Check the Quality of Software Support Before Buying

If you’re thinking of buying an expensive A/R software package to help you manage your receivables, here’s an important criterion to consider. How much support will you need and how much are you REALLY going to get? How accessible is the support staff? How extensive is the software support? How responsive will the company be to your questions? Here’s a good way to check up on the various software providers when you’re in the decision-making phase.

See if they have online help available. Is it easily searchable? Are the answers complete and easy to understand?

Then leave a message with tech support, either by phone or by e-mail. (Think of a good hypothetical question relating to your situation.) How long does it for take them to respond? How helpful, complete and useful is the answer they provide? If the waiting time is too long or the answer is inadequate, it’s probably a precursor of things to come, and perhaps an indication that you should consider taking your business elsewhere.

Humor of the Month:

Last year I replaced all the windows in my house with that expensive double-pane energy-efficient kind. Today, I got a call from the contractor who installed them. He was complaining that the work had been completed a whole year ago and I still hadn’t paid for them.

Helllooooo….just because I’m blonde doesn’t mean that I am automatically stupid. So, I told him just what his fast talking sales guy had told me last year, that in ONE YEAR these windows would pay for themselves!

Helllooo? It’s been a year I told him. There was only silence at the other end o the line, so I finally just hung up. He never called back. Guess I won that stupid argument. I bet he felt like an idiot.

For more information regarding this conference to be held in Kansas City, MO September 16th-19th contact Rhonda Ross at 800.525.7228 ext 113.
What is a Credit Manager?
By Allen Bauer, CCE

When was the last time you read your Job Description? Do you have one for your position? Do you know what’s in it? If you’re like me, you probably had a hand in writing your own Job Description so you have a pretty good idea of what’s in it and what you’re supposed to be doing.

Many of us have been in our position for many years, possibly our entire career. As I meet new people and we talk about what we do for a living, I often get asked what a Credit Manager does. If you were asked this question, how do you respond? You might find that what your job description says you are supposed to be doing is sometimes quite different from what you’re actually doing on a daily basis. Here are just a few of the key elements that have defined my role as a Credit Manager.

**Job Criteria #1** - Responsible for reviewing the creditworthiness of all customers and establishing appropriate terms and credit limits per company policy.

*What is really done:* React to customers who exceed their assigned credit limit and approve credit for marginal customers because into the Sales Manager insists their customer is “good for it”.

**Job Criteria #2** – Responsible for collecting all accounts receivable balances within terms.

*What is really done:* Spend most of the time focusing on collecting the over 90-day past due A/R balances because that’s all the time you have. Hold orders on these customers until pressured by the Sales Manager to release the order so that sales quotas can be met.

**Job Criteria #3** – Resolve disputed and short-paid invoices in a timely manner.

*What is really done:* Spend too much time trying to convince the customer why they should repay the short-paid invoice. After convincing the customer their withholding of payment was in error, you still don’t get repaid and you end up issuing credit anyway in order to clear your books and salvage the relationship with the customer.

**Job Criteria #4** – Responsible for enforcing the company credit & collection policy. Involve senior management on any exceptions to policy.

*What is really done:* Involve management on almost a daily basis because the exceptions to policy have now become the norm.

**Job Criteria #5** - Analyze A/R Aging and Review Problem Accounts with Management

*What is really done:* Problem accounts are discussed with the Sales Manager and the CFO. Management normally agrees to keep selling problem customers in order to keep revenues up at the expense of increased DSO and possible non-payment.

**Job Criteria #6** – Maintain collection percentage, Days Sales Outstanding and Bad Debt at acceptable levels, as determined by management.

*What is really done:* You do the best you can with the limited resources you have while walking the fine line between Sales, Customer Service and senior management.

So what is a credit manager? A credit manager is a negotiator, problem solver, dispute resolver, coordinator, analyzer, and a person who uses the power of persuasion to survive in their current position. Possibly you can relate to some or all of these things.
What To Do When Your Customer Pulls a Disappearing Act

One of the members of Credit Today's online forum recently reached out to fellow forum members after discovering that one of her customers had "closed it's doors," without any notice that it had filed for bankruptcy.

The customer has been on CIA for several months to protect her from a preference claim. However, the inventory remaining at the customer was probably older than she could possibly want returned.

So she wondered about her legal rights: If they have not filed, could her sales guys go there to see what product of hers' is still there in order to arrange a return perhaps? They still have advance monies on their account, but have cancelled the orders in house that were to be shipped for this advance payment. If they file, what will the courts say about that money? Will they make her return it? She has tried to call the principal to get an understanding of what is exactly happening, but he has not answered.

Listserv members were helpful, but far from encouraging.

"Your only recourses are: Skip trace them yourself; Send them to collection and see if the agency can locate the owner and/or the goods; Try to sue the owner, if they are a Sole Proprietorship or you have a personal guaranty. Outside of that, you are generally out of luck and the debtor/customer knows it. Sorry I couldn't be more optimistic." -Bob Czaplinski, Credit Manager, Simon Golub & Sons, Inc.

