

Credit Line

A MEMBER NEWSLETTER

FEBRUARY 2007

A Credit Managers Most Effective Approach

by Allen Vickers
A & K Railroad

What is a Credit Manager's most effective collection approach?

Recently, Shane Inglesby, CCE, posed that question to Credit Managers that were relating their credit experiences at an ICEL luncheon.



Shane's question certainly was multi-dimensional since credit managers are often required to fill a variety of roles depending on the situation.

It has been my experience that a Credit Manager needs to have a fundamental creed or a philosophy. And, unless your company is in a unique position of offering a product that no one else can offer, you have to address the value of customer relationships in this philosophy.

CHOOSING YOUR COMPANY OVER A COMPETITOR

In today's competitive market place, if all things were equal, what would make a customer choose your company over a competitor? As part of his philosophy, Duane Wardle, CCE, of Young Electric Sign Company, put it this way, "It has been our experience that customers pay the company they like the best."

How do you get customers to like your company best? Can that philosophy lead to customers taking advantage of a Credit Manager because he or she was "too soft"? These questions lead back to the basis of the original question -- How does a Credit Manager meet the challenge of maintaining customer relationships while protecting one of his company's largest assets, the accounts receivable?

Years ago, I realized that my company was really an extension of its customer base. In many ways, the degree to which my company would succeed was predicated upon the financial health of our customers. So I determined to make it my philosophy to, "Find Ways to Help My Customers Be More Successful."

To illustrate what I mean, once I was reviewing some items with a Controller for one our customers. He was complaining that his field office in Louisiana had missed a deadline for filing a lien on a job they had performed and it appeared his customer may soon be filing bankruptcy. When I asked him what amount of money was at risk, he replied, "\$325,000." His concern was real since that filing deadline would make the difference between being listed as a secured or an unsecured creditor and would likely cost them hundreds of thousands of dollars.

Recalling a previous NACM seminar held with an attorney in Louisiana, I told the Controller, "If my memory serves me correctly, your company's work may still be covered under a special railroad statute in that state." Later, I was able to give him a copy of that statute which had been distributed in our NACM Group Meeting. In turn, his attorney, armed with that information, was successful in having his company listed as a Secured Creditor.

Several years passed. Unfortunately, the same company that was listed as a secured creditor, was also facing the reality of filing a bankruptcy reorganization. Since we had maintained a good working relationship, the Controller kept me informed of their situation which allowed me to lien and secure virtually every project that my company had supplied. Eventually the company's Controller and Vice President called to say it wasn't even necessary for me to perfect those 15 liens as they were able to successfully have my company approved as a Critical Vendor. This allowed the Court to pay us almost \$500,000 without months and months of delays.

continued on page 2

IN THIS *Issue*

PAGE ONE
A Credit Managers Most Effective Approach

PAGE TWO
Effective Approach Continued
Jeris Rae Baldwin, CCE, Scholarships

PAGE THREE
Calendar of Events
New Members
BARRY J. ELMS SEMINAR

PAGE FOUR
ICEL February Luncheon
Membership Contest

A Credit Managers Most Effective Approach Con't

HOW CAN WE HELP OUR CUSTOMERS BE MORE SUCCESSFUL?

Foremost, we have to know the customer. It is difficult to demonstrate that we care if we don't know them. That also means we need to communicate with them verbally and if possible in person.

Several other things that can communicate our interest in their success include:

- Personal visits
- Act as a resource
- Send copies of industry articles that would be of interest
- Business tips on subjects that may concern the customer such as bad checks
- Invitation to or make them aware of seminars that may be of interest
- Have lunch with their financial people
- Provide a ticket to an event or show and, if possible, attend it together
- Notes, cards, e-mails, or calls recognizing an achievement

HOW IS THE CREDIT OF YOUR CUSTOMER'S CUSTOMER?

Depending on the project size, I also investigate the credit of my customer's customer. Should something look like a possible red flag, it allows me the opportunity to discuss the issue with my customer and communicate my interest in their success.

