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**Pumper and Cleaner
Environmental Expo International**

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The **Get**

P.A.I.D.TM

System

**Rethinking Credit Policy to
Lower Cost, Increase Profit
and Improve Relationships
with Customers**

Presented by **Robert Bernstein**



Agenda

The Problems

Problems with Current Understandings of Credit Policy

A Quiz

The Factors that Impact Collections

The Pillars

The Key Components of Responsible, Effective Credit

The Practices

Tactics for Preparation, Assessing, Implementing and Defending Your Credit

Where To Start



The Problems

Problems with Current Understandings of Credit Policy

- **The Cost of Credit**
- **Types of Costs**
- **The Payment Gap**
- **The Fallacy of the Sales Culture**

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Problems

The Cost of Credit





Problems

The Types of Costs

- **Finance Cost**
- **Opportunity Cost**
- **Collection Cost**
- **Relationship Cost**
- **Replacement Cost**



Problems

The Payment Gap



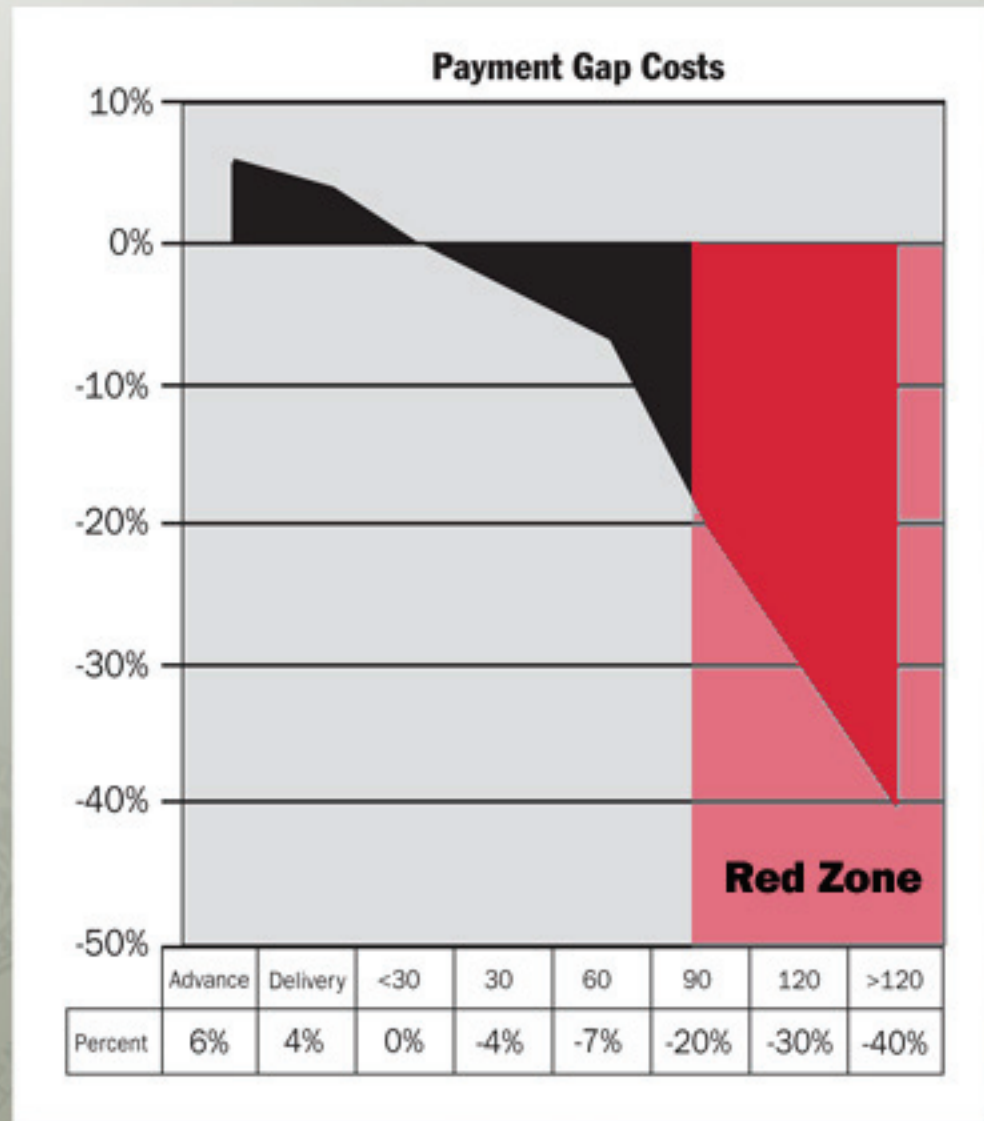
Cost of \$10,000 for Various Payment Gaps

	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



Problems

The Payment Gap





Fallacy of the Sales Culture

- **What is a “Sales Culture?”**
- **The Fallacy**

The Pillars

The Key Components of Responsible,
Effective Credit

- **Preparation**
- **Assessment**
- **Implementation**
- **Defense**



A Quiz

The Factors that Impact Collections

- **Credit Policies and Manual.**
- **Credit Agreement.**
- **Credit Enhancements.**
- **Terms and Conditions.**
- **Documents and Forms.**
- **Guidelines for Assessing Risk**
- **Procedures For Internal Collection**
- **Collection Agencies.**
- **Procedures for Lawyer Collection.**
- **Procedures for Final Resolution.**

The Pillars

The Key Components of Responsible,
Effective Credit

- **Preparation**
- **Assessment**
- **Implementation**
- **Defense**





Pillar I: Preparation Tools



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



Pillar I: Preparation

The Credit Manual (Tool #1)



- **Contents**

- Who makes credit decisions?
- How are they made?
- Who reviews?
- How enforced?

