

E ~ Credit News

The Business Credit
Management Association
Wisconsin

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IN SEARCH OF THE PERFECT BUSINESS CREDIT APPLICATION

Some interesting points as published by the Credit Research Foundation, based on a study of 100 sample business credit applications.

The following fields were found on very few applications, but they are worth your consideration:

- Has the customer used any other business names to obtain credit?
- Are there any loans made to the applicant: how much and what are the terms of payment?
- Is there any current or prior litigation against the prospect?
- Date of fiscal year end;
- Check run schedule;
- SIC of the prospect;
- Does the customer accept backorders?
- Import/export license number, type and regulating authority;
- Square footage of establishment;
- And finally, several ask for comments from the prospect.

...where it all begins! The ultimate responsibility for setting up a new customer account and the return that customer brings to your company's bottom line rests principally with the credit executive. The more information you have, the more you are to render a sound, accurate credit decision.

1. There is no better source of information about a business than the business itself. How this information is requested and obtained will depend upon the time available for the investigation, the location of the customer, the relative importance of the credit exposure, and the degree of cooperation that can be obtained from the customer. This all starts (and sometimes ends) with the credit application.
2. Generally, sales representatives are the company's first contact with a new customer and the most frequent contact with an established customer. Sales *should* be an excellent source of credit information. While some salespeople may not be suited by temperament, interest, or experience, and may feel imposed upon when asked to perform credit or collection functions, they nevertheless must be made aware of how important they can be to the process of credit extension and how they are necessary for successfully establishing the relationship.

Courtesy: Credit Research Foundation, Columbia MD

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Wisconsin
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Three Clauses to Look for in Vendor Agreements: Do You Read Your Vendor Agreements? Why One Senior Credit Exec Does It Himself

This vice president of Customer Financial Relations at a well-known consumer products distributor believes that the big mass merchandisers use deduction management as part of their cash flow policy. "I've seen too many cases where deductions come in-sometimes six-figure amounts-with problems. We just had a duplicate deduction of \$350,000!"

Recognizing that someone needed to take control of the process, he volunteered to become the vendor agreement officer at his firm, meaning he *personally* reads all the vendor agreements that his company receives. These agreements previously went into their operations department because they typically have shipping instructions, or, they were directed to sales because they have pricing. "But," he says, "people would just put them in a drawer and not study them. All of a sudden, we began having charge-backs because we were non-compliant with something."

Now he negotiates every one and does not simply sign at the bottom without fully reading it and modifying it heavily. It took him three months to negotiate their vendor agreement with one major retailer. When deductions came back, he was able to refer them to the contract. Then he collected the money. He is fully aware that his firm (a well-known consumer brand) gives them a certain amount of extra leverage in these negotiations, and acknowledges that "many who sign those vendor agreements do so only under duress!"

Non-Compliance Penalties Scrutinized Carefully

The most common clauses that he looks to change in his vendor agreements are the non-compliance penalties. "If the invoice is \$1, and you don't do the right thing, they have the right to charge you \$100. It's crazy! Obviously, that's the page I modify the most." He simply lines that clause out and puts his initials on it.

He then sends it back to the buyer, the director of accounts payable, or the CFO. And he generally does not hear back from them. "They forward it on to the law department where it gets filed away. No one is reading the modifications that I've sent back. They generally expect that we won't review it in the first place."

Three Clauses to Look for in Vendor Agreements: Do You Read Your Vendor Agreements? Why One Senior Credit Exec Does It Himself (continued)

Until he got involved in the process, high-level people would simply sign it and send it back to the customer, and that lack of attention cost them some money.

Mass merchandise agreements, he says, tend to want you to indemnify them for loss or harm of a nature that is not specifically described. For example, it'll say, "If my client loses time or wages as a result of your defective product, you agree to do the following..." He just strikes that out, and says "I'm not indemnifying them under those terms. Now, if I were selling an industrial company a fork lift that might fall on someone's head, then maybe I'd be liable, but our product is not of that nature, so I can get away with such modifications."

Some vendor agreements even have language, he says, that give them the right to come in to your facility unannounced to inspect your product, and require that the vendor will pay their travel costs. "I just cross that out. I doubt they'd ever want to do that, but if you don't read it and take it out, you never know-a payables guy might say, 'I want to take a trip to California and do it at our expense.' I'm just not going to take that chance!"

Great Bankruptcy Site: Check This Out For Handy Reference

If you're looking for a great bankruptcy resource, check out www.BankruptcyData.com.