"Does the bank have an all inclusive UCC-1 filing on the customer? Did you run a UCC lien search to determine other potential liens on assets? Does your company have a purchase money security interest in the product your customer has on hand, and is it perfected? Of course, when all else fails, possession is 99% of the law." -Jim Albert, Sr. Credit Manager, Gensco

"This happens rather frequently with our small customers. Closing up saves them the expense of filing bankruptcy. If there is a bank involved, they probably have a lien on all assets and may ask for the prepayment back as part of a preference claim, unless they are whole and don't care. You can have an agency skip trace the owners to be sure they are gone and closed. If so, your inventory probably was sold at a fire sale.-Paul Ruzga, Director, Customer Financial Services, Simon and Schuster

Guerrilla Tactic to Stay Connected

Nowadays, you can feel pretty helpless going on the road for more than a day or two and finding out that you forgot your cell phone charger. If that happens to you, check with the hotel you're at. If it's a fairly large hotel, chances are they'll have a pretty good stock of cell phone chargers in their Lost & Found, and be happy to loan one to you while you're there.

It worked for us at the recent NACM Credit Congress. In fact, they apparently had so many that when we offered to bring it back when we checked out they said, “Don’t bother.”
Protection Your Credit Application Can Give You

You should check your credit application to make sure that it is providing the protection you need from customers’ stalling, dodging and just failure to pay. One application we’ve seen includes these provisions:

- All billing disputes must be reported by the customer within 10 days of receipt.
- There is a $25 charge for all NSF checks.
- There is a $10 charge for all duplicate invoices. "Customers have occasionally reported that they mislaid their invoices when we call for payment," explains the credit manager, who asked that she and her company not be identified. "If they repeatedly ask for another copy, we may elect to charge them the $10. Advised of this charge, most of them have stopped asking for additional copies."
- The customer must pay interest of 2% per month if an amount is litigated and the creditor wins the litigation.
- The applicant agrees to bear all costs incurred in collecting any unpaid amounts, including, but not limited to, collection agencies, legal fees and court costs. "This encourages customers to work out arrangements with us ahead of time, because neither of us wants to go to court," she explains. "If we do and we win, they must pay all of the costs, not just what a judge may deem fair."

This company’s application previously had included some but not all of these provisions. The credit manager reports that there has been no protest from new customers, who probably don’t bother to read them anyway, but that when they have to be implemented they’ve been just as effective as the company had hoped.

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**Education Update**

**NACM Education Dept. Teleconferences**

September 2008

**Wednesday, September 3**
**Selling Your Bankruptcy Claim: The Risks and the Rewards**  Presenter: Bruce Nathan, Esq.

**Monday, September 15**
**Beyond Overload: 10 Secrets to Get Back Control**  Presenter: Abby Marks-Beale

**Wednesday, September 24**
**Credit and Sales**  Presenter: Davy Tyburski

It’s very simple to participate: Go to http://www.nacm.org/education/telecons/schedule08.shtml and click on which program you want to register for.

There’s more info at www.nacmKC.org/current-education.html.
Can You Add a Surcharge to Credit Card Payments? No, but . . .

Collecting trade payments on credit cards, especially from slow-pay or potentially no-pay customers, has obvious advantages. The obvious disadvantage, particularly for a low-margin business, is the 2.5 to 3 percent merchant account fee.

So, we hear the question all the time from credit execs: "Can we charge them extra when they pay by credit card?" Except in certain instances, the answer is no, since merchant agreements, as established by MasterCard, Visa, and American Express, prohibit passing on the cost in the form of a surcharge.

Despite that, we hear reports of companies passing on the costs of credit card use by varying methods, often using terms other than "surcharge" (such as "convenience charge").

A prominent creditor's attorney recently advised us that, while it may be prohibited, he's never seen any evidence of the credit card companies enforcing the provision. He's sampled a number of credit managers over the years who say they pass on the costs of credit card use in some fashion.

He also advised that he has sampled some card industry executives who advised non-enforcement in this area. This makes sense given what we see at some credit conferences. Most credit conferences solicit vendors to be "sponsors" at their conferences, and the highest paying sponsors we've seen are the credit card companies. If they get a business (large or small) to use their merchant account, it can be a very lucrative contract. In fact, we've seen banks routinely pay $25,000 to have access to credit managers of large companies at credit conferences in order to solicit their merchant account business.

So, based purely on the economics of these contracts, we suspect that they may be very reluctant to cut off one of those customers for trying to recoup some of the costs of offering credit cards to their customers.

Are we recommending that you start passing on this cost? No. We're just passing on our observations and intelligence in this area. It's a trend that we'll continue to follow.
Stability (stuh-bil-i-tee) . 1) steadfastness; constancy, as of character or purpose. (e.g., for providing members with consistency in payment processing). 2) firmness in position; permanence. 3) To give unwaivering or reliable service; see also First National Merchant Solutions.

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