- **Issues To Consider**

- Advances
- COD
- Invoice Dating
- Late Fees and Service Charges



Pillar I: Preparation Credit Agreement (Tool #2)



- **Choice of Law**
- **Venue**
- **Jury Waiver**
- **Interest**
- **Attorney's Fees**
- **ADR**



Pillar I: Preparation

Credit Enhancements (Tool #3)



- **Personal Guarantee**
- **Purchase Money Security Interests**
- **Liens**
- **Letter of Credit**



Pillar I: Preparation

Terms and Conditions (Tool #4)



- **Clear Directives**
- **Clear Arrangements for Resolution**



Pillar I: Preparation Standard Forms (Tool #5)



- **Credit Agreements**
- **Order Documentation**
- **Invoices/Statements**
- **Payment Reminders**
- **Demand Letter(s)**
- **Confirming Letter**
- **Warning Letter(s)**



Pillar II: Assessment

Assessment: Three C's



- **Character**
- **Capacity**
- **Capital**



Pillars II: Assessment Guidelines (Tool #6)



- **Internal Verification**
- **External Verification**
- **Thoughtful Review**



Pillars III: Implementation Implementation



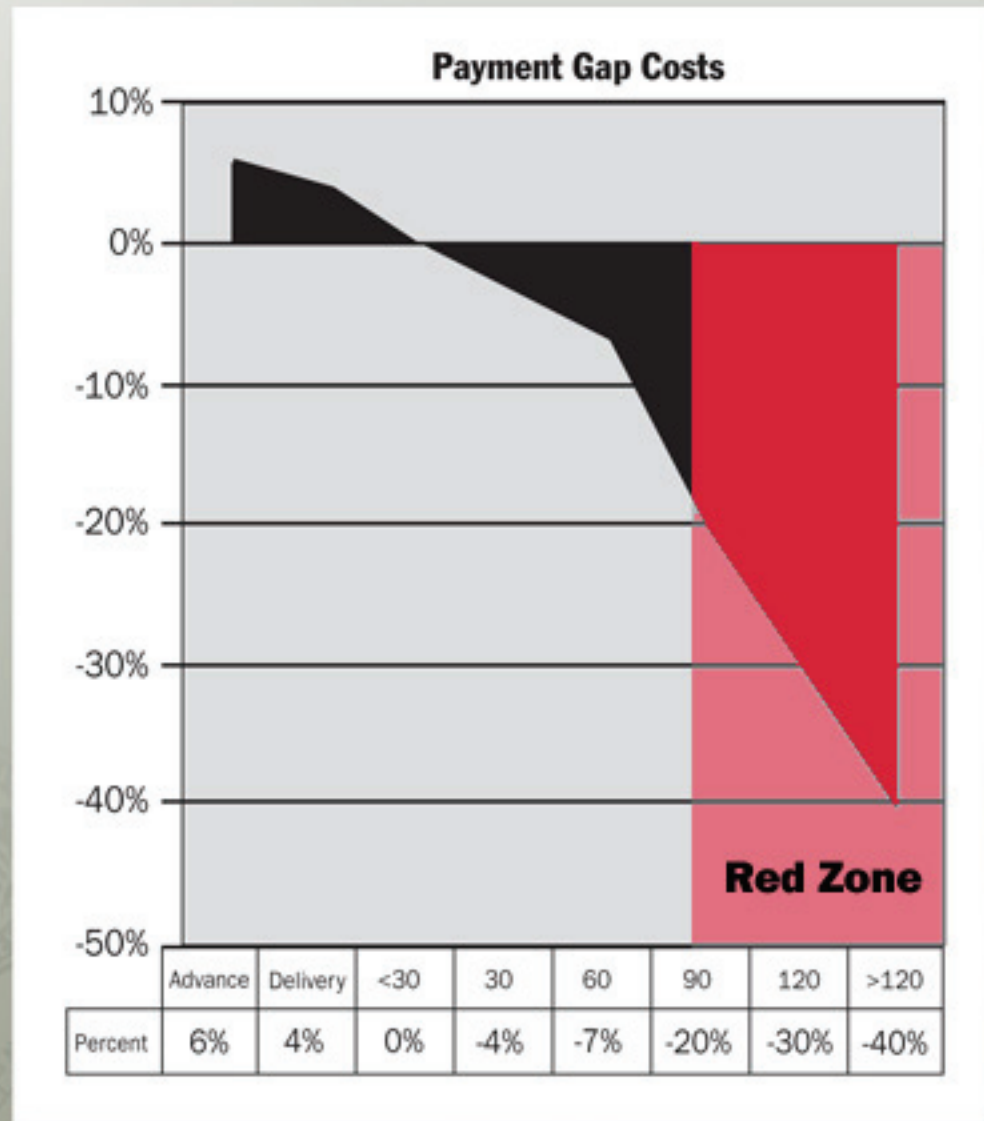
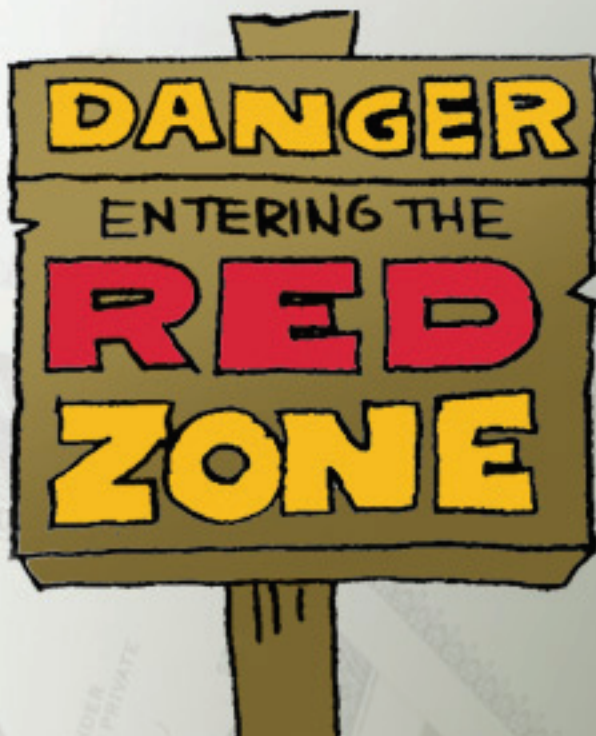
Critical Issues:

