Extending Credit and Handling Accounts

The Essential Equipment of a Good Credit Man, with Some Examples of Tactful and Successful Letters to Delinquents.

By S. Roland Hall, in Selling Magazine.

In this day of ready transference of money through banks and other avenues, by far the greater proportion of business transactions are conducted on the confidence of the seller in the buyer. The extension of credit is a necessity in most selling enterprises, and properly so. Debt, however, is a subject to be handled delicately; often the humble tradesman figuring how he can meet all bills that are due, becomes offended at a harsh or hasty demand for money, and turns his patronage elsewhere.

Retain the Good Will, But Get the Money.

The correspondent who has charge of the work of collecting dilatory and delinquent accounts has a highly important work. He has need for as much tact and judgment as the correspondent who adjusts complaints; for there is a time to be severe and a time not to be severe. Because extreme measures are sometimes necessary, credit men and collecting departments often make the mistake of using too little tact. On the other hand, it is, of course, necessary to collect money promptly, in order to conduct a business properly. Those who sell have their own obligations to meet. Accounts cannot and should not be allowed to run indefinitely without system. "Short credit makes long friendships," says the credit man of a great Pittsburg concern. The collecting work must be under the management of a man who, while using tact and retaining the good will of customers, still keeps up the collections.

There must be some exceptions to all rules. Few, if any, firms could force all customers to live up to an ironclad rule regarding the time of payment, and retain them. In some lines of trade and in some localities, it is the custom to discount nearly all bills. In other places, tradesmen in excellent standing are accustomed to pay bills only at the end of thirty, sixty or ninety days. Therefore, a firm desiring to have all bills paid in thirty days must, if it does business all over the country, be tactful and allow its rule to stretch at times.

Commercial Ratings Not Always Reliable

An important requisite to intelligent collecting correspondence is a good understanding of the condition and responsibility of customers. The commercial agencies afford ratings, but these ratings—important as they are when no other information is available—form only a part of the information which a collection department should have. A firm on the verge of failure may sometimes have a good rating, and a new concern to which credit may be safely extended, even beyond usual limits, may not be rated as being safe, or be rated at all. Information of a general and personal nature, and private reports from salesmen are of great service. A salesman who calls often at a place of business is in a position from observation to make a safe estimate. One large, successful firm, selling direct to grocers all over the United States, allows its salesmen to extend credit almost entirely on their own responsibility; to safeguard against worthless accounts, it requires the salesmen to pay ten per cent. of the amount when one of his accounts is lost. The plan works well.

Some mail-order concerns require new customers to secure the signatures of several neighbors or business acquaintances to a certificate on the order blank to the effect that the one ordering is trustworthy, able to secure an equal amount of credit at the local store, etc. Other concerns send goods on approval to only those using a business letterhead; but advisable as this might be in some instances, its usefulness as a plan is obviously limited.

The Salesman Not a Collector.

While the services of a salesman are exceedingly valuable in collecting, because he can act understandingly, it is doubtful that it is good policy to have salesmen collect regularly if it is possible to arrange collections in any other way. Collecting and selling do not go well together; the service that a salesman renders in collecting will usually be offset by a loss in selling. It is better that the salesman should not, except in extreme cases, be a part of the active collecting system. He should contribute to intelligent action by keeping the firm informed. There should be close co-operation between the sales force and the credit department.

Let us suppose that we are running the collecting department of Brown & Co. Jones & Co., of Elmira, N.Y., retail grocers, owe us two hundred dollars. We require all accounts paid in thirty days, and the account is already a day or so overdue. It is obvious that previous dealings, if there have been any, govern action in any given case. It is the first of the month, and we find that Jones usually pays his bills on the 10th; so it is business policy to wait until the 10th has passed. The 10th comes and goes without hearing anything from Jones. If this were the first time Jones had let his account run overtime, we should probably inquire of our salesman or send a "statement rendered." But it seems that Jones has only a fair standing, and that he has several times been slow in paying. The balance now due is larger than usual. It seems important to secure payment, and yet we do not want to endanger the trade of Jones & Co. A letter something like this would do:—

Gentlemen :

We are sending statement to date, and we trust you can let us have this amount at once.

We dislike to inconvenience our customers, but we have bills of our own to meet, and for this reason it is sometimes necessary to press our friends for payment earlier than we otherwise would. It will be a favor to us if you will give this statement immediate attention.

How does the Pepperoid sell ? Some of the trade are finding it a first-class seller, not only on account of its good quality, but because of the large amount of advertising being done by the manufacturers. We ordered a good stock of Pepperoid in anticipation of duplicate orders. If you would like to have another gross, let us know and we will ship on the day ordered.

With best wishes, we are,

Faithfully yours,

If a letter of this kind brings no response, and there still seems no reason for alarm, it would be well, after giving a reasonable length of time for attention to the first letter, to send a second, something like this:—

Gentlemen :

As you know, your account has run for some time over our usual limit. We have to collect money to run our own business, and we hope you can give the account attention without further delay.

By the way: we have not received an order of any kind from you for a month or more. We trust nothing about the last shipment was unsatisfactory, or that anything has happened to cause you to place your orders elsewhere. If ever there is any fault in our service, remember that we deem it a favor to be advised.

With the expectation of hearing from you at once, we are,

Faithfully yours,

Drafts to be Used with Caution.

If a letter like the second brings no response, a firm is certainly justified in drawing on a customer. If the customer refuses to pay, or there seems danger of losing the account by failure, it is then time to act quickly, and perhaps, to send a personal representative. Business men in small towns often object seriously to drafts. Therefore, drafting is a method to be used with caution.

It is difficult to lay down rules, because what would hold good for one business and one class of debtors would not hold good for another, because, also, proper action must be determined largely by the circumstances of each case. Unless there is imminent danger of failure, every effort should be made to ascertain the cause of delay or refusal of payment before proceeding to extreme measures.

Some tradesmen are notoriously slow in paying, and are not sensitive to hints. With such persons, firm and formal requests, drafts, and threats to sue may be used earlier than with others. In all cases, the correspondence should be courteous.

Legal Steps the Last Resort.

One prominent New York firm sends out with each of its monthly statements a brief letter that requests the customer to inform the house at once in the event that there should be any error. If payment is not received within a reasonable time, a correspondent writes suggesting that there has undoubtedly