

HOW SMART CREDIT POLICIES IMPROVE COLLECTION AND LITIGATION RESULTS

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PROBLEMS WITH CURRENT UNDERSTANDINGS OF CREDIT POLICY

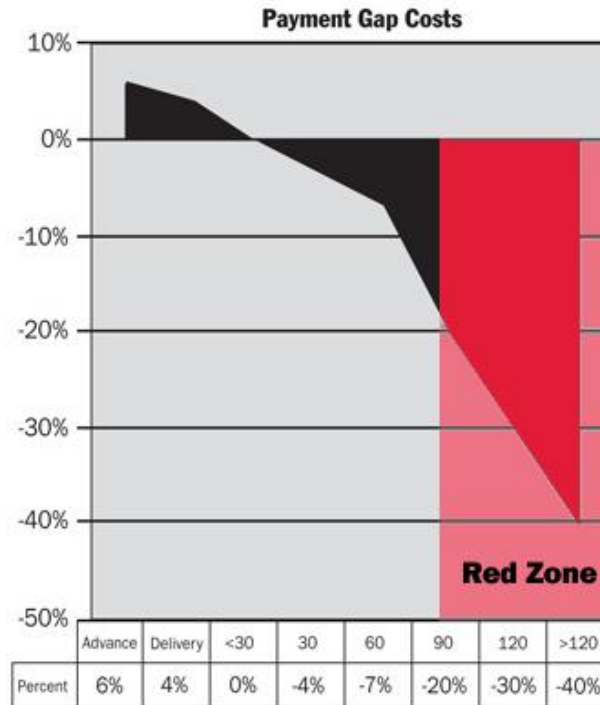
- The Cost of Credit
- The Payment Gap
- The Fallacy of the Sales Culture

THE COST OF CREDIT

- **Finance Cost**
 - Actual cost of financing a customer debt
- **Opportunity Cost**
 - The cost of giving up access to available capital
- **Collection Cost**
 - The cost of administration and discounts that were often needed
- **Relationship Cost**
 - The cost of losing the goodwill of your customer
- **Marketing Cost**
 - Using easy credit as a marketing strategy is a costly form of marketing



THE PAYMENT GAP

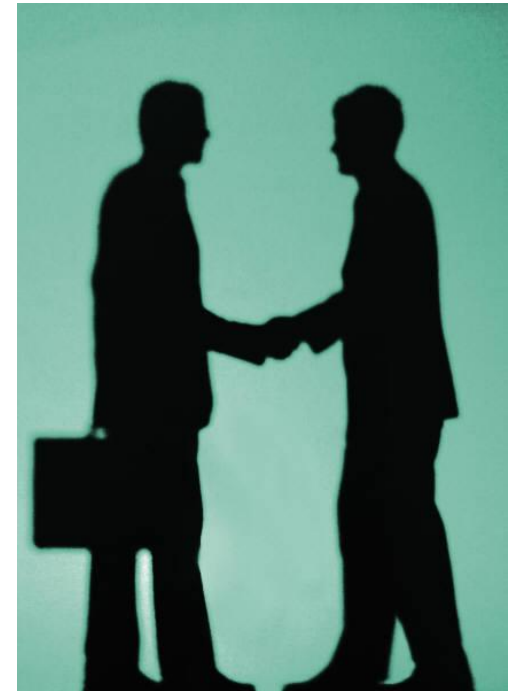


THE PAYMENT GAP

	Cost of \$10,000 for Various Payment Gaps					
	Monthly %	30 Days	60 Days	90 Days	120 Days	150 Days
Finance Cost	1%	\$100	\$200	\$300	\$400	\$500
Opportunity Cost	2%	\$200	\$400	\$600	\$800	\$1,000
Collection Cost	1% - 3%	\$100	\$400	\$1,000	\$1,500	\$3,000
Relationship Cost	5%	0	\$500	\$1,000	\$1,500	\$2,000
Total	9% - 39%	\$400	\$1,500	\$2,900	\$4,200	\$6,500

THE FALLACY OF THE SALES CULTURE

- What is a “sales culture”?
- The Fallacy and how it impacts credit



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PREPARATION TACTICS

- Credit Policy Manual
- Credit Agreement
- Credit Enhancements
- Terms and Conditions
- Standard Forms



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SOME FACTORS THAT IMPACT COLLECTIONS

EXTERNAL INFLUENCES

- Economy
- Competitors
- Regulatory
- Legal

INTERNAL INFLUENCES

- Policies
- Personality
- Accounting
- Profit Targets



EXTERNAL FACTORS

- Economy
 - In general
 - Customer-focused
 - Competitors
- Regulatory
 - Customer Industry
 - Limits on Collection Activity
- Legal
 - Contract Issues
 - Litigation
 - Bankruptcy

ASSESSMENT: THE 3 C'S

- Character
 - How has customer treated other issuers of credit and customers
- Capacity
 - Cashflow when the invoice comes due
- Capital
 - Assets to collect from if necessary



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IMPLEMENTATION: THE 10 STEPS TO PROGRESSIVE COLLECTION

1. Customer service call
2. Payment reminder (invoice due date + 10 days)
3. Request for payment (invoice due date + 20 days)
4. First demand letter and call (invoice due date + 30 days)
5. Confirming letter (invoice due date + 45 days)
6. Escalated efforts (invoice due date + 60 days)
7. Upper management involvement and self-help (invoice due date + 90 days)
8. Final collection call (invoice due date + 100 days)
9. Final Warning
10. Collection agent referral (invoice due date + 114 days)

DEFENDING YOUR CREDIT

- Internal Collections
- Collection Agencies
- Lawyer Collection
- The Final Straw - Litigation



Q&A

THANK YOU



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