



E-Credit News

Wisconsin Credit Association
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WISCONSIN CREDIT ASSOCIATION 262.827.2880

October 2008

In This Issue

WCA Member Updates & News

This month's topics...

1. Principles of Proper Recognition
2. Quantifying a Gut Feeling: Questions to Ask Your Sales Rep When You Suspect Fraud
3. Humor Is the Best Coping Mechanism
4. Sure-Fire Way to Add Some Juice to Your Job

Followed by
Industry Group Meetings



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MEET YOUR CREDIT EXECUTIVE OF THE YEAR!



Congratulations Karla Pierson

Karla is a Regional Credit Manager for First Supply LLC in La Crosse, Wisconsin & a long time member of the WCA. She has been involved in the credit industry for over 25 years, has Chaired multiple Credit Industry Groups, championed her Company's Wellness Program, "Financial Peace", & mentored many during her career. Karla is married & lives in Sparta, Wisconsin where she & her husband, Fred have a small hobby farm with horses, a dog & cats. Wisconsin Credit Association is indebted to Karla for her service to many, & a true asset to the Credit Profession.

"EFFECTIVELY USING WISCONSIN SMALL CLAIMS COURT TO GET PAID"

*In MADISON - WEDNESDAY NOVEMBER 5, 2008
In MILWAUKEE - FRIDAY NOVEMBER 7, 2008*

IS THIS OUTSTANDING BALANCE WORTH TAKING TO COURT? If it is worth it, how will we know what to expect? What happens if we win, how do we get our money? This session will help you to answer these & other important questions along with the ins & outs of Wisconsin Small Claims Court, from deciding which claims are worth pursuing in court, to how to turn your award for judgment into actual money! Attendees will learn the filing requirements for **every Wisconsin county** & what to expect along the way. Do not miss this informative session! Click above to register!

"BANK LENDING – ECONOMIC IMPACT"

In NEENAH – MONDAY OCTOBER 13, 2008

Speaker Steve Schudlach, Community Bank President and Senior Business Lender from M&I Bank



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Recovery

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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!

NEW ASSOCIATION MEMBERS

Neill Turner

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Heidi Zimmerman

Hammon Power Solutions

Kathy Tritz

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NEW ASSOCIATION REPRESENTATIVES

Cathy Pline

Springs Window Fashions Division

Wayne Kluck

Milwaukee Electric Tool Corp

Tom Swan

Sabin Robbins LLC

Mike King

Richardson Industries Inc

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SOUTH CENTRAL CREDIT & FINANCE ASSOCIATION

Cathy Pline

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Dana McCook

Crescent Electric Supply Company- Madison

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Tom Swan

Sabin Robbins LLC

NEW GROUP MEMBERS

INTERNATIONAL CREDIT EXECUTIVES GROUP (ICE)

Lori L Nelson

Patz Sales Inc

WCA MEMBERSHIP UPDATES

Congratulations to Paul Knabe, Graybar Electric, on his recent promotion to Financial Manager.

Good for you Joe Soto, Flambeau Corporation, on your completion of the Business Credit Principles Course. Great going Joe.

SO, WHAT ARE YOU GOING TO DO ABOUT FISCAL YEAR-END THIS YEAR? ARE YOUR RECEIVABLES IN EXCELLENT SHAPE FOR THE YEAR-END REPORT?

Early as it seems, this is the time when you can have an effect on those year-end results.

Here are some tips on how to improve your year-end process:

- Balances that are backed up in your over 90-day column have a higher percentage of problems. Otherwise, they would have been collected by now. These are not clean calls. They generate requests for information and proof bring disagreements to light, and there will be issues. Issues that require input from other departments, sources and shippers and multiple calls.
- The older the items, the higher the percentage of problems. The older the items, the more difficult it is to obtain substantiation.
- Adopt a "drop-dead date" policy. Say, all open items from 2007, must be resolved, paid or written off by 12/31/2008. That means that every item is at the minimum, 1 year old or older. Why would you want items older than that on your books?
- If your backlog is primarily deductions, professional organizations that resolve deductions state that 65% to 85% of deductions are going to be resolved internally by a credit memo as opposed to a payment from the customer. If you have a sizable backlog, you may want to phase in the policy so you do not create too many credit memos or charge offs at once.
- Plan early, rather than later. If you start planning now, get the necessary approvals and have people working in September, you are doing well. Plans not approved until October will only give you time to cherry pick the aging before year-end.
- Remember, there is no, "too early to start." If you collect it all before November, you can quit your special "year-end collection project" early. Wouldn't that be a nice surprise? It is not as if you will not have other things to do in December.
- Do not create more problems. If you direct your staff to focus on the 90-day+ accounts for the next four months, you will likely see your current aging "bloom" in the 30 to 90 day category. In addition, your accounts get angry because you did not call them sooner. It is true!!
- Separate your old problems from your on-going business. Some companies put their own people on the old problems, leaving the 30 to 60 day calls to temporary employees. Others do the opposite.
- WCA temporary employees are highly experienced at problem solving and collection. They can and do enjoy resolving problems on accounts that have gone back for several years.

