

Some Principles of Account Collecting

Real Issues Involved---The Payment of the Account, the Retention of Business, and the Maintenance of Friendly Relations

By W. W. SWANSON.

The collection of accounts is still a matter of great importance for manufacturers, jobbers and retailers, although the tendency towards conducting business on a cash basis has grown greatly in popular favor. It is proposed in this article to deal with some phases of account collecting that will be most interesting, and most valuable, from the retailers' point of view, both in their relation to jobbers as well as to their own customers.

It is too often overlooked that there are debtors and debtors, and that they must be sharply differentiated from one another as to character and ability to pay. Moreover, the collecting side of the problem ought not to confuse the retailer as to the real issues involved—the payment of the account, the retention of business, and the maintenance of friendly relations with his customers. It is therefore essential in approaching delinquents to substitute wherever possible the pronoun "you" for the personal "I". Emphasis should be laid upon the responsibility of the debtor to be not merely honest, but fair, as a man and a citizen. In considering the method of his approach to the problem, the retailer should investigate carefully three important factors—the size of the customer's account, his buying power and repeat business, and the length of time during which the account has been outstanding. It is obvious that if repeat orders are to be secured—and these make up a very important part of the retailer's business—offence must not be given needlessly to the customer.

This point is important also with reference to the relations existing between manufacturers and wholesalers; although in this case the creditor is dealing with a class of men who have debtors themselves, and who, therefore, understand the situation. In this instance rigid business principles largely supplant the question of the mere maintenance of friendly relations. It is quite otherwise, however, with wholesalers who deal with a large number of retailers carrying on business in a modest way. It is not wise or profitable to hasten payment unduly under these conditions, or to send forward a draft as soon as an account just passes its due date.

Difficult Problem.

Retailers have by far the most difficult problem to meet when it comes to a question of debt collecting. Their relations with their customers are much more intimate and personal than is the case in most other lines of business; and they must be particularly cautious not to give offence to their clientele, especially to women. Department stores, in particular, have recognized the importance of the personal element in business, and have made a particular study of this problem. This is seen in their efforts not only to retain trade, but to attract trade by providing rest rooms, tea rooms and even concerts for their women customers. Women are much quicker to take offence than men, and resent the slightest expression that would lend any color to the imputation that they are not honest in meeting their legitimate obligations at the stores they patronize.

In a general way it may be said that there are three classes of debtors—"gilt-edged" customers, who are slow but sure payers, those who for the moment cannot discharge their debts because of misfortune, and those who deliberately attempt to evade their just obligations. The treatment of each class will depend upon the credit policy of the particular firm. Mail houses which sell goods on the instalment plan, and which do not look for repeat orders, are harsh in their treatment of their creditors, a fact which is too often overlooked by the local buyer who is penny wise and pound foolish in neglecting community dealers. The local dealer, however, who must depend upon repeat orders at least as much as upon new business for success, almost invariably affords generous treatment to customers who get behind in their accounts. For that very reason he is too often imposed upon; and as the law stands at present in Canada, it is exceedingly difficult, and undeniably expensive, to collect small debts.

Three Methods.

The retailer, as well as other creditors, may use one, or all three, of the following methods of collecting his accounts: He may rely upon formal letters; or he may make use of personal appeals; or finally resort to some sort of threat—not a brutal threat, but

action that will show that he means business and intends to protect his own interests. Use should be made in the first instance of formal letters, which should be sent with machine-like regularity in order to produce the great psychological effect. Repetition is essential, as it is the drop of water falling insistently and persistently that finally wears away the stone. Care should be taken that these formal letters do not accumulate, and fall like a flood on the delinquent; for, in that case, their very excess will entirely blunt the effect desired. The formal letter should consist of a printed form with blanks for filling in the date, and the specific sum, in question. In that case the debtor will realize that he has not been singled out for special attack, but has been notified merely in the due order or business routine. Nothing should be added by pencil or pen, as no honest man enjoys having his reputation for business probity impugned. Some business houses have been known to add the penciled remark "Please remit"—a remark which has brought a remittance along with loss of business. Department stores in the United States usually send two such formal announcements before they take further action; and, even then, they use a personal collector if they desire to keep good accounts. The ordinary retailer, however, must usually have recourse to a further appeal through the mails.

In that case his second letter may contain a "sympathy" appeal, although it is doubtful whether this kind of appeal carries with it sufficient "punch" and effectiveness. This style of letter generally refers to the large number of small accounts outstanding, which in their total amount prove embarrassing to the carrying on of business. The shrewd retailer, in making use of the sympathy appeal, guards against his customer making excuses by making excuses for him in advance—such as saying that he knows crops have been poor, etc., and that he is aware the account cannot be paid in full, but that he hopes as large a settlement as possible will be made. The danger inherent in this type of letter is that the merchant is compelled by his own argument to carry part of the legitimate burden that should attach to the customer himself.

