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Collecting America's Debt For 7 Decades

CREDIT & COLLECTION NEWS

Est. 1930

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Using Credit & Collection to Increase Sales

Gerry Parran

In my 29-year career in sales and sales management I have seen too many companies attempt to increase sales with approaches that stretch every fiber of the organization and overlook tactics that are easy to implement and provide a fast ROI. Using collections to increase sales is just such an approach and it can be used with both existing customers as well as prospective customers.

Increasing Sales to Your 'A' Accounts

First, identify the 20% to 25% of the customer base who generate the most revenue. Second, review their risk profile, i.e., payment history, credit lines, etc. Third, for those accounts with the least amount of risk, increase their lines by 10% to 30%. If they are truly good credit customers, you really should incur little or no additional risk. By offering these customers better credit terms, you are encouraging them to purchase more with little risk of an increase in DSO and / or collection problems. Fourth, let customers know you are increasing their credit lines as a result of their exceptional payment history. In addition to increased sales, this often results in increased goodwill and customer satisfaction.

Increasing Sales to Other Select Accounts

A second group of customers to target with an increase in credit line are those who are regularly below their credit limits. They too offer little if any additional risk. This increase in credit limit will often encourage them to increase their 'spend' with your company. Once again, write a letter letting them know you are increasing their line of credit due to their exceptional payment history.

Using Credit & Collections to Generate New Customers

When pursuing new customers, your value proposition should include a credit policy that is more liberal than industry norms. This can be an

effective competitive advantage or 'differentiator' vis-à-vis your competitors. However, to protect profitability and mitigate risks, you will need to implement an aggressive approach to collections that is event-sensitive, not time-sensitive. In addition, an expanded customer base will also act to spread your risks.

In my sales career I quickly learned the benefits of collaborating closely with the credit department. Below is a

(Continued on back page)

Basics, not luxuries, blamed for high debt

Why are Americans so deeply in debt? It's not because they are using credit cards to buy plasma TVs and premium coffee drinks at Starbucks. The real culprits, according to a new analysis, are the rising costs of housing, health care and education.

The debt of the typical American family earning about $45,000 a year rose 33.1 percent from 2001 to 2004, after adjusting for inflation, according to a study based on data compiled from the Federal Reserve Board's most recent Survey of Consumer Finances.

Real wages, after adjusting for inflation, have been flat since 2001, according to the study, while the cost of big-ticket items for which families pay the most rose. In the past five years, the costs of medical care, housing, food, cars and household operations rose 11.2 percent, the study said. Many families are trying to make up the difference by borrowing, according to Christian E. Weller, author of the report and a senior economist at the center.

The average American family is walking a high wire and hoping there won't be a high wind," Warren said.

Housing debt has climbed notably because home prices have risen and people have borrowed against the equity in their homes. From 1989 to 2004, for example, the median mortgage debt more than doubled, from $46,900 to $96,000.

Caine & Weiner unveils updated website

In keeping with Caine & Weiner's continued growth and re-branding strategy, its redesigned website was officially launched this month.

"We received a lot of positive commentary on the site we used for the last few years", said Bob Caine—Chairman and CEO", "And we wanted to add some additional features that our clients could use. We have loyal clients we really care about and want to make it easy for them to use our service".

The new layout features added logo enhancements which include a solid red bar and a blue and yellow international ribbon to reinforce Caine & Weiner's presence in global credit & collections.

Site navigation for website visitors was given top priority. To accomplish it some of the previous links were re-titled and include drop-down menus for easily traversing the websites many pages.

New tools include a snazzy international currency converter and a listing of global legal systems.

Caine & Weiner's White paper—*"Everything you ever wanted to know about collections but were afraid to ask"* is available as a free PDF download. It can be accessed from the home page.

Although the website is one of the most comprehensive in the industry-containing a lot of reference information and helpful tools for credit executives effort was taken to also include Otis' World.

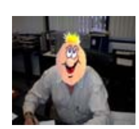
Otis is Caine & Weiner's

animated spokesman who weighs in on important and sometimes not so important subjects. His mirthful presence, which adorns many of Caine & Weiner's trade show promotions, marketing campaigns, and information tri-folds has been well received by our clients and prospects.

"You can't help but like the little guy", said Caine, " He even has his own newsletter—*The Otis Notice*, which he will send to you if you visit his page.

The site accomplishes Caine & Weiner's goal to provide substantive information, tools and information to our clients.

"Many sites", said Caine, "Are little more than a sales and marketing vehicle to attract prospects. They are lured by keyword phrases and SEO strategies to reach as many potential customers as possible. Our highest priority, however, is client satisfaction. With that in mind our site was created for them. Apparently web-surfers find it to their liking. A number of them ended up using our service".



