

AUGUST 2020

# BCMA E~CREDIT NEWS

## BCMA - It is All About You!

August 2020

### 1. 10 Ways to Run Your Credit Department More Efficiently and Effectively

This month's topics...

- 1) [10 Ways to Run Your Credit Department More Efficiently and Effectively](#)
- 2) [Why I Declined to Serve on a Creditor's Committee](#)
- 3) [Aggressive Collections Can Backfire](#)

Here are ten ideas to help you improve both your personal and your credit department's efficiency.

1. Spend time teaching, coaching, and encouraging staff. They are your most valuable resource.
2. Shop around for the best price on outside services the credit department uses, such as collection agencies and attorneys. Often, with very little effort you will be able to negotiate concessions from the list price, especially on credit reports and with outside collection agencies.
3. Develop your own unique set of free web-based resources to complement your existing credit reporting sources.
4. Don't be intimidated about smart, ambitious subordinates. Surround yourself with people who know as much as or more about their particular specialty than you do.
5. Limit bad-debt losses by periodically updating every active customer's credit file, and by reacting appropriately to deterioration in a customer's credit profile. (For benchmarking data on how often credit professionals are updating credit files, check out the third graphic in our recently released Benchmarking Survey entitled [Q2 Covid-19 Impact Survey - Credit Organizations Are Adapting to the Challenges.](#))
6. Refine your automated order review and approval system so that fewer orders end up on credit hold. This saves your department time that could be better spent collecting, updating credit files, or resolving deductions.
7. Join one or more industry credit groups. The expense of membership should be more than offset by the insights and information you receive at the credit meetings about common customers.
8. Don't spend all of your time working. Credit professionals need to make time to plan, to train, and to study.
9. Delegate as much work as possible to others. Even if it takes a subordinate twice as long or even three times as long to complete an assignment, on an hourly basis the company is probably still better off.
10. When you encounter a problem, ask subordinates for ideas and suggestions.



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### GOT AN IDEA?

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](mailto:BCMAEditor@CreditToday.net) with your idea!

## 2. Why I Declined to Serve on a Creditor's Committee By Michael Dennis

To my surprise a few years ago, I was recently invited to a consider joining a Creditors' Committee in a Chapter 11 bankruptcy. Along with the invitation, The United States Trustee in the case sent along a fairly detailed description of the rights and the responsibilities of committee membership.

Prior to this invitation and the informational brochure, I knew just enough about membership on a creditors' committee to be dangerous. For example. I was aware that the committee plays an important role in the Chapter 11 proceeding. I knew that participation on the committee was time consuming, that membership carried with it certain responsibilities, and that service on a creditors' committee was purely voluntary but strongly

encouraged.

I read the pamphlet and attended the hearing. These are some of the things I learned:

- Committee members are not compensated for their services.
- Their employers do not receive a larger share of the proceeds of the debt or any other tangible and measurable benefit from committee membership.
- The committee is permitted to offer any comments it wishes on the debtor's petitions to the bankruptcy court. For example, the Committee may remain silent; many endorse the request, or may file a motion objecting to the request.
- The committee is expected under the Bankruptcy Code to be given regular access to the debtor's financial statements. In theory, this would help committee members to decide whether to continue to sell to the debtor in possession.
- Committee members may be restricted from selling their pre-petition claims to anyone other than another committee member. (This is a decided disadvantage!)
- The committee can request the appointment of a trustee to run the business, sell the business, or liquidate the assets of the business if the committee feels it would be in the best interest of the estate and the creditors to have the business seized and liquidated.

After careful consideration, and after attending the first meeting, I decided to decline committee membership. For me, the decision was made for several practical and pragmatic reasons.

They were:

1. The debtor's place of business and the courthouse was a four-hour round trip.
2. The debtor owed us less than \$20,000, meaning we were a relatively small creditor anyway.
3. I felt that time spent on this "old" problem would be time that I could not spend monitoring and managing more current issues.
4. I wanted the option to sell my claim to the highest bidder if a market developed for the pre-petition debt.

### 3. Aggressive Collections Can Backfire

**"Collectors are often too aggressive,"** observes Debbie Anders, Credit Manager/Accounts Receivable Supervisor, Midwestern Staffing Resources (Omaha, Nebraska). "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."

Anders instructs her employees to be friendly and courteous, and they get good results. In her first 18 months as head of Midwestern 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."

Anders 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.

"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," Anders 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 Anders. "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."

### 3. Aggressive Collections Can Backfire (Continued)

"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 Anders. "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 a lot of 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."

**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," Anders 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 Anders, enables collectors to be more focused and more productive when they return.