Litigation" Webinar

CHECK OUT OUR [CALENDAR](#) FOR MORE UPCOMING EVENTS.
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