

# THE CREDIT TIMES



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*Greetings and welcome to another installment of The Credit Times!*

*by Chad Haynie*

I want to start by thanking Wanda Borges, of Borges & Associates, LLC. for her excellent contributions on Cybersecurity in last quarter's edition. It was an article that resonated well with our readers, and we certainly appreciate the valuable content Wanda consistently provides. In this issue, we are highlighting an article sent in by a Senior Account Executive on our collection team, Jeff Tharnish. Jeff has been in the collection industry for well over a decade and joined CCC in 2020. In addition to his contributions on the collection floor, Jeff is also a member of our Emerging Leaders committee and expressed an interest to contribute to our quarterly newsletter. We feel the article Jeff has written below is timely and a great reminder of some of the key touch-points credit practitioners can review to best position their agency for a successful outcome. Thank you Jeff and I hope you all enjoy his article, "A Tale of Two Claims."

## A Tale of Two Claims

by Jeff Tharnish

The past two years have been a struggle for many companies in many ways. From shutdowns and physical distancing to revamping HR and IT in order for employees to work from home, businesses have endured massive upheaval. Now that things seem to be settling down and returning to some semblance of normal, many companies may be considering more permanent changes to their credit policies in order to better protect against future instability. Every company has good customers that pay regularly and on time. Other customers may pay late, short pay, dispute, or any number of other issues that ultimately boil down to disrupting your cash-flow. Several different factors interact in this delicate dance. Once we understand how these factors interact, we can manipulate them like a conductor in an orchestra to harmonize into smooth, regular cashflow. Let's take a look at two fictitious companies as a brief case study and consider how different corporate strategies may affect when, or even if, you collect payment.

There can be many reasons for a company to place delinquent accounts with a third-party collection agency. Perhaps they have already exhausted all of their own internal efforts and now require the specialized knowledge and experience of a third-party agency. It is also possible that the company may not have the time, staffing, or other resources available to dedicate to collections. This is where the contingent commission structure of most collection agencies can be especially valuable, as you only pay a fee if they collect payment. Yet other companies simply do not want to deal with the hassle, preferring to outsource their collection issues while they focus their efforts on new sales. Whatever the reason, there are several ways for a company to set itself up for success when it comes time to collect on past due accounts.

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on winning an Echo Show 5 in our drawing.**



***Make sure to enter this month's drawing by using your  
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## Case Study 1

XYZ Widgets LLC recently hired a new head of collections, who now has the “enviable” task of reducing the company’s DSO. The company has weathered the economic storm of the pandemic. Sales are picking up and their customers also seem to be getting back on their feet. Now seems to be a perfect time to implement new strategies going forward to better protect XYZ Widgets against another economic slump. The trouble is, the company still has a backlog of older accounts outstanding that need to be cleaned up. The new collection manager decides to place these claims with an outside agency to sort through and recover whatever cash is available. XYZ Widgets has always required new customers to complete a full credit application, as well as maintaining good records of customer payment history. This gives a good picture of which accounts are typically good payers compared to those who are habitually late. However, some of the credit applications are several years old and customer contact records have not been updated in some time. XYZ Widgets decides to place these claims directly with an outside collection agency, along with all of the available documents and accounts history. Their strategy is to arm the agency with all of the available information in order to avoid unnecessary delays in requesting documents.

## Case Study 2

ABC Cogs Inc. has also survived the recent economic turmoil and is experiencing a similar recovery. The accounts receivable team does a good job of monitoring outstanding accounts but have started to become overwhelmed by the increasing volume of past due accounts. In order to deal with this volume, the credit manager decides that all accounts will be placed with a third-party agency at 60 days past due. The AR team maintains up-to-date customer records, taking note when contacts change positions, leave or join the company, as well as additional contacts higher up the ladder to address larger matters. However, they do not typically ask customers to sign credit applications which has caused some issues in the past with clarifying the correct corporate entity with which they are doing business. The credit manager also considers implementing a policy of requiring signed Personal Guaranties for all accounts above a certain threshold. This would seriously help to secure their accounts against customers that may continue to face financial issues as the economy recovers. ABC Cogs keeps meticulous records of customer disputes, as well as how those issues were addressed and resolved. This helps to cut down on time lost by repeating the same customer satisfaction processes over and over. The AR team’s internal efforts also ensure that the customers are well aware of the balance due on their account so there are no surprises.

All companies face the limitations of time, resources, staffing, and other issues which determine how they approach the issue of collecting payment from past due customers. The key is to optimize the resources at your disposal in order to reduce your risk and increase your collection results. Consider the different elements and approaches discussed here and how you may apply them to your own business. As the proverb says, the best time to plant a tree was twenty years ago. The second-best time is now. What can you do today to optimize your relationship with your third-party agency and improve your collection results?



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