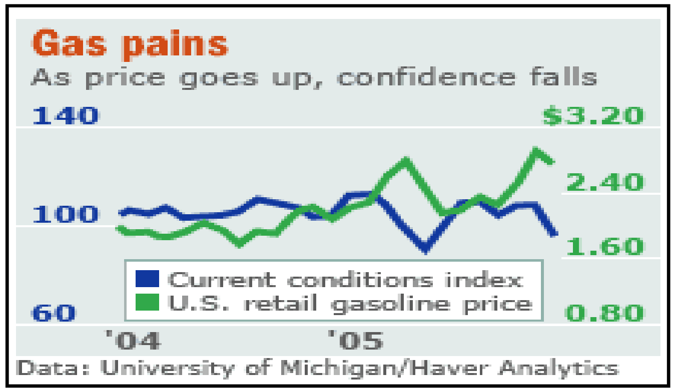
Otis

Consumer Sentiment Plunges to 7-Month Low

Consumers are feeling less secure about the current economic situation than they were back in October. The index fell from 87.4 in April to 74.2 in May — the lowest since October's dismal 74.2, according to a story running on MarketWatch.

Consumer sentiment has plunged in four of the past five months after a 91.5 peak in December.
To blame? Most would point fingers at sky-rocketing gas prices. "If sentiment stays at this level — it might even decline further — you should expect a serious slowing" in consumption, said Ian Shepherdson, chief U.S. economist for High Frequency Economics.

The University of Michigan consumer sentiment index fell to 79.0 in May -- it's the lowest level since October's 74.2 reading -- from 87.4 in April. Economists expected a much smaller decline to about 86.4, according to a survey conducted by MarketWatch. See Economic Calendar.
"We think this drop reflects the sudden surge in gas prices," said Ian Shepherdson, chief U.S. economist for High Frequency Economics. "If sentiment stays at this level -- it might even decline further -- you should expect a serious slowing" in consumption.
The big decline came in the current-conditions index, which plunged 13 points to 96.2, the biggest one-month decline since the University of Michigan switched to a monthly survey in 1978, outpacing the previously steepest 10.7-point decline in November 1981. The current-conditions index has fallen as many as 10 points only a few times in the past 28 years: once after Hurricane Katrina in September 2005; once in



the depths of the 1991 recession; once after Saddam Hussein captured Kuwait in 1990; once during the 1981 recession; and once in early 1980, just after hostages were taken at the U.S. Embassy in Tehran.

In May, more consumers mentioned high gasoline prices when asked about recent developments than at any other time since the sentiment survey began being taken on a quarterly basis more than 50 years ago, the researchers said. And the largest proportion in 25 years said high gasoline prices were reducing their standard of living.

Impact on economy
So far, the jump in gasoline prices has had only a minor impact on economic growth and consumer spending. In April, retail sales increased 0.5%, but most of the increase was due to higher gas prices. Excluding gasoline sales, retail sales increased 0.1%. Every penny increase in the price per gallon of gas adds about $1 billion to consumer spending, said economist, Joseph LaVorgna.

Collection Techniques for the Credit Manager Seminar

On May 11th, Bill Lovitt, SVP – Client Services and Frank Dispensa, VP Midwest Operations conducted an educational seminar at the headquarters of our Alliance Partner, NACM/ Midwest. The attendees had an average of 7 years of experience in the credit field and represented a diverse group of industries. During the seminar, titled; Collection Techniques for the Credit Manager, the entire A/R cycle was covered.

- Credit – the start of the accounts receivable cycle
- Accounts Receivable – monitoring and controlling risk
- Collections– the cash production element of the A/R cycle

The comprehensive course content included an overview of business types, tips regarding the credit application and credit check process, A/R metrics, techniques to counter stalled payments and a "walk through" of the legal process.

The interactive presentation allowed the participants to engage in role playing in credit decision making exercises. Participants took turns playing the Credit and Sales Manager roles. Following the exercise, each group presented credit solutions. The decisions were well thought out and amazingly, there was only one instance when the Credit Manager and Sales Manager could not come to an agreement!

According to the survey feedback the attendees were well pleased with the seminar.

if you are interested in having a seminar presented at your company contact Bill at 866-467-5640

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TheBiz

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Est. 1930

Your satisfaction with our service is our highest priority!

Caine & Weiner is an international accounts receivable management company that provides commercial and retail credit & collection services to the global business community.

Established in 1930 by Sidney Caine and Charles Weiner the firm has offices strategically located across the U.S to service their 3,500 clients.

Using Credit & Collection to Increase Sales (cont'd)

short example demonstrating the value of collaboration between sales and credit.

Credit & Sales collaboration Saves a Sale

A company received a large order from one of its strategic accounts while at the same time the customer's balance was nearing its limit. Prior to the consummation of the sale, the seller's automated A/R system saw that the customer was approaching its credit limit and had sent an alert to a collections agent. The credit & collections department, working closely with the field sales team, had the collections agent contact the customer, obtain a check number as a commitment to make payment, and then update the A/R systems accordingly.

Upon receipt of the customer's order, the seller's automated order entry system notified the credit department that a large order had just been entered for this customer. Confident that payment was being made, the credit department allowed the transaction to proceed without interruption. This collaborative effort between sales and credit was the key to retaining an important customer order.

Gerry Parran is the President of Premier Professionals & Executives, an Orland Park, Illinois-based professional services firm providing advisors, coaches, mentors, and industry professionals on an as-needed-basis to business, science, education, and government. Based on his 28-year career in sales and sales management, Gerry advises small and mid-cap organizations on improving their sales performance.

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