

Excellence



October 08

A newsletter for the members of Intermountain Credit Education League (ICEL)

**Thursday
October 9
ICEL Luncheon
11:45 a.m.**

**Collection
Seminar**

Speaker:

**Dean Wanggard, CCE
NACM BCS President**

**Red Lion Hotel
151 West
600 South**

STAYING VIGILANT

President, Janae Jeffs, CCE, Muir Roberts Enterprises

Every time we look at a newspaper, online news report, or watch TV, we see another economic crisis. It seems bad news is everywhere. Our economy is in a downturn and large financial institutions are seeking bankruptcy protection. Then again, sometimes the worst news is in our own Accounts Receivable. As I noted last month, our Industry Trade Groups are an invaluable resource especially now with all of Wall Street's drastic and unpredictable pendulum swings. Now might be a good idea to look internally.

Is your DSO increasing? Are you experiencing personnel turnover causing long hours and a never-ending work load? Are these problems solely the result of a recession? As defenders of the A/R and protectors of our company's assets, is there an area we need to revisit? Do our skills as collectors need polishing or could the problem be even deeper? In today's financial environment we need to stay on top of our most basic code of credit: our Credit Policy Manual.

In Credit Management: Principles and Practices (second edition) by Dr. Charles L Gahala, CCE, it states: "Warning signs that indicate a need to review credit policy." I would like to summarize them:

- 1) A recession (could signal more potential bad debts);
- 2) Tightening of employer profit margins;
- 3) Change in competitive forces;
- 4) Change in social or political forces;
- 5) Excessive inventory levels;
- 6) An increase in bad debts as a percentage of sales;
- 7) An increase in the DSO period;
- 8) An increase in the credit department employee turnover;
- 9) Credit department budget problems; and, or
- 10) An employer recapitalization.

If you see one or more of these factors in your company, maybe it is time to review your credit policy. Do you need to tune up your policy, perhaps shorten your terms, require a higher credit score, or even a cash deposit? Or, would you do better by loosening the credit policy by possibly allowing longer discount periods and giving more incentive to your customers?

If you need help in updating your credit policy manual, then look for the next Credit Boot Camp coming November 4th.

All of us must be vigilant in these uncertain economic times. If we are wasting our time putting out fires, maybe we need to step back and look at the cause of the fires and maybe look to our guide—our Credit Manual.



We are looking for ideas for our Christmas Charity 2008. Please watch for a flyer at the October ICEL meeting OR submit your idea to any Board Member ! (Board Members listed on page 4)

Credit Manager's Fortune!

by Sandra Brown, Schmidt Signs

Several years ago I went out to dinner with my husband and received a fortune cookie that said, "In God we trust, all others pay cash." This is so true in our current economic circumstances.

We need to watch out for the warning signs: Management changes, new bank accounts, non-payment excuses, post dated checks, unusual selling prices, liquidation of equipment, irritation with collection calls, denial of debt etc.

Guidelines for an effective collection call

- Plan your call based on knowledge of the customer.
- Know the balance and the background.
- Be prepared to take control of the conversation.
- Identify the customer and your company.
- State the reason for the call being specific and remember to always be courteous and professional.
- Ask for payment in FULL and then pause until the debtor answers.
- Identify the problem if there is one asking questions and securing all available information.
- Determine a solution that both parties clearly understand.
- Write it down: date, time, person contacted and a summary of the conversation. Follow up with a letter.

Best Time To Call: I feel like Monday morning is best. Stay on the phone once you start calling. Use afternoons to track down copies, batch your work.

Leaving Messages: If you leave a message, call the account back the very next day unless the decision maker will be out. Never wait for them to call you back.

No Answer: No answers can be an indication of a serious problem. If the balance is large, go to the customer's home or business. Ask neighbors if they know how to reach them.

Stay Positive: Don't allow yourself to start talking about customers in a negative way. The only reason anyone should extend credit is in order to secure a sale that would have otherwise been lost. If your customer can and is willing to pay at the time of purchase don't force credit on them, just grab the money. Remember...In God We Trust and All Others Pay Cash.

ICEL Spotlight Lynette Jensen, U.S. Foodservice, Inc.

by Shane B. Inglesby, CCE, Geneva Rock Products

Lynette Jensen is one of our newest members in ICEL. She attended her first meeting in August and has been so pleased with the quality of information presented that she is planning to bring a member of her staff to each meeting. She thinks ICEL is a well-kept secret and is appreciative of the members of the Food and Restaurant Suppliers trade group that invited her to join.