- **Speed**
- **Cost**
 - Finance
 - Opportunity
 - Collection
 - Relationship
 - Replacement



Problems

The Payment Gap





Pillars III: Implementation Procedures for Collection (Tool #7)



- **Customer service call 31**
- **Payment reminder 35**
- **Request for payment 45**
- **First demand letter 60**
- **Personal Call 65**



Pillars III: Implementation Procedures for Collection (Tool #7)



- **Confirming letter** **65**
- **Upper mgt involvement** **75**
- **Final collection call** **80**
- **Final warning** **85**
- **Collection agent referral** **90**



Pillar IV: Defense Defense



- **Collection Agencies**
(Tool #8)
- **Lawyer Collection**
(Tool #9)
- **The Final Straw**
(Tool #10)



The Practices

Tactics for Preparation, Assessing, Implementing and Defending Your Credit

- **Credit Policies and Manual.**
- **Credit Agreement.**
- **Credit Enhancements.**
- **Terms and Conditions.**
- **Documents and Forms.**
- **Guidelines for Assessing Risk**
- **Procedures For Internal Collection**
- **Collection Agencies.**
- **Procedures for Lawyer Collection.**
- **Procedures for Final Resolution.**



Practices: Tools of Credit Management Weighting

1. Credit Policies and Manual (Preparation)	13%
2. Credit Agreement (Preparation)	15%
3. Credit Enhancements (Preparation)	8%
4. Terms and Conditions (Preparation)	15%
5. Documents and Forms (Preparation)	11%
6. Guidelines for Assessing Risk (Assessment)	9%
7. Procedures For Internal Collection (Implementation)	8%
8. Collection Agencies (Defense)	7%
9. Collection Procedures for Lawyer Collection (Defense)	7%
10. Procedures for Final Resolution (Defense)	7%



Practices: Tools of Credit Management

Significance of Preparation

62% of the value comes in Preparation, by just having:

1. Credit Policies and Manual
2. Credit Agreement
3. Credit Enhancements
4. Terms and Conditions
5. Documents and Forms



Where To Start?

- **Give Up Fallacy of Sales Culture**
- **Assess Your Credit Policy**
- **Review Materials and Forms**
- **Establish “5 Preparation Tools”**
- **Make Credit Policy Central to Your Business Strategy**

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Q & A



Robert S. Bernstein, Esq.

- **Certified by the American Board of Certification in creditors' rights and business bankruptcy.**
- **Active member of the NACM and PACM.**
- **Member of the Association for Conflict Resolution as a trained mediator.**
- **Past president and treasurer of the Commercial Law League of America.**
- **Past chairman of the Allegheny County Bar Association Bankruptcy and Commercial Law Section, the Technology Utilization Committee, the Professional Ethics Committee and a member of the Finance Committee.**
- **Bob was named a Pennsylvania Super Lawyer in 2004-2008 in the area of Bankruptcy by the *Philadelphia* magazine.**
- **Writes and lectures for local and national groups on matters of collection, bankruptcy, business law, and professional ethics.**
- **Selected by his peers for inclusion in *The Best Lawyers in America 2009* in the field of Bankruptcy.**

