

# The Business Credit Journal

*Happy New Year!*

A monthly newsletter published by NACM Oregon

January 2006

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## Paradigm Shifts, New Ways of Seeing and Asserting the Coherence of Things

*Abe WalkingBear Sanchez*

**A change in basic business assumptions requires new thinking, and then new actions will follow.**

Why?

Every business function should have a clearly stated purpose which answers the question, "Why incur the costs?" There are always those people that come up with the old standard about "to make a profit" when they are asked why a business does anything. The question then becomes, "How do we make a profit?"

Do we cheat customers and employees? Do we ship bad product or rip off the pension fund? How about meeting or exceeding the customer expectations? At a profit.

In a competitive business environment companies must have quality in their products/services and in how they carry out business processes. Price is a starting point but over the long term "total cost of doing business" is much more important; inefficiencies and out-of-date understandings drive up the costs to every party in a business transaction and drive down profit.

We think we know something and then when we really think about it we find that we are laboring under old assumptions. Most business managers think they understand that area of business wrongly referred to as Credit and Collections...they don't.

### **DSO and Bad Debt Percentage?**

Most companies and business managers still use the average turn-time on accounts receivable and the percentage written off as a loss to define the performance of the credit and collection function. I shudder when I hear or read the word "collections" used in connection with the management of A/R. But more on that in a bit.

I tell clients that if they want great DSO and bad debt numbers it's easy, 1) approve credit for only the very best customers...those who pay on time every time, and 2) once a customer fails to pay on time every time place their account on credit hold until they pay. But if they do this they better start thinking about what they are going to do to earn a living, because their business may not survive the great numbers.

### **Why B2B Credit?**

There are only three reasons why any business should incur the additional administrative costs, the cost of carrying A/R (time value of money), and the cost of customers failing to pay at all.

- 1) Customers require that the product/service be provided prior to payment so that they can ensure that they receive what they want and they require time to process the billing.
- 2) Customers need time to add value to the product/service and to make sales to their own down-line customers before they can pay.
- 3) Customers can buy from competitors on credit terms.

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## Chairman's Message

### The Thrill of Being a Mentor

*Dave Erickson, CCE, Chair 2005-2006*



Each person in every staff position in the financial world is either a mentor or the adopted extension of the power of a mentor. You did not get into the employment you have today without an instructor. Somewhere in your past there was someone giving you courage, pointers, tasks to complete, or ideas on how to get where you are. They can be silent, prayerful, pestering, and plentiful. They are generous with their time and advice, some good and often encouraging.

NACM has a designated program for mentoring to foster professional development of up and coming contributors for our credit world. We have had several professional designation holders be the silent partners to provide the steering for several of us. I thank a cadre of CCE's that were the power-pack to guide several upwardly mobile credit managers several years ago to professional designation. The program has NACM National and NACM Oregon components.

In early December, I received an early Christmas gift. It was a "Thank You" email from a student for the CCE designation. The "I passed" was the gift—the best gift a mentor can receive. Thank you to a great program at NACM.

Now the challenge for all of us is to find someone to mentor and plan, share, teach and guide and in turn, you to could receive a great gift!

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## President's Message



Happy New Year!

NACM Oregon looks forward to providing a strong professional development program and increased services in 2006.

We recently mailed a calendar for this year's **education program**. You will note that we've added several classes for the more experienced credit professional; we will host three college classes required for CBA and CBF certification; and, we've added several "Quick Start" breakfast seminars on current topics of interest to credit and finance professionals. If you haven't participated in an NACM Oregon seminar before, please call me (971.230.1158), and I'll provide a complimentary guest card for a specific offering.

**The Credit Reporting Department** has recently added to existing consumer credit reporting resources. I encourage you to ask your NACM Oregon Account Executive for more information or call Customer Service (971.230.1220).

**The Industry Credit Group Department** has added summary credit information from Experian to several of the thirty groups. If your group is not presently using this resource, please ask your Chair or the Group Secretary about this.

**The Collection Department** has expanded its "made to order" services to include a two-letter series, which is complimentary to members. If you have special collection needs for your business, I encourage you to contact Bob Akin, CCE, (971.230.1196) to discuss these.

