

A photograph of a man in a white dress shirt and a brown patterned tie, adjusting his brown belt. The background is a soft green gradient.

# Preventing Losses In A Deteriorating Economy

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## *For best results, quickly call in a pro who knows the ropes*

By Keith Sherman, Euler Hermes UMA Executive Vice President

As the U.S. economy continues to slow, business conditions around the country are becoming more constrained. As the incoming cash flow for many businesses slows to a trickle — while outgoing payments for raw materials and energy increase — the days sales outstanding and open account terms are stretched more and more. As a result, companies are offering a host of excuses for slow payments or nonpayment:

**“This economy has killed my sales.”**  
**“My customers aren’t paying me.”**  
**“The check is in the mail.”**  
**“I can’t pay you right now.”**

If you’re hearing any or all of the above from your customers, chances are you could benefit from the services of a commercial collections partner. Accounts receivable is one of your company’s most important assets. Research shows that it can account for as much as 40% of a company’s assets at any one time, hence the importance of taking all steps to minimize delinquencies — in both dollars and days.

So, how can Euler Hermes UMA assist your business and what is involved in the commercial collections process? Allow us to take you through some of the steps.

### PERSONAL ADJUSTMENT SERVICE

Our personal adjustment service is the primary collection procedure for claims of \$4,000 or more. Upon placement, accounts are in the hands of a trained and experienced collector within 24 hours of first contact with the debtor.

During the first 60 days the collector will use various approaches to make the first contact. An intensive series of phone calls, e-mails, faxes, and letters are all designed to stimulate the debtor’s attention — and obtain resolution. Of course, much depends on gaining access to a decision-maker and the decision-maker’s receptiveness, but the aim is to recover the full amount due as soon as possible.

The collector’s principle task is to gain recognition from the debtor of its financial obligation. Typically in these cases, multiple creditors are scrambling for payment, and the collector’s goal is to ensure that our client’s interest is “top of mind” with the debtor.

If, during the dialogue, it becomes clear that the debtor cannot make full repayment immediately, only then will the collector look to negotiate a schedule that will achieve repayment in a reasonable period.

Where appropriate, we will send a trained field adjuster to make a personal visit to the debtor to seek out and/or demand the money that is owed. We believe these face-to-face visits are the single most effective way to collect and are very effective in building the momentum of the case.

Along the way, however, the collector sometimes identifies product and/or contract disputes — for example, product quality, product specification, discrepancies with original purchase order, protracted late delivery, etc. In such instances they will mediate between the two parties to achieve satisfactory resolution. The trick, of course, is to be able to identify the real from the spurious. From time to time, information surfaces that the debtor had actually previously paid the invoice in question and payment had been misapplied or just overlooked.

### BENEFITS OF EARLY PLACEMENT

Making early placement of delinquent accounts part of your routine credit management practices can have measurable positive impact on your cash flow and days sales outstanding. Through its 90 years of service to businesses, Euler Hermes UMA has seen early placement benefit for its clients in a variety of ways:

- Industry research and data show that accounts placed with a collection professional within 30 days of due date have a recovery rate of 90%. At three months past due, recovery drops to 70%, and at six months, to about 50%. The later the engagement of a collections professional, the less likelihood of a positive outcome.
- Establishing an early placement policy removes the burden of past due follow-up from your in-house credit staff and allows your collections partner to maximize success for you.
- Early placement policies and systematic pursuit of slow payers and non-payers tells customers you are serious about collecting money owed to you — very important, given the current economic climate.

## LEGAL ACTION? SOMETIMES IT'S UNAVOIDABLE

Sometimes it's just not possible to resolve a collection problem amicably through conversation and negotiation. Only after it has been proven that nothing else will work, and in full consultation with our client, the collector will direct the claim to an expert bonded lawyer in the debtor's jurisdiction.

Having the proper contacts is paramount. Euler Hermes UMA has formed close working relationships with the field's leading lawyers, and with the volume of claims we refer to them every day, we command their best terms and performance.

Our team of district supervisors — a department of in-house lawyers and collectors — is experienced in dealing with law firms. Each is well versed in specifics of each jurisdiction, and this ensures that each case is assigned to the firm best suited to handle the case.

The lawyer is provided full details of the case along with clear and concise data needed to win judgment as quickly as possible. Until closure of the case, the district supervisor will maintain regular contact to ensure that our client misses no chance of getting paid. Throughout the process, we continually assess the lawyers' legal strategy and follow up with them every step of the way, no matter how long it takes.

Although Euler Hermes UMA will select the law firm for our client, the client remains in complete control of all decisions, such as filing a lawsuit, incurring additional expenses and approving any offered settlement.

Throughout any collection process, one of the most important benefits a collection professional can provide to its client is guidance. A delinquent account is an emotional topic, and the thought of losing money is frustrating to any business professional. Sometimes, however, depending on the balance, the additional cost and time taken to pursue the debtor legally may not be in the best interests of your business. Euler Hermes UMA is always looking to guide its clients through these circumstances to make sure the most informed and educated decisions are made.

## FINDING THE RIGHT PARTNER

Outsourcing of your commercial collections, whether in whole or in part, is an important business decision. Results, customer service, communication, capabilities, and trust are significant considerations. Turning to a collection professional should provide peace of mind to any company seeking payment for its goods and services. And there should never be a need to question the focus or motivation of the collector; Adjustment services (prelegal) are completely contingent, which means we get paid only if we make recoveries on your behalf.

In the current economic climate, we believe now more than ever that companies of all sizes can benefit from professional collections representation. Whether yours is a small company with limited credit management resources or a large national or multinational company that prefers to allocate its credit management personnel to focus on the credit function, we work in tandem with your existing credit team to achieve collection success.



Euler Hermes UMA is a commercial collections company offering a full range of collection services to meet every need. Founded in 1917 as United Mercantile Agencies, the company is based in Louisville, Kentucky, and has regional collection offices in New York, and San Francisco. Employing more than 100 associates, its suite of receivables management services include commercial third-party collections, receivables outsourcing, international collections, and other debt-mitigation services. It has an outstanding reputation within the U.S. credit granting community developed over nine decades of service.

In January 2007, Euler Hermes ACI, North America's leading provider of trade credit insurance, acquired United Mercantile Agencies; resulting from the acquisition, UMA was rebranded as Euler Hermes UMA.

**Find out more today about how Euler Hermes UMA and its products and services can assist your business in preventing losses in a deteriorating economy.**

**Call: Debbie Miles or Jim Irish at 800-237-9386.**

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