It is far better to appeal to the customer's sense of justice, and to lay the emphasis upon the quality of goods and service that have been provided, and that these merit a prompt payment of the account. Above all, however, the retailer should not permit himself in any way to imply that the debtor does not intend to pay. Rather should the merchant impress upon his customer that his intention to pay "sometime" should become a reality "now." This type of letter—the "justice" letter—will, with the fair customer, nine times out of ten, bring the desired results.

If this fails, a further letter may be sent appealing to the debtor's self-interest, laying stress on the fact that prompt payment of accounts can alone assure low prices; and that the tying up of capital in outstanding obligations necessarily means poorer service and a smaller stock from which choice can be made. Finally, the merchant may mention that the accommodation granted to the slow payer has been already much greater than that given to others; and that in all fairness he should effect a settlement. Some retailers, as well as wholesalers, have the happy gift of making a humorous appeal to the debtor; which, when it is well done, is one of the most effective ways of bringing about a settlement. This is a dangerous procedure, nevertheless; for, unless well done, such a letter seems anything but funny to the recipient.

Credit Basis and the Law.

In conclusion, it may be said that so long as any considerable part of the retail trade in Canada is conducted on a credit basis, there must be a final appeal to fear or to the law. Some unfair critics have attacked our merchants for making use of the courts to collect debts, and especially small debts, on the contention that merchants should decide personally upon, and thus bear the risk of granting credit. But in many communities it is still not possible to conduct business on a cash basis; and when the community compels the merchant to assume such large risks, it should co-operate with him in seeing that honest debts are paid. If a retailer is convinced that a debtor is seeking to evade his just obligations, he should not hesitate in making a final appeal to the courts to secure justice. Even if the debt is small, its collection, expensive as the process may be, may be well worth while because of its wholesome effect upon the community at large. And in like manner the jobber who has used ever fair means to induce a retailer to pay, even up to the point of having his draft rejected, should not hesitate to make a final appeal to produce the greater psychological effect. Repetition been considering that an important work yet remains to be done to simplify legal processes, so that small debts may be inexpensively collected.

Altered Conditions in the Wool Industry

Far-reaching Effects of the War

Embargoed by every European nation, belligerent, non-belligerent, their colonies and by Japan; a rapidly decreasing yearly crop already insufficient to meet the annual demands; the potential reserve of centuries fast diminishing by abnormal inroads of the war—such in brief is the position of wool in an international sense at the beginning of 1917.

The New York Journal of Commerce, in a recent article on the wool trade, discusses the present difficult situation as follows:

"The universal importance of wool as a commodity is at all times realized, but it is especially striking in times of war. Second only in importance to having an army well fed is to have it properly clothed, and wool constitutes the essential fabric in a soldier's equipment.

"The two great classes of wool which are most in demand for the manufacture of textiles are merinos and crossbreds. Of less importance are alpaca, mohair and llama wools. Merino is the finest of wools and is the standard by which the fineness of all wools is measured.

World's Wool Markets.

"London still remains the greatest international wool market of the world, but since the war commenced has been outstripped by Boston in volume of distribution. In normal years London handles from five to eight hundred million pounds a year, while this year's figures show Boston at slightly over five hundred millions and London slightly less than this. Boston, however, acts largely as a distributor for the United States, and it is doubtful if that city will displace London in an international sense for some time to come. Other great wool markets are Melbourne and Sydney in Australia, Bradford and Leeds in England, Havre and Marseilles in France, Bremen and Hamburg in Germany, Antwerp in Belgium, Amsterdam in Holland and Philadelphia and New York in

the United States. New York is perhaps the greatest market in the world for the coarser wools from Russia, Asia, Turkey and India. These are used principally in the manufacture of rugs, carpets, coarse blankets and the like.

Effect of Embargoes.

"The normal production of wool in the world amounts to 2,800,000,000 pounds yearly, of which the United States produces one-eighth to one-tenth. This approximates the normal yield of Russia and likewise is equal to the aggregate crop of South America. Australia's crop is normally about twice that of the United States.

"The significant feature about the commodity wool is that although many countries produce it in enormous amounts, an international trade in it is very essential in order to assemble in sufficient quantities the correct percentages of different kinds of wool required to manufacture the various textiles correctly. Here then is a point of far-reaching consequence which many of us have previously overlooked in our consideration of the effect of the British embargo on wool. England's action in regard to wool was taken early in the war and her move has been followed by like decrees on the part of her Allies and later by every other country in Europe. More recently British colonies followed the lead of the mother country. Under the embargo exports of wool are allowed only upon licenses or permits issued by Government authorities. These have been granted in limited numbers by England and her Allies after the requirements of the war have been met. In order to guarantee that none of the wool thus exported shall reach enemy countries all goods shipped under permit are handled in the countries to which they are consigned by specially organized combines such as the Textile Al-

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