**Distressed Business Services** has expanded its reach with the addition of Jim Jensen, CCE, to the staff. If you have a customer that's teetering on the edge and might be able to use professional assistance in a workout or liquidation, or if you'd like more information about the services, please contact Jim directly (503.720.1120).

We value your comments and suggestions, and I'll appreciate hearing from you (971.230.1158 or [rwheeland@nacmoregon.org](mailto:rwheeland@nacmoregon.org)). Thanks for your continuing support!

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## NACM Credit Manager's Index

The Credit Manager's Index (CMI) is created from a monthly survey of credit and collection professionals. The CMI survey asks NACM members to rate favorable and unfavorable factors in their monthly business cycle. Favorable factors include sales, new credit applications, dollar collections, and amount of credit extended. Unfavorable factors include rejections of credit applications, accounts placed for collections, dollar amounts of receivables beyond terms, and filings for bankruptcies. The results provide a benchmarking and forecasting tool that looks at the entire cycle of commercial business transactions. The CMI has gained rapid acceptance among the business and financial community as an economic indicator to both watch and report on.

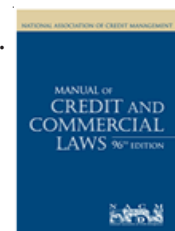
Member participation in this survey is both welcome and encouraged, and takes less than five minutes each month! However, it is an ongoing monthly commitment.

Visit [www.nacm.org](http://www.nacm.org) for a complete listing and explanation of results.

## Combined Manufacturing & Service Sectors

	Nov '04	Dec	Jan '05	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Sales	62.5	58.3	51.6	60.6	70.6	71.6	66.7	68.5	64.3	61.4	71.7	70.1
New credit applications	57.0	51.5	50.5	60.5	65.7	64.5	60.8	62.4	60.3	61.1	63.0	59.2
Dollar collections	60.1	61.1	54.2	56.5	63.6	70.2	64.8	63.9	62.2	58.5	61.1	63.5
Amount of credit extended	64.4	61.3	57.2	63.4	71.4	71.3	69.7	68.3	64.6	65.6	68.7	70.0
<b>Index of favorable factors</b>	<b>61.0</b>	<b>58.1</b>	<b>53.4</b>	<b>60.2</b>	<b>67.8</b>	<b>69.4</b>	<b>65.5</b>	<b>65.8</b>	<b>62.8</b>	<b>61.6</b>	<b>66.4</b>	<b>65.7</b>
Rejection of credit applications	54.7	55.0	54.3	50.4	43.9	50.0	51.7	50.8	52.3	50.7	52.2	53.4
Accounts placed for collections	53.6	52.8	51.4	54.3	50.9	50.5	53.2	52.5	51.8	49.7	51.5	52.9
Disputes	50.7	52.3	48.7	49.1	48.8	50.5	49.2	49.9	47.8	48.6	48.7	49.0
Dollar amount beyond terms	50.7	49.9	51.0	52.6	55.1	59.0	55.8	53.7	53.7	48.7	51.0	52.2
Dollar amount of customer deductions	47.9	49.0	47.7	51.1	50.0	49.9	49.3	51.5	51.7	48.7	48.0	50.0
Filings for bankruptcies	60.4	58.5	60.0	58.0	58.5	56.0	52.2	57.1	58.9	54.2	50.5	46.0
<b>Index of unfavorable factors</b>	<b>53.0</b>	<b>52.9</b>	<b>52.2</b>	<b>52.6</b>	<b>52.1</b>	<b>52.6</b>	<b>51.9</b>	<b>52.6</b>	<b>52.7</b>	<b>50.1</b>	<b>50.3</b>	<b>50.6</b>
<b>NACM Combined CMI</b>	<b>56.2</b>	<b>55.0</b>	<b>52.7</b>	<b>55.6</b>	<b>58.4</b>	<b>59.3</b>	<b>57.3</b>	<b>57.8</b>	<b>56.7</b>	<b>54.7</b>	<b>56.6</b>	<b>56.6</b>

Reserve your copy of the *The Manual of Credit and Commercial Laws 97th Edition*. This manual is a convenient, reliable legal reference that no credit professional should be without. Start the year off right by adding an indispensable tool to your credit department. Contact Barbara Salazar at 971.230.1182, or 800.622.6985 ext. 182. Or email to [bsalazar@nacmoregon.org](mailto:bsalazar@nacmoregon.org) to order your copy today. The books are scheduled for release in late January.