Last year, while speaking to a customer, I was expressing my concerns about supplying a project that he would be doing. The contractor certainly had no qualms about it because he had been doing work for this billion dollar company for over fifteen years without a problem. In fact, he was so unconcerned about getting paid, he volunteered to draw upon his own line of credit to pre-pay my company the amount of the whole project.

There is no doubt I could have taken his pre-payment offer and forgotten the whole thing since my credit exposure would have been zero. However, I mentioned the objective of my call was to insure that his company, as well as mine, got paid. From that point on I had his full attention and cooperation.

Several problems existed. First, my customer had some doubts that his customer was a bankruptcy candidate. Additionally, my customer was adverse to placing his customer on COD since he had future projects scheduled with them. Also, my customer had signed a Purchase Order which stipulated he would only be paid for the materials 30 days after delivery and inspection. Yet, an over-riding obstacle was the question, "What if my customer got paid on an Open Account and then his customer filed bankruptcy 45 to 90 days later?"

How could I protect my company as well as his? After a couple of discussions, I proposed a solution. I would ship the materials under a Security Agreement Filing to my customer. He would store the materials for 30 days near the job site which would allow his customer to inspect everything and then request payment from their headquarters location.

In the end, my customer got paid on a COD basis although it had the appearance of 30 day terms. In turn, my company got paid, the materials were moved onto the project site, and the Security Agreement was subsequently released. Oh yes, one other note, within 60 days of starting the job, the project owner filed Chapter 11 as predicted. One year later, that company still does not have a Reorganization Plan filed.

No one is suggesting that every effort to assist your customer will be noticed or make a difference. Nevertheless, the real benefits come from the prosperity of your customers and your continuing to provide them reasons to like your company the best.

Nominees for 2007-2008 NACM BCS Board of Directors

Sandra Brown, Schmidt Sign Service
Sue Cummings, CCE, Arnold Equipment
Whitney Davidson, Roofers Supply
Dana Farmer, JD, Lien Counsel
Boyd Ipson, Redman Van & Storage
Duane Lee, CCE, SOS Staffing Services
Joanne Martin, CCE, L K L Associates
Mary Jane McIntosh, CBA, Henderson
Wheel & Warehouse



Jeris Rae Baldwin, CCE NACM/ICEL Scholarship

Created in loving memory of an extraordinary credit manager

QUALIFICATIONS: Must be an active NACM member who has been enrolled and successfully completed at least 2 business credit classes for certification within the last 2 years and/or an ICEL member with at least 80% attendance at ICEL meetings in the last year.

JERIS BALDWIN CBA JUMP-START SCHOLARSHIP: Applicant must have completed, or be currently enrolled in the 3rd required course for CBA.

Scholarship includes:

NACM National Registration	\$160
NACM CBA Exam Fee	\$210
NACM BCS Review Class	75
	\$445

Note: This award is designated to assist outstanding candidates who exhibit a true desire to achieve professional designation status and may not be awarded each year.

JERIS BALDWIN CREDIT CONFERENCE SCHOLARSHIP: \$1000 Credit Congress Scholarship will pay for 1 Full Delegate conference registration. The balance of the scholarship funds will be distributed in the form of a credit against the member's company's bill or a check toward conference expenses.

Application Deadline will be the 1st Friday in March each year. Education Committee will review applications in their March meeting to determine scholarship recipients. Award Recipients will be announced at the NACM Annual Spring Banquet. Funding for scholarships is anticipated to continue through 2009 with 1 Credit Congress Scholarship and 1 CBA Jumpstart per year.

An Outstanding NACM Sponsored Full Day Seminar
Barry J. Elms, America's #1 Credit Coach
Thursday, March 22nd, Red Lion Hotel



