

Business Credit News

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**JANUARY 2017 Chairman: Terry Ludzenski,
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“New Is Not Always The Most Effective”

By: David Balovich

I think all would agree that the credit and collection function has certainly evolved over the past forty plus years and technology has played an important role in these changes. If anyone is not old enough to recall what our profession was like forty years ago then they will have to trust me on this.

Consider for a moment that forty years ago the only technology available to us that we utilized in our daily activities was the telephone. Discount the automobile because the majority of us were deskbound by 1974 due to the oil embargo the previous year. The telephone was invented in 1876 almost one hundred years earlier and up until the late 1970's there had been no significant technology changes unless we take into account the electric typewriter. Invented by James Smathers in 1914 it would be another sixteen years before IBM began mass producing them and then another thirty-one years later before the IBM Selectric typewriter became the most widely used office machine throughout the business world.

The late 1970's and early 1980's changed how we conducted business. Customers that once submitted purchase orders by mail or phone now do so by FAX, Email, EDI or on company websites. Creditors that once mailed out thousands of invoices a day now send invoices electronically that are then uploaded into their customers' accounts payable systems without any human involvement. In fact, technology eliminated an entire department and hundreds of thousands of jobs from most business organizations. Most business people today have never heard of nor would they know how a billing department functioned.

Some businesses today employ deduction management software as a solution to better manage and control this widely abused common affliction. Credit managers use decision support software to make quicker, more consistent and, sometimes but not always, better credit decisions.

Creditors have numerous options today for communicating with their customers including instant messages, letters, faxes, e-mail, all accomplished by pushing a “F” key on their computer keyboard or pre-programming the customer account for automated notices to be sent when an account reaches a certain number of days beyond terms. And yes, when all else fails, there remains the old standby..... the telephone collection call. Because with cell phones, Bluetooth, Apple and Google watches, and Wi-Fi in our vehicles we have truly evolved into the characters of our childhood, Dick Tracy and Captain Kirk.

We are at the moment in time where the more things have changed, the more they remain the same.

The fact is technology is a tool but it does not guarantee us results. If we want to be more effective in our collection efforts, we need to reach out to our past due accounts by telephone or personal visit, if possible.

We cannot rely on any form of technology no matter how sophisticated to get the job done. Regardless of the advances in technology, the most effective way to collect has always been and always will involve a dialogue with the debtor.

Any form of one-way communication, email, FAX, IM, or dunning notice is more than likely to be deleted or ignored than acted upon.

As a former business owner, I can offer first-hand testimony that if we want our collection efforts to be taken seriously, we need to call or visit our past due accounts for payment. A personal call or visit from the creditors' representative is harder for the debtor to ignore or disregard.

One-way communication will never be as effective as a discussion with the customer where payment issues are discussed and agreement is reached.

Collection correspondence works, but it is more likely to work with financially sound customers who inadvertently overlook payment of a particular invoice. The technology is unlikely to work with customers intent on holding on to our money for as long as possible, and is even less likely to be an effective collection tool when debtors are experiencing serious financial problems.

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