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## The Legal Corner

*By William G. Fig, Attorney*

In the last several articles, we discussed how to best position yourself at the inception of your relationship with the customer. So what happens if the customer does not or cannot pay for the goods or services you have provided? Unfortunately, there is no easy answer to this question. Most of the time, you will want to work with the customer to help them through a rough time. However, failing to take time to bring the customer's account current is not without risk.

Obviously, your willingness to work with a customer will be based upon the customer's volume of business and the customer's history with your company. A perpetual slow pay should get less leeway than a customer who has a long history of paying on time. Moreover, while understandably important, a large volume customer must be watched carefully. While this customer has the potential to make you a tidy profit, it also has the ability to hand you a significant loss in a very short period of time. Regardless, you should be careful with any customer when it has a significant balance owed which is beyond 60 days.

One reason is the bankruptcy law. While an in-depth discussion of this law is outside the scope of this article, it is important to note at least one trap presented by this area law. Payments received from a customer/debtor within 90 days of the date of the customer's bankruptcy filing are generally considered a preference. In other words, absent any exceptions, any money you receive from the now bankrupt customer within the 90-

day window must be RETURNED to the trustee. It matters not that you sold something of value to the customer that cost you money to provide!

Thankfully, there is an exception to this rule for goods or services provided in the normal or regular course of the bankrupt customer's business. Generally, if a payment is received according to or consistent with your stated terms and conditions, it will be assumed to be within the normal course of business.

The trap is when the soon-to-be-bankrupt customer makes a payment within the preference period for goods or services provided outside the 90-day window. In other words, the customer pays its balance that is 120 days overdue sixty days before it files bankruptcy. This payment will likely be considered a preference and will probably need to be returned to the bankruptcy trustee. Thus, for a customer that is in severe financial straights it is probably better to first take payments for goods delivered within the 90-day window.

For those in the construction industry, the passing of 60 days raises another concern—a construction lien generally must be filed within 75 days of the date you last provided goods to the project. Assuming you have met the various pre and post lien notice requirements, the filing of a construction lien can provide significant leverage in collecting the amounts owed to you. In short, a lien gives you the right to sell the property at which your materials or services were used. This can result in a third party that holds an interest in the property, e.g. the owner or the bank, to pay you to get your lien off of the property.

Importantly, unless the customer owns the property, a lien (and your right to foreclose on it) is generally not affected by the customer's bankruptcy.

As you can see, tracking the aging of an account is important for reasons other than your company's bookkeeping. Every effort should be made to keep a customer's account within sixty days. If applicable to your business, you should seriously consider filing construction liens to protect your right to payment. There are several lien services that provide such a service at a fairly reasonable cost.

If a customer is allowed to carry a significant balance that is older than 90 days, you run a significant risk of not being able to collect the amounts owed if the customer files bankruptcy. Moreover, even if the customer pays its aged balance, you may have to return these funds if the customer files bankruptcy. Next month we will talk about what security you can obtain to guaranty, to the greatest extent possible, that those old balances will get paid.

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*William F. Fig is an attorney with Sussman Shank, LLP. His practice focuses on business litigation, construction law, environmental litigation, and consumer debtor/creditor matters. Bill represents creditors, general contractors, subcontractors, and small to mid-sized businesses. He holds a specialty certificate in environmental law with a focus on hazardous wastes. Mr. Fig has been active as a speaker and presenter at various NACM Oregon seminars. His email is [billf@sussmanshank.com](mailto:billf@sussmanshank.com).*

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## International Corner

By Alice Knight

“Hey! I just sold \$150,000 to a company in Malaysia but don’t worry, they are going to open a confirmed letter of credit so we have guaranteed payment. You don’t have to do a thing!”

