

# Better to Receive

If you ask Maura Payne for some tips on how to make the most of your collection calls to customers with past-due balances, she will tell you to take one important first step.

"I try to start each call with a smile," said Payne, who is president of the Propane Marketers Association of Kansas and customer service representative for Propane Central LLC (Newton, Kan.).

Some marketers say the friendly approach gets the best results when you are making collection calls. Susan Wood agrees with Payne on working with the customer rather than taking on a threatening tone. Wood, who is credit manager for SchagrGas (Middletown, Del.), stated that keeping it positive is important before you start making those calls.

## Retail Collection Attorneys

For its most challenging accounts receivable cases, Global Propane (Topeka) uses a law firm that also serves as a collections company. Butler & Associates, P.A., also located in Topeka, performs collection work for propane marketers and other businesses in Kansas and northwest Missouri, and also represents the businesses in court.

"We usually exhaust our efforts first," noted Global Propane owner John Jacobsen. "If we get nowhere internally, I turn them over. That's usually at 120 days." If Global Propane receives a bad check, the company will automatically send it to Butler.

Butler & Associates P.A. collects debts for businesses such as hospitals, doctors, dentists, and other lawyers in addition to propane marketers.

"Propane isn't all that much different from any other retail item from a collection perspective," stated Todd Butler, owner of Butler & Associates P.A. "We don't do a lot of phone calling. Usually the clients have sent them notices and possibly made phone calls to them. The most effective collection tool is a sheriff knocking on the door and serving papers. We do our best to sue everyone that has a propane account that remains unpaid."

Butler pointed out that his company currently counts four or five propane marketers among its clients. His company is a member of the Kansas Credit Attorneys Association, and the National Association of Retail Collection Attorneys, an association serving law firms nationwide engaged in the business of consumer debt collection.

Once a marketer provides Butler with information on a past due account, Butler sends a letter to the customer within five days. In compliance with the Fair Debt Collection Practices Act, the initial letter has a 30-day validation period, meaning the debtor has 30 days to dispute the debt or the debt is assumed valid. After 30 days has passed without resolution of the debt, Butler files a lawsuit, usually in the county where the debtor resides. The summons is typically served on the debtor at his or her home. If the debtor fails to appear in court, a default judgment is entered, finding that the debtor owes the debt. At that time, Butler takes steps to garnish the debtor's wages or bank account.

"Sometimes you make calls and you have to walk away because you kind of get frustrated, and that's not the way to approach it," Wood noted. "Just have a positive frame of mind. Your tone of voice will sometimes make a difference with people."

Many marketers will work to get their accounts receivable in order to prepare for the next winter season. Displaying a positive attitude during collection calls is an important aspect of a strong accounts receivable program, especially as the economy continues its slow recovery. Additional methods marketers use to improve their accounts receivable also involve cooperation with the customer.

## Customer Relationships

Cooperative Propane (Andalusia, Ala.) uses simple methods to keep its accounts receivable up to date. General manager Benny Gay notes that because his company serves a very rural area, the business can experience better one-to-one relationships with its customers. That has been important in various areas of Alabama that were hard-hit by the economy.

Gay pointed out that his company works out payment plans with consumers in hopes of getting their accounts paid off before next winter's first fill-up. "We generally know our customers, and they know us," he stated. He added that because of the intimate setting of his service area, he knows if a local business has announced layoffs.

"We hear the news fairly quickly, and we generally know who works there," he noted. If a customer shows a willingness to stay in contact with Cooperative Propane and at least makes small payments, Cooperative will work with the customer. "We can certainly be more lenient than if you just slough off and say 'I got laid off and I can't tell you anything.' We still expect them to keep us informed of their situation and make an effort to pay." Gay noted.

## Steps Marketers Take

Propane Central follows the Fair Debt Collection Practices Act in dealing with customers whose accounts aren't paid. For example, the Act states that a debt collector cannot call the debtor during hours other than 8 a.m. to 9 p.m. and cannot call the customer at work if the debt collector knows that the customer's employer prohibits such calls. Payne notes that the Act applies only to collection agencies and attorneys. Creditors who collect their own debts are exempt from the Act, but it's recommended that creditors comply, she noted.

If one of its customers has not responded to the first statement or bill, Propane Central sends a letter advising the customer that the account is past due. About five to 10 days later, the company follows up with a phone call or second letter if the customer cannot be reached by phone. After that, another letter is sent, and the delivery driver for that area is instructed to leave the customer a note where he normally leaves the delivery ticket, without

making the delivery. After the second statement is sent, another attempted phone call takes place, or a letter is sent. "Once they hit 90 days, that's usually when they're going to get turned to collection," Payne noted.

Wood of SchagrinGas explained that all accounts that are more than 20 days past due come to her department. "We try to help the customer out, see if there's something they're missing, or if there is something we can help with," she explained. If she can't reach the customer by phone, her department sends a letter.

The next step is a second letter stating that SchagrinGas will suspend the customer's service if the customer does not respond in seven days. This letter is sent by certified mail from Oct. 1 to April 1, "so we're making every effort to contact the customer prior to suspension of service," Wood noted.

"If they don't respond to that letter, we make another final call to them, saying 'We haven't heard from you. Your service is going to be suspended. Please contact us,'" she stated. Her department then issues a work order to suspend. The morning before service is to be suspended, Wood looks up every number she can find for that customer in an attempt to avoid suspending the service. Then, a SchagrinGas service technician makes a final trip to the customer's location. "If our service technician knocks on the door and somebody is home, I tell them, have that person call me or give them my number, so that we make every attempt we can to not suspend the service," Wood explained.

"We try to keep the relationship open with our customers, but make sure we're getting paid for the product we're supplying them," Wood noted. "A lot of our customers realize, 'Hey, they're working with me. I need to work with them and get the payments in as promised.' Our letters actually state that if you are unable to make the payments, please contact us to make acceptable payment arrangements. We provide all the avenues out there to try to communicate with them. If a customer is general-

## Be Proactive with Receivables

**T**he best way to keep your accounts receivable in order? Make sure the accounts don't get to the past-due stage in the first place.

But if your customer does have an outstanding balance, don't extend further credit to that customer. Unfortunately, marketers often make that mistake. "It gets them in trouble," said Brian Sheehan, president and CEO of Rural Computer Consultants (Bird Island, Minn.).

Sheehan is noticing a trend of marketers increasing their use of third-party collection companies to help them collect on past-due balances. Rural Computer Consultants' Fuel Distribution System software helps propane marketers perform accounts receivable, accounts payable, and payroll duties and helps with additional duties such as routing trucks.

For accounts receivable, the software interfaces with accounts receivable companies TekCollect (Columbus, Ohio) and TransWorld Systems (Santa Rosa, Calif.). If a marketer's customer holds a past-due balance, the system notifies the marketer. TekCollect and TransWorld will work to collect on the customer's outstanding balance for a pre-determined period, and then the marketer will be able to choose whether to take more aggressive collection action. Sheehan calls it "seamless integration."

"It's having your back office system seamlessly interfacing with collection services," Sheehan pointed out.

ly making payment arrangements with us and attempting to clear up their debt, then we aren't going to suspend their service. If we have no communication with them or they're doing absolutely nothing, we have no other choice, because they're continuing to use a product they haven't paid for."

—Daryl Lubinsky