Whatever system works best for your staff. Divide and conquer your aging is the best way to get results. Please call to see how we can help you prepare for year-end. For experienced temporary employees, Wisconsin Credit Association 262-827-2880 Ext 232

DON'T FORGET



Credit reports offer low-cost credit histories you can use to predict risk & make sound credit decisions quickly.

Credit reports are also important when you investigate a new customer, notice a change in a customer's payment practices, receive an unusually large order, or receive a number of inquires about a customer.

WCA offers access to these credit-reporting databases under one single, universal report subscription. We use a unit system so you do not have to commit to one database & your subscription never expires!

A variety of credit reports are available from WCA; call **Lisa** at 262-827-2880 Ext. 224 for more information/questions.

PLEASE CONTACT CHRYS AT WCA, 262.827.2880 X221 TO REPORT MEMBER NEWS

1. PRINCIPLES OF PROPER RECOGNITION

Employees of a Buffalo, NY frozen foods Company flying on private jets to exotic destinations haven't done anything wrong. Just the opposite. They have won the trips in recognition of having done their jobs so well. These jet trip rewards are cited in "The Carrot Principle," a book dedicated to the proposition that many problems in the business world stem directly from managers ignoring or just taking for granted their employees' best efforts.

It is an old saw that recognition ranks right up there with—and sometimes above—money and promotions as a motivator. What authors Adrian Gostick and Chester Elton point out is that providing this recognition in the right way can be a challenge in itself. A trip to anywhere in a private jet may seem over the top, but there is no doubt, there are some managers who could even botch that up.

Gostick and Elton insist that presentations have to be made with real feelings of appreciation, and they cite four essentials of an effective recognition program.

Recognition, they say, must be (1) deserved, (2) frequent, (3) specific and (4) timely. The size of the reward should, of course, be proportionate to the work achievement. Handled properly, an afternoon off or a ticket to a ballgame can have just as much impact as a major reward.

"We all want to matter to those with whom we work," note the authors. Showing your employees how much they matter has as much to do with how you offer recognition reward with what that reward may be.

2. QUANTIFYING A GUT FEELING: QUESTIONS TO ASK YOUR SALES REP WHEN YOU SUSPECT FRAUD

Credit fraud is always a problem for credit execs. Conmen are aware of how companies work and use that knowledge to commit credit fraud. For example, they know that sales people will normally sell goods sight unseen to a new customer and that most credit departments are under tremendous pressure to establish new accounts and approve orders - especially large opening orders from companies that appear to be creditworthy.

If you receive a rush order on a new account and can't gather enough good information to make a positive credit decision, here are a series of questions to ask your sales rep. Remember, your sales rep should be your "eyes and ears" in the marketplace, and you can find out a lot from them if you reach out to them in the proper way.

First, find out if the order was unsolicited. This is one of the most important red flags. If you think about it, in most instances, your company works hard to get your product out into the marketplace. When the orders come in too easily and unsolicited, that is a big red flag. However, of course, that alone probably is not enough to turn them away. Another thing to dig deeper on is your sales rep's knowledge of the market. Most really do have a keen understanding of the marketplace, its customers, suppliers, and how things work, or should work. As such, it is usually helpful to ask them.

Questions to Ask Your Sales Reps

- Based on what you know as a rep in this territory, does their business model make sense?
 - Are they ordering the right products?
 - Have you seen their location? How does it stack up to their competitors? (Many bustouts will have good credit on the surface, but their facilities are too small for their level of ordering.)
 - Are others in the marketplace getting unsolicited orders? (If the rep says, "Oh boy, everyone's getting big unsolicited orders from these people," then WATCH OUT! And unless you ask this question, you may not find out.)
 - If they are a wholesaler, do you know who their customers are? (At most legitimate wholesalers, it is no big secret who their customer base is. But credit frauds are usually reluctant to reveal this information.)
 - Do you know anything of the background of the people at this business? With this question, you are looking to find out if the person in charge has no real experience running a business of this sort. This is a big red flag. From a traditional credit standpoint, it is not good, but it could also mean he or she was set up as a front for others, behind the scenes.
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3. HUMOR IS THE BEST COPING MECHANISM

In talking about his longevity in the field, and the fact that he still enjoys coming into the office most mornings, one credit exec we respect a great deal joked that "anyone surviving 30 years in credit has to have an outrageous sense of humor." The comment itself caused us to laugh, but then he pointed out that he was serious about that comment. "We get beat up constantly. No customer ever likes to be told of a tough credit decision. In addition, of course, sales people, if you take a nickel of their commission away, will object strenuously. You really need a thick skin and be able to look at the lighter side of things in this business!"