Lynette has a very unique background for an individual working in credit. She graduated from Weber State with a degree in biology. After graduating she was hired by a company to work as a chemist. As she did not have an actual degree in chemical engineering and due to significant reductions in the work force, Lynette took the advice of her then husband and accepted a position with Mrs. Fields Cookies. Through various layoffs within that company, Lynette was eventually handed the responsibilities associated with credit.

Lynette has since worked for Alpha Graphics in their corporate office as credit manager and also at Flying J working in the accounts receivable department.

Lynette is presently pursuing her MBA degree from Dallas University and plans to begin working toward her CCE in January.

She was born and raised in Utah. Lynette is a divorced mom raising two children, a boy and a girl, ages 13 and 11. She loves spending time with her children and doing anything associated with the outdoors. She enjoys horseback riding and camping and just this year has taken up fly fishing.

She loves being back in the food industry, especially after having worked in the oil and gas industry for two years.

Lynette appreciates the contacts she has made through NACM. She is very appreciative of NACM and ICEL resources made available to members to help ensure success in the workplace.

Welcome Lynette to ICEL! You will make a wonderful addition to our association.

September ICEL Re-cap

by Erin Doll, CBA, Mountain Contractors Supply Group

This month our own Doug Darrington taught us how to read financial statements. Doug has over 10 years experience reading and analyzing financial statements. He used that experience to share the basics with us.

This was a great luncheon. You didn't need any background in financial statements to understand what Doug was teaching. He simplified a very intimidating subject so that everyone in the room could follow along.

He explained that a financial statement is made up of a few different parts. First, the balance sheet which has three categories: Assets, Liabilities and Equity (or net worth). The total is always zero. Assets = Liabilities + Equity. Liabilities = Assets – Equity. Equity = Assets – Liabilities. Next the Income Statement which shows where the money is coming from and going to. You need both pieces to calculate some basic ratios that will help determine the creditworthiness of the customer.

Current Assets are those assets that can be converted into cash within a year. Current Liabilities are those debt items that are due and payable within a year. Anything longer than a year would be included in the total but not current. Current Assets would typically include Accounts Receivable, Inventories, Cash, and Prepaid Expenses. Current Liabilities typically include short-term notes payable and accounts payable. Other Assets would be PPE (plant, property and equipment) and long-term investments among others. Other Liabilities would include long-term notes payable among others.

The first ratio is the Current Ratio. This tells how liquid the customer is or how much money they have available to pay their bills. This is calculated as: Current Assets/Current Liabilities. Doug said he usually ignores prepaid expenses and any other current assets that aren't really liquid (usually indicated on the financial statement as misc. current assets or other current assets). Then there is DSO. This will tell you how they are doing with collecting their accounts receivable. You will need to know the terms of sale to determine what is acceptable. The calculation for DSO is: Accounts Receivable/(Sales/360). Another Ratio is Debt to Equity. This will tell how their net worth compares to their debt. It is calculated as Total Liabilities/Total Equity.

There are many other pieces to the puzzle but these are easy to calculate and will give you a good basic picture of the customer's financial situation.

Mechanic's Lien Seminar

Salt Lake City, Monday, October 27, 2008

Red Lion Hotel, 151 West 600 South, Salt Lake City, UT

Speaker: Dana Farmer, Attorney, Liencounsel

Cost: Members \$75 per session, additional person same company \$55

Basic & Beyond the Basics combination \$120

Non-Members \$85/session

(OPTIONAL LUNCH BUFFET: \$25)

Contact Georgette Bevan
to sign up or for more information
801-433-6116 or
GBevan@nacmint.com

Mechanic's Lien Basics, 9-12 noon

- What is a lien
- When to file a lien
- How do you protect lien rights
- What do I do after I file a lien
- Training (SCR)
State Construction Registry
Searching & Filing Notices

Beyond the Basics, 1-4 p.m.

- Legislative update
- Lien laws in Idaho, Wyoming & Nevada
- New rules from Court of Appeals for joint checks
- Analyzing the validity of Notices of Commencement and Notices of Completion

ICEL October Luncheon, Thursday, October 9, 11:45 a.m.

Red Lion Hotel, 151 West 600 South, SLC, UT

Cost: \$16.00

Collection Seminar by Dean Wangsgard, CCE, President, NACM BCS

This is a seminar for all credit managers who want to improve their collections skills. Dean is a gifted speaker with years of credit experience. His topics will include:

- Why credit management
- The credit & collection process
- The internal process
- Collection calls
- Handling excuses
- Negotiating for the best possible position

This would be a great opportunity to ask a non-member to come as your guest.

ICEL will pay for both of your lunches and your guest will see the benefits of ICEL. Just let Georgette know before the meeting.

For more ICEL information, contact

Georgette Bevan, CCE, at 801-433-6116 or GBevan@nacmint.com

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