Morning Session: Advanced Collections & Negotiations Skills

Afternoon Session: Dealing With Troubled Companies

Sign up on line at www.nacmint.com or with Georgette at 801-487-8781, ext. 116

Code

Black : Industry Credit Groups

Red: Other events

February, 2007

Sat. / Sun.	Monday	Tuesday	Wednesday	Thursday	Friday
				1 Hardware & Lumber	2 Steel & Welders
3/4	5	6	7	8 ICEL LUNCHEON RED LION HOTEL Regional Ag Las Vegas	9 Concrete, Paving, Excavating & Waterworks
10/11	12 Fine Paper	13 Food & Restaurant	14 SLC Contractors	15 Electrical Industrial Supply Roofers/Siding	16 Diesel Engines Ogden Contractors
17/18	19 PRESIDENT'S DAY NACM CLOSED	20 Printers of Utah Heating & Plumbing Floor Covering Masonry & Landscaping	21 Advertisers, Media Ut. County Contr. Automotive & Truck Suppliers	22 Waste Haulers	23
24/25	26	27 Equipment Dealers	28 General Contractors General Services		

Welcome New Members

New West Machine Tool Corp #5589

7990 So. 1530 West
West Jordan, UT 84088
Industry: Machine Tool Dist.
Rep: Terry Turner

R & L Inc. #5590

310 No. 650 West
Kaysville, UT 84037
Industry: Fence Supplier
Rep: Norma Davenport

All Metals Fabrication #5592

3160 So. 1900 West
Ogden, UT 84409
Industry: Metal Fabrication/Install
Rep: Ella Nicholas

Procast Marble #5593

2950 West 500 South
Sandy, UT 84094
Industry: Granite & Cultured Marble
Rep: Brittini Ivory

Cliff Johnson Excavating #5594

648 West Fine Drive
Salt Lake City, UT 84119
Industry: Excavation
Rep: Darcie Duran

Wesley Green Containers #5595

245 Paramount Ave
Salt Lake City, UT 84115
Industry: Waste Haulers
Rep: Suzanne Haycock

High Mountain Products Inc. #5596

1422 A South Redwood Rd.
Salt Lake City, UT 84104
Industry: Wholesale Hardwood, Lumber
Rep: Matt McNichols

ICEL Luncheon Thursday, February 8

"The Scott & Amanda Show"

Red Lion Hotel, 11:45 a.m. - 1:15 p.m.

**How can credit reports help me
make better "informed" decisions?**

Scott Lee, CCE, J.D. has years of credit experience and will share his tips with you on February 8th. You may think you are totally aware of all the credit tools available to you. This will be nuts and bolts credit and collections and a seminar ALL credit managers need to attend.

You will learn the following:

- *When should I pull a credit report?
- *What type of credit report do I need?
- *How do I interpret a credit report?
- *What's the new NACM Credit Score about? AND
- *What do I need to collect my accounts?
- *What does the collection agency need?

Extending credit to acceptable risk customers is easier than trying to collect bad debt after the fact.

Bring your questions. Scott & Amanda are here to help you succeed.

Cost: \$13.50

For reservations contact
Georgette Bevan at 487-8781, ext. 116
email: GBevan @nacmint.com

Membership Contest

Hurry—Ends 3/30/07



\$25/Referral That Joins NACM

Send referrals to BObrien@nacmint.com
FAX 801-484-1891
Phone 801-487-8781, ext. 104

NACM BCS Board of Directors, 2006-2007

BOARD OF DIRECTOR OFFICERS:

Patty Fullmer
Chairman
BMC West

Susan Lujan, CCE
Vice-Chairman
Kenworth Sales Co.

Tyler Steenblik, CBA
Treasurer
Young Electric Sign Co.

NACM OFFICERS:

Dean Wangsgard, CCE
President
NACM BCS

Scott W. Lee, JD, CCE,
Vice President & Secretary
NACM BCS

BOARD OF DIRECTORS:

Allen Vickers
A & K Railroad Materials

Bonnie Snider, CCE
Alder Sales Corp

Lisa Keller, CBA
Butterfield Lumber

Shane Inglesby, CCE
Geneva Rock Products

Barbara Mackay
Intermountain
Concrete Specialties

Cyndie Keetch, CBA
Mountain Contrs Supply Grp

Susan Archibeque, CCE
Nicholas & Company

Connie Steed, CCE
Rasmussen Equipment

COUNCILOR:

Doug Darrington, CCE
Councilor
Altaview Concrete, Inc.



P.O. Box 460
Midvale, UT 84047-0460
(801) 487-8781
(800) 977-6226
www.nacmint.com