Along those lines, he told the story of one the earlier days of his career. He was calling a delinquent account, and taking the slow payment very seriously. He explained to the customer how she was not living up to the terms, and she said "Yes I am." He then said, "Your terms are 2% 10, EOM ('End of Month')," and she replied, "Right, 2, 10, Every Other Month!"

Another customer told him once that he could not pay because he was out of checks. The next month, he explained that he had purchased some checks, but he was out of stamps.

4. SURE-FIRE WAY TO ADD SOME JUICE TO YOUR JOB

Pamela Krank, president of St. Paul, Minnesota-based consulting firm The Credit Department, Inc wrote in her client newsletter that senior managers generally say they are satisfied with their credit department based on the following conditions:

- Their satisfaction is based solely upon past results and very limited or subjective measures
- That they will remain satisfied until a credit disaster happens, and
- They have verbally communicated a "NO SURPRISES" policy to their credit department to ensure against these disasters.

"This is the typical mode of operations (stagnant) for credit departments run as cost centers," says Krank, who believes that it is important for credit to contribute to the bottom line, not just protect it.

To aid in this goal, she recommends measuring efficiency to make sure you are performing at or above industry standards. Her favorite efficiency measures include:

- Customer accounts per week per full-time equivalent (FTE)
- Customer calls per hour
- Unauthorized deduction dollars recovered per FTE
- Unauthorized deduction dollars recovered as a percent of sales
- Number of deduction files worked per FTE
- Credit costs per sales dollar
- Collection costs per sales dollar
- Deduction management costs per sales dollar

"Most companies only know the basic effectiveness (DSO, days over 90, etc.) measurements for their credit departments: DSO and total costs," says Krank. "You may be losing hundreds of thousands or even millions of dollars each year due to inefficiencies within your company."

We agree with her. In addition, your job will be a lot more exciting when you are aiming for excellence, rather than simply operating in a defensive mode.

To learn more about subscribing to Credit Today, check out our web site at credittoday.com

[Credit Group Participation ROI Averages More Than 100 Percent Per Week \(No, that's Not a Misprint\)](#)

[Survey Results: Telecommuting Not Gaining Traction in the Credit Community](#)

[Survey Results: Credit Executive Attitudes Towards Outsourcing Strongly Affected by Experiences With Receivables Outsourcing](#)

[Survey Results- Majority of Credit Pros Believe We're DEFINITELY in a Recession - Coping Strategies Detailed](#)

[Survey: How Credit Leaders Are Dealing With Today's Tough Economic Climate; Insights & Action Items You Can Use](#)

UPCOMING INDUSTRY CREDIT GROUP MEETINGS

OCTOBER 7

IL Wholesale Floral Suppliers Credit Group
Oakbrook IL

OCTOBER 8

Plumbing & Heating Industry Credit Group
Waukesha WI

OCTOBER 9

Food Supplier Credit Groups
Madison WI
Metals & Industrial Suppliers Credit Group
Brookfield WI

OCTOBER 14

Fine Paper/Graphic Arts Credit Group
Milwaukee WI

OCTOBER 15

Minnesota Electrical Product Suppliers
Brooklyn Park MN

OCTOBER 16

IL Fine Paper Industry Credit Group
Bloomington IL
Construction Industries Credit Group
Appleton WI

OCTOBER 17

SE Electrical Suppliers Credit Group
Milwaukee WI

OCTOBER 21

Building & Construction Materials Credit Group
Milwaukee WI

OCTOBER 22

Food Service Supply Hospitality
Location TBD

OCTOBER 28

Western Electrical Suppliers Credit Group
List ONLY
WI/IL HVAC Industry Credit Group
Rockford IL

EDUCATION EVENTS

OCTOBER

BANK LENDING - ECONOMIC IMPACT

NEENAH - MONDAY OCTOBER 13, 2008

NOVEMBER

"EFFECTIVELY USING WISCONSIN SMALL CLAIMS COURT TO GET PAID" - Lunch & Learn Series

In MADISON - WEDNESDAY NOVEMBER 5, 2008

In MILWAUKEE - FRIDAY NOVEMBER 7, 2008

"ARE WE THERE YET?"

CLICK HERE FOR MEETING NOTICE & AGENDA

In MILWAUKEE - THURSDAY NOVEMBER 13, 2008