E~Credit News

May 2017

The Business Credit Management Association Wisconsin

Inside this issue:

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BCMA
Visionary Leadership Results

Wisconsin Credit Association

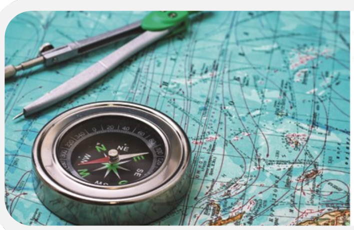
"Dealing With The Fraudulent Customer" Webinar
May 16, 2017 |10:00—11:00 AM CT

Identifying a fraudulent debtor, both prior to and after a sales is approved, is, unfortunately, part of a credit executive's duties. These debtors have a simple mission: get a vendor's product or service for free through fraud. I will discuss:

Overview of the credit process and fraud

- Credit policy as a method to reduce being ensnared in a fraudulent scheme
- Red flags indicating possible fraudulent scheme
- Types of fraudulent schemes impacting the credit department
- Credit enhancements
- Looking to the courts for help!

To join this important and informative webinar training session, click here for the announcement and registration.



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

www.icewi.org

"Comprehensive International Credit & Collection Strategies."
ICE Group Session
May 17, 2017 | 8:30 AM —3:30 PM CT

The meeting will be held at the Radisson Hotel Milwaukee West. This is a full-day workshop from entry to advanced levels. We'll cover such things as:

- Basics of export credit granting and related collections (followed by advanced concepts in export credit granting)
- How to sell if open account terms cannot be granted for any reason
- Letters of credit and advanced concepts in LC's
- How to limit your export credit risk
- and so much more...there are currently over 30 topics that will be discussed.

Click here to find out more information

NEW ASSOCIATION REPRESENTATIVES

Christopher Hermann
PNC
Douglas Dietzen
Gordon Flesch Company, Inc.
Julie Babcock
Tidi Products, LLC
Michelle Hake
Jacobus Energy, Inc.

NEW GROUP REPRESENTATIVES

INTERNATIONAL CREDIT EXECUTIVES CREDIT GROUP

Christopher Hermann
PNC

MEMBER NEWS

If you have something you would like us to announce please send an email to admin@wcacredit.org, Subject line: Member News

Paul Thayer, Director, Credit, Billing and Collections at Merge Healthcare, an IBM Company has retired. We hope it will be a wonderful, active and "stress free" retirement.

Dealing With Complainers in the Workplace

Do you have to work with complainers? Complainers go with the territory in any job and you may even have more than one. Here are just a few tips to deal with them from my program on "Dealing With Difficult People And Tough Situations."

1. **Make them feel listened to.** I know you do not want to do this; you just want them to stop and go away. However, many times all complainers want is for someone to listen to them. Experts say that often that is all the complainer wants. However, do not fake listening! Ask questions, paraphrase what they said, and check for understanding. Try to listen without passing judgment. If you give them a little of your time and make them feel listened to, they will shorten the time spent complaining. Well, most of the time.
2. **If you are busy, use the direct approach.** "Bob, I wish I could talk more about the situation but I am on a big deadline right now." Try various forms of this until they get the hint that you are too busy to listen to their complaining.
3. **Do not join the complainer and agree with him.** That just encourages him to continue to come to you to vent. If you disagree, say so. Otherwise, complainers might mistake your silence for agreement. In addition, you do not want to get a reputation for also being a complainer!
4. **Press him for a solution to his gripe.** Use phrases like "How do you suggest we solve this problem?" or "What do you think you can do about this situation?" Do not offer your solutions; they will usually find some reason to disagree with your ideas. They must come up with their own strategies. In addition, by making them responsible for determining a solution, they are more likely to act on it and stop complaining.

However, do not count on it. Remember, you cannot make another person happy; they can only do it themselves. Stop trying to change other people. People only change themselves if:

- They want to
- If they know how to
- When they are ready and willing
- When they see a need
- When they are involved

If none of those situations exists, stop trying. All it will do is cause frustration.

Peggy Morrow is the president of Morrow & Associates in Houston, TX, and the author of four books and other learning tools on customer service, customer loyalty, teams and communications skills. She also writes a bi monthly customer service column for the Better Business Bureau of Houston and has been named a "content expert" for Inc.com.

What is the Best Time to Write Off an Account to Bad Debts? When It is Placed for Collection or Later?

The credit manager at a well-known New Jersey-based construction company asked members of Credit Today's ListServ for advice & ideas on the most appropriate time to write off difficult accounts.

"When we send an account to collection," he advised the List's 'brain trust,' "we let it ride on A/R until it is collected or proves to be a write-off." The problem with this, he related, is that "this can sometimes take 3 to 12 months, or longer. Meanwhile these balances inflate A/R & drive up DSO. In addition, we pay corporate fees for carrying these balances from day one."