They offer a wide range of both free and "premium" services, depending upon your needs. The free services include:

- ◆ A [daily e-mail update](#) with information on the major bankruptcies, along with an executive summary of recent news in the case
- ◆ A "find a bankruptcy" lookup
- ◆ A [directory](#) of U.S. Trustees
- ◆ A directory with [links to all U.S. bankruptcy courts](#) (also on the Credit Today site)
- ◆ A brief [history of bankruptcy](#)
- ◆ A [glossary](#) of bankruptcy terms

Letters of Credit: Details Count

Your company, no doubt, uses letters of credit as a form of payment protection with certain of your commercial credit customers. You can make yourself an invaluable member of the credit department by making sure that every "i" is dotted and every "t" is crossed for each document involved in a letter of credit. Here's how:

- **Make sure the letter of credit matches the transaction.** The sales contract may require delivery and shipment within a certain time frame and by a certain mode of transportation. Make sure the letter of credit does not prohibit transshipment (on several vehicles) or partial shipment.
- **Make sure the letter of credit states that it is irrevocable.** This should be stated on the face of the letter of credit. If it isn't, the letter of credit will be considered revocable under law, and the issuing bank can cancel at any time. The letter of credit should contain language from the issuing bank saying, "We hereby open our Irrevocable Letter of Credit number xx." The number and statement "Irrevocable Letter of Credit" should also appear above the text of the letter.
- **Pay close attention to time frames.** The letter of credit must have an expiration date. This is the last date you can present documents for payment. However, there are often other relevant dates, and these must match the actual transaction. For example, you may have a specific date for shipping, or there may be a stipulation that support documents must be presented a specific number of days after the bills of lading are issued.
- **Make sure the merchandise described in the letter of credit matches the description on the invoice.** Letters of credit are completely dependent on documentation. If the information about the merchandise written on the invoice does not match that written on the letter of credit, it could be refused--whether or not the merchandise you shipped was correct.

Make sure the points of destination match, and if these points change, make sure the letter of credit is formally amended. Remember, under the standard of strict compliance, courts require conformity to the smallest detail. It is essential for such details as the spelling of names and descriptions of goods to match on both the letter of credit and the support documents. Even the matter of whether abbreviations are used on both documents is critical. Therefore, be particular about every detail.

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Don't let this amazing offer pass you by! The Business Credit Management Association (BCMA), Wisconsin Credit Association (WCA) is offering a year-end special on Coface International reports. From now, through December 31st, we're offering a special 50% discounted price on all Coface International reports ordered!

TSYS Merchant SolutionsSM (Partners)

Need credit card payment solutions for your business? Whether large or small, TSYS has the customized solutions to fit your business needs. BCMA partners with TSYS because they are focused on creating more value in our client relationships than ever before, and their voice has emerged as one of the most trusted in the payments industry. This true spirit of partnership, and the accompanying understanding that our success is determined by our clients' success, infuse everything we do. Whether you're LOOKING TO BEGIN ACCEPTING CREDIT CARDS, or LOOKING TO LOWER YOUR

CREDIT CARD SURCHARGE FEES...TSYS will help. Contact the Association at 262.827.2880. We'll put you in touch with a representative that will assist you. TSYS was named to Ethisphere's 2013 World's Most Ethical Companies List!

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*Pennsylvania Association of Credit Management

*The Business Credit Management Association Wisconsin

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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 with your idea!



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So Many ways that you
connect to The Association

Website

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UPCOMING INDUSTRY CREDIT GROUP MEETINGS

DECEMBER 08, 2017

Electrical Suppliers Industry Credit Group
Pewaukee, WI

DECEMBER 12, 2017

Fine Paper/Graphic Arts Industry Credit Group
Teleconference Call

DECEMBER 13, 2017

Regional Paper & Packaging Industry Credit Group
Discussion List Only

Plumbing & Heating Industry Credit Group
Brookfield, WI

DECEMBER 14, 2017

Food Suppliers Industry Credit Group
Madison, WI

Metals & Industrial Suppliers Credit Group
Discussion List Only

DECEMBER 15, 2017

IL Fine Paper Industry Credit Group
Oakbrook , IL

DECEMBER 18, 2017

Western Electrical Suppliers Industry Credit Group
Discussion List Only



DECEMBER 19, 2017

Building & Construction Materials Credit Group
Milwaukee, WI

WI/IL HVAC Industry Credit Group
Rockford, IL

DECEMBER 20, 2017

Minnesota Electrical Product Suppliers Group
Brooklyn Park, MN

DECEMBER 21, 2017

Construction Industries Credit Group
Appleton, WI

DECEMBER 27, 2017

Food Service Supply Hospitality Industry Credit Group
Pewaukee, WI



2017 Educational Events

December 11

[Roundtable Discussion & CBMN Dinner](#)

CHECK OUT OUR [CALENDAR](#) FOR MORE UPCOMING EVENTS.
YOU CAN TRUST THE ASSOCIATION TO ASSIST IN [RECOVERY](#) FROM YOUR DEBTORS ANYWHERE
IN THE WORLD.

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