If any of this sounds familiar, you’re in good company. Few credit professionals actually train for international credit and finance. Many inherit international transactions with little or no warning.

So - now what? Are domestic credit and international credit the same or are they different? If they are the same, what are the similarities? If they are different what are the differences?

Let’s start with a definition of credit which applies to both domestic and international transactions. The main function of credit is to get paid quickly, with the best possible profit, without eliminating too many opportunities. Payment, profit, time, value of money, and happy repeat customers affects finance, treasury, and marketing with credit a balancing act in the middle.

This month we’ll look at some fundamental differences between domestic credit and international credit.

Domestic credit analyzes the debtor’s financial history and position, the economic conditions in the debtor’s industry and geographical area, the debtor’s credit history,

payment performance, the experience and training of their management, and other factors all focused on the debtor. This indicates their ability and willingness to pay their debts.

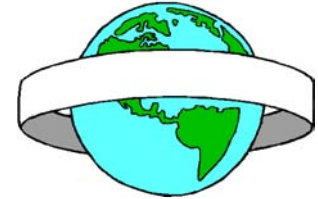
If a creditor in Oregon sells to a customer in Delaware, the state of Delaware can not decide it does not want to do business with Oregon and refuse the transaction. As long as the sale is legal it is allowed.

If a creditor in Oregon sells to a customer in Nebraska, the debtor will pay in US Dollars not “Oregon Dollars” or “Nebraska Dollars.” The state of Nebraska can not decide that it doesn’t want its limited supply of US dollars going to Oregon or for this specific product.

If a creditor in Oregon sells to a customer in California, the creditor does not have to check to be sure the debtor has an import license to ensure that the goods will not be rejected at the border or that payment will be withheld.

Domestic credit rests on a base of free interstate trade, a common currency, a common language, common business practices, and with minor exceptions, common credit and collection law.

International credit has no such common base. The foreign country is sovereign and can impose ANY controls it deems beneficial to itself and to its citizens. Countries can, and do, impose restrictions on imports, exports, and currency movements. The financial



strength and willingness to pay of the customer is overruled if the government refuses to let the goods enter or payment leave the country.

In international credit it is always wise to analyze the country risk first and then the customer risk. Country risk is a whole additional layer, as important, if not more important than customer risk.

Country Risk Analysis is a huge subject. We’ll look at just a few of the most important areas this month.

What is the stability of the government and its policies? Does authority transfer in an orderly fashion through scheduled elections or does power change suddenly through military coups? Does government policy change in a formal timed manner or is it announced arbitrarily with immediate effect?

Does the government have a history of, or current policy of monetary controls restricting the flow of money out of the country? Is an import license necessary to clear goods into the country and/or allow payment to leave the country?

What is “Hard Currency” and what reserves does the country have? In general each country has its own currency. The value of each currency in relation to

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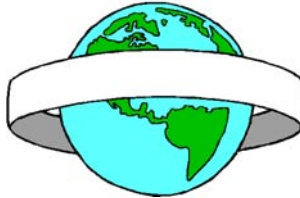
## International Corner

...continued from page 5

other currencies is called exchange rate. Some currencies are pegged or fixed to a certain currency or a mix of currencies. Most currencies fluctuate constantly based on perceived value and exchange markets. "Hard Currencies" are freely traded, easily exchanged currencies. The US Dollar, Euro, Yen, and British Pound are a few of the most recognized "Hard Currencies." The US Dollar is exchangeable anywhere in the world. The Malaysian Ringgit or the Peruvian Nuevo Sol is another story. Most of us sell in US Dollars and want to be paid in US Dollars. If the debtor's country has currency controls, payment could be restricted or delayed.

One final area is the government's interest in "your" industry. Many countries have planned economies. The government protects those specific industries to ensure economic growth. If your product or service compliments their objectives, you should have good access to markets and currency. If your product or service competes with those objectives, you'll probably have some challenges.

Next month we'll look at some specifics on how to "Get Paid" on international transactions.



*Alice Knight is Vice President of Finance & Administration for Paper Products Marketing (USA) Inc., an international paper trading company headquartered in Portland, Oregon. Ms. Knight has over 35 years of experience in International Finance and is an active member of