He asked the group how they are handling this issue: "Do you write off collection balances after they age beyond a certain amount of days? Do you transfer these balances to a sub ledger account? What can I do to help solve this problem (inflated A/R & higher DSO)?"

Turns out, there are two primary schools of thought on this issue:

1. Write the balance off earlier rather than later, typically as soon as you place if for collection. Reason: This keeps your A/R "clean" & most realistic.
2. Keep the balance on your books until your agency gives up & deems it uncollectible. Reason: Keeps your focus on the delinquent accounts so they are not "out of sight & out of mind."

   There are some sound reasons for both approaches & what you do in your situation should be driven by the culture & resources at your organization. Your goals should be to both accurately report the "true" state of your A/R & to have a system that enables you to keep the pressure on old receivables that "still have some life" left in them.

Read on for some of the comments on this issue:

"We write off to bad debt when the account is placed for collection. We also write off upon receipt of a bankruptcy notice. Subsequent payments are then taken into a recovery account, which decreases the bad debt on the next write-off. This keeps the AR clean & more meaningful."
– Credit Manager, uniform laundering & rental company

"We leave the balances on the aging until they prove to be uncollectible, with written notice from the collection agency confirming that. As far as the DSO & inflated A/R, our philosophy is that we made the decision to extend credit availability, so if it goes south we take our lumps!"
– Corporate Credit Manager, plastic company

"We clear A/R by moving to a "clearing account" or direct to bad debts, depending on specific criteria. This keeps the A/R clean & allows for a tax benefit from those determined to be uncollectible, in whole or identifiable part. We have worked with our tax department to develop the acceptable criteria."
– Process & Technical Improvement, chemical company

"My policy calls for accounts to be written off when they've been turned over for collection. If the money is collected, it goes to bad-debt recovery, & the collection fees charged to sales as an expense. If an account goes over 120 [days], it requires the permission of the general manager or corporate credit (me) to keep it open & on the books. Some reasons why it might be kept open include a payment plan or a discrepancy that's being researched."
– *Corporate Credit & Collection Manager, media firm*

"We keep the balances on A/R until our agency or attorney advises of a probable write-off situation."
– *Senior Vice President, Credit & Account Services, drug company*

"Our companies are in the same industry. We also carry the balances until deemed uncollectible. We understand the effect it causes to A/R balances & DSO. However we make a stronger push to keep the rest of the

What is the Best Time to Write Off an Account to Bad Debts? When It is Placed for Collection or Later? (continued)

aging under control to mitigate the effect."
– Credit exec, construction company

Keeping on A/R: A Psychological Gain With Management?

"We're [also] a construction material supplier & basically do it the same way as Joe. By leaving it on the A/R, you not only push to make the rest of the aging stronger; you also let management see what "gambling money" has been used up so they can become part of the solution, if necessary."
– VP of Credit, National home & contractor distributor

"We leave balances on until the customer files, or our attorney advises that something is uncollectible. I believe that the effect of immediate write-off on DSO is minimal compared to the fact that once you write the balance off, you just do not seem to find the time to keep chasing the collection action as you would if the item was still open on the aging."
– Credit Controller, Industrial company

Special A/R Account for Each Agency

"We also keep the debt on the A/R until the collection agency verifies it is uncollectible. However, we created a receivable account for each collection agency & transfer the debt to that account when we turn out the customer. That way, we don't alter the bottom line of our A/R & know exactly what the agency is working on."
– Corporate Credit Manager, gift distributors

"I agree with the chasing aspect, as we are all familiar with out of sight, out of mind. We leave our collection accounts on the A/R until the agencies deem them uncollectible or the bankruptcy is filed."
– Credit Administrator, Distributor

A Vote For Early Write-Off: Deny Reality at Your Peril

"The balances at our company tend to be rather large ($50,000–$15,000,000), & we have very few bad debts or problem accounts. It has always been my belief that it is best to write off these balances at the earliest possible date or at least move them to a sub ledger. In a previous life, I worked for a company that was more of a retail sales organization, & I found that management did not want the bad debts so they would not permit the earlier write off.

This resulted in these balances accumulating over several years, & the number became very large. A lot of manpower was thrown at a dwindling asset & we siphoned off the manpower from attention to the current receivables, which, in turn, resulted in more bad debts. In short, it became an ever-increasing downward spiral, directly resulting from a reluctance to recognize a bad debt when it occurred. I guess we really thought that we could call a pile of cow dung a rose & it would smell as sweet."
– Director, Corporate Credit, Global fertilizer firm

Five Criteria for Write-Offs

"We write off debts that we determine are uncollectible. However, before resorting to this action all appropriate steps to collect the debt must be taken, which include exhausting both in-house & outside efforts. "Normally, a write-off will be approved only if one of the following conditions exists:

- A collection agency has been unable to collect the debt.
- A judgment has been entered against the debtor & has failed to result in payment.
- The cost of collecting the debt exceeds the recoverable amount.
- The debtor has skipped & we are unable to locate the debtor.

