

# Business Credit News

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CREDIT REPORTS 210-225-7106  
COLLECTION 210-225-7106  
E-MAIL: [bcms@nacmtx.com](mailto:bcms@nacmtx.com)  
FAX SERVICES 210-225-1777  
WEB SITE: [www.nacmtx.com](http://www.nacmtx.com)

National Association of Credit  
Management of Texas, Inc  
4407 Walzem Rd #205  
San Antonio, TX 78218

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**OCTOBER 2009 Chairman: Hector Gamez,  
San Antonio Masonry & Tool**

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## “Working Outside The Box” Part II

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### **FOCUS ON CREDIT MANAGEMENT RESPONSIBILITIES**

This is an excellent time to review and re-write job descriptions and responsibilities. As credit professionals we need to spend more time and focus on credit and collection tasks. We need to identify those tasks that are non-related to identifying and managing risk and collecting money and move those tasks to the departments in the organization who are affected by them. Tasks such as obtaining sales tax certificates, Sarbanes-Oxley, tracking return authorizations and proofs of delivery, just to mention a few, should be delegated out of the credit area.

### **CONTACT THE PEOPLE WHO CARE, TO GET PAID NOW**

When we ask our seminar participants who they contact for payment the answer is always “accounts payable”. The problem with contacting accounts payable is they don’t care when or if we get paid. Processing invoices and paying bills is a never ending job and one collection call follows another, only the vendor name and amount of payment changes. If we want to get paid when we call the customer we have to identify first who to contact. We have to call the people who care. The person who cares is the one who has an equity interest in our product or service. If we are providing a product to our customer for resale that person would be in the customers’ sales department. The sales department has promised their customer that they will receive their purchase by a certain date and they want to maintain a good relationship. Notifying the sales department that their purchases may not be forthcoming due to slow payment processing will provide us an ally within the customers’ organization to assist us in getting our invoices paid on time. If the product or service is not for resale but is to be used by the customer, who in their organization will be using the product / service? This is the person we want to contact because they have an interest in receiving their purchase in a timely manner.

### **TRAINING, TRAINING, TRAINING**

Usually during a downturn in business and/or the economy firms look to cut or eliminate what is often referred to as “non-essential” expenses. Most often included in this term is education and training. This is exactly the time that the emphasis on training and education should be moved to the fore front. Now is not the time to stop learning or look for ways to improve productivity. We should be looking for seminars and classes to make us sharper, more productive and more competitive. If we do not belong to an industry group now is the time to join and attend one. If there is something we don’t know such as negotiable instruments or bonds & liens we should be looking for course material or seminars and signing up for class. The more knowledge and information we can acquire the better chance we will have of not only being successful but also keeping our position.

### **CUSTOMER VISITS**

OK, we don’t have a travel budget but that does not mean we are prohibited from calling on local customers (those within a 100 mile driving radius). We need to get out from behind our desks and find out what our customers are doing, what is happening in their organization and what we can do to assist them. We don’t need to visit all of our customers to identify opportunities. By visiting the customers close to us we can get a general idea of what all our customers are experiencing and what they need from us to survive.

### **LOOK BEYOND OUR CUSTOMER**

Professional drivers will tell us, when asked, that the way to avoid an accident is look beyond the vehicle in front of us when driving. If we see the traffic ahead of the vehicle in front of us or to the side of us beginning to slow down then that is the time to begin braking. In credit we need to look beyond our customer and identify not only who our customer is selling to but what is their condition. We should remember that “conditions” is one of the four C’s of credit and does not just apply to the economy and the marketplace. Our customers’ customer “condition” will determine how and when we get paid and should be a factor when assigning credit lines/limits.

### **PROVIDE CUSTOMER SATISFACTION**

The majority of organizations today employ a customer NO service department. Customers who are not satisfied do not pay their bills timely. We can improve cash flow simply by taking care of the customer properly the first time. If we are one of those companies (we know who we are) that has a customer NO service department, we should give considerable thought to assuming that responsibility. This is very easily accomplished. All we need to do is inform the customer at the time we establish the account for new customers or during a collection call for existing customers that if they have any type of issue to contact us and we will see that it is timely and properly addressed. Assuming this responsibility also eliminates the problem of not having the customer return our collection phone calls. Once firmly established they will return all of our phone calls as they will not know if we are calling to collect money or to inform them of resolution of an outstanding issue.

### **SECURITY**

We should be asking every customer to sign a security agreement and be a secured creditor. If we are selling a product there is no reason we should not be secured. Yes, they may be a bank or other financial institution with a previously filed security agreement. Article 9 of the Uniform Commercial Code also provides for a Purchase Money Security Interest (PMSI). A PMSI allows the creditor to have first priority solely in the product they sell, including proceeds from the sale or other disposition of the product, without affecting the bank or financial institutions previously filed security agreement. A secured creditor is not subject to a preference in bankruptcy; a secured creditor is paid before any payments are made to unsecured creditors in bankruptcy; secured creditors are generally paid better than unsecured creditors. Being a secured creditor is good business.

**CREDIT LINES AND LIMITS**

Every customer should have a credit limit and maybe a credit line assigned to them and it should be reviewed at a minimum annually although we prefer every six months. A credit limit is based not on the customers' net worth but ours. How much money can our organization lose on one customer and still remain in business? The answer to that question is the customers' credit limit. It is not negotiable and when reached no additional amount of credit should be extended. A credit line is the amount we are willing to give a customer without first checking their account status. Credit lines will vary by type of customer; their payment history; length of time in business; management experience in the industry; Security and other factors. Credit limits and credit lines are not interchangeable and should never be treated as such. Every customer should have a credit limit but that does not mean that every customer should also have a credit line.

**ANNOUNCE OUR ACCOMPLISHMENTS**

We observe every day organizations announcing a major sale or contract that it has acquired or renewed with kudos going to the sales team. How often, however, do we witness the announcement that the same major sale or contract, worth millions of dollars in revenues, has been collected? We know that if it were not collected and instead written off it would make news and the credit department held accountable. Why is the collection of these mega sales not newsworthy? The answer is because the credit and collection department, who collected it, does not announce their accomplishments like the sales department does when they ink the contract. If we, credit and collections, want to be recognized for our contribution to the organization, we need to begin letting people know about our accomplishments. When we collect a larger than normal invoice or a portion of a major contract, we should be sending out a company wide email letting everyone in the organization know about it. If we wait for someone else to make the announcement chances are very good it will not occur. We will never be recognized for our achievements and contributions until we begin informing our supervisors, peers and subordinates about our accomplishments. The above listed examples will not work for everyone but we believe there are several ideas that everyone can do to be more successful. Work through the examples and think about what we can try to become more customer oriented as we navigate through these difficult times.

*David Balovich is a certified credit consultant specializing in commercial credit. He is a proud member of NACM Texas and can be contacted [3jmcompany@gmail.com](mailto:3jmcompany@gmail.com)*

\*\*\*\*\* **OCTOBER 2009** \*\*\*\*\*

Day	Date	Group	Location	Time
Fri	2	SW Electrical Group	Onion Creek Club, 2510 Onion Creek Pkwy, Austin TX	11:30
Tues	6	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin TX	11:30
Wed	7	SA Ad Media	San Antonio Business Journal, 8200 IH 10 West, San Antonio	11:30
Thurs	8	SW Food Credit Group	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:30
Tues	13	Coastal Bend	Holt Cat, 1325 South Padre Island Dr., Corpus Christi TX	11:30
Wed	14	Rio Grande Valley	The Western Palm Air, Weslaco TX	11:30
Tues	20	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin, TX	11:30
Wed	21	Victoria Credit Group	Sky Restaurant, 236 Foster Field, Victoria TX	11:30
Wed	21	Fuel & Lube/Heavy Eq.	Las Palapas, 4902 Walzem Rd, San Antonio TX	11:30
Thurs	22	Austin Ad Media	Santa Rita Tex Mex, 1206 W 38 <sup>th</sup> St., Austin TX	11:30
Thurs	22	HVAC	Texas Air Products, 11122 Gordon Rd, San Antonio TX	11:30
Tues	27	SA Construction	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:30
Wed	28	Laredo Credit Group	Laredo Country Club, 1415 Country Dr., Laredo TX	11:30
Thurs	29	Computer Group	Santa Rita Tex Mex, 1206 W 38 <sup>th</sup> St., Austin TX	11:30

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**EASY ACCESS TO LEGAL INFORMATION**

Did you know you could go on-line to get the legal list bulletin? You can download legal information (mechanic liens, state, and federal liens, suits, bankruptcies, abstract of judgments, etc) on any of the following counties: Travis, Williamson, Hays, Cameron, Hidalgo, and Bexar. To access go to our web site at [www.nacmtx.com](http://www.nacmtx.com). All you have to do is go to NACM Online, enter your membership information and make selection under Legal Bulletin. It will bring you to the legal information you need. Select the county, type of legal information and the time period requested. Type in the word **all** at the search information box. Also, you can type in the business name to receive all legal information on that specific company. For help on how to use the legal bulletin on-line give us a call at (210)225-7106.



**September 2009 Bond & Lien Booklets are available for \$29.95. If you would like to order a booklet please contact us by phone (210)225-7106 or by e-mail at [bcms@nacmtx.com](mailto:bcms@nacmtx.com)**