The debtor filed for bankruptcy protection. "Once one of the above has occurred, the debt is written off to the bad-debt reserve account."
– Credit & Collection Supervisor, Paper products company

Thanks to Credit Today's ListServ. 540-343-7500.

Bank References: Trust But Verify

Most reading this undoubtedly know the standard "ranges" use when obtaining bank references, but it always helps to review - for either yourself or perhaps your staff.

The ranges in question were developed by bankers at their association, now known as either RMA or Risk Management Associates (formerly Robert Morris Associates), and are as follows. These are referred to as the "RMA General Figure Ranges:"

- Low - 1 - 1.9
- Moderate - 2 - 3.9
- Medium - 4 - 6.9
- High 7 - 9.9

These can be applied to any "figure category," defined as follows:

- Nominal - Under $100
- 3 figures - From $100 to $999
- 4 figures - From $1,000 to $9,999
- 5 figures - From $10,000 to $99,999
- 6 figures - From $100,000 to $999,999
- ... and so on.

So $353,400 would be "moderate 6 figures" and $8,900 would be "high 4 figures." You get the idea.

This "code" is applicable for deposits or loans and can (if you can even GET a reference these days, but that's the subject of another column) help a credit manager paint a picture of the health of a business.

Trust But Verify
Most of the time, you can rely on the data you get, but like everything else, the mantra for a credit exec should always be Ronald Reagan's old saying "trust but verify."

"Some years back," one credit exec told us, "I had a banker tell me her business customer's line of credit was low 3 figures, but I knew it had to be low 6." At the time, she wished she had the above list to send to the banker, "because she absolutely was not getting it. She was very young and self-important."

In addition, the corporate credit manager at a national distributor of RV parts, said that he once received a bank reference where the bank rep filling out the form put down that the dealer had five figures in the bank. "To prove the point," he said, "they even wrote down the dealer had $809.63 in the bank."

When he called the bank back the argument centered around the fact that the .63 can actually be considered "a figure." We can't do better than Grenleski's comment about that: "whatever."

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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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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@ Credit-Today.net with your idea!

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Website | Find us on Facebook | LinkedIn | yelp

UPCOMING INDUSTRY CREDIT GROUP MEETINGS

MAY 9, 2017
Fine Paper/Graphic Arts Industry Credit Group
Teleconference Call

MAY 10, 2017
Plumbing & Heating Industry Credit Group
Brookfield, WI
Regional Paper & Packaging Industry Credit Group
Teleconference Call

MAY 11, 2017
Food Suppliers Industry Credit Group
Madison, WI
Metals & Industrial Suppliers Credit Group
Brookfield, WI

MAY 12, 2017
Electrical Suppliers Industry Credit Group
Pewaukee, WI

MAY 15, 2017
Western Electrical Suppliers Industry Credit Group
Book of Reports Only

MAY 16, 2017
Building & Construction Materials Credit Group
Milwaukee, WI
Minnesota Fine Paper Credit Group
Teleconference Call

MAY 17, 2017
Minnesota Electrical Product Suppliers Group
Brooklyn Park, MN
Food Service Supply Hospitality Industry Credit Group
Delafield, WI

MAY 18, 2017
Construction Industries Credit Group
Appleton, WI

MAY 19, 2017
IL Fine Paper Industry Credit Group
Oak Brook, IL

MAY 23, 2017
WI/IL HVAC Industry Credit Group
Rockford, IL

MAY 25, 2017
Iowa Plumbing Heating Electrical & Construction Industry Credit Group
TBD, IA

BCMA
Visionary Leadership Results

2017 Educational Events

May 16
"Dealing With The Fraudulent Customer" Webinar

May 17
"Comprehensive International Credit & Collection Strategies." ICE Session

June 13
"How To Increase Sales Without Increasing Credit Risk" Webinar

August 25
The Associations 26th Annual Golf Outing ~ More Information to Follow

September 13 & 14
2017 Credit Professional's Conference & Expo

- The General Opening Session will be Led by Bill Baldino, President & COO of the Credit Research Foundation (CRF)
- Using Mechanic's Liens to Make Yourself a Payment Priority
- Anatomy of Preference Litigation
- SMOKE—Simplify, Move, Optimize, Keep, or Eliminate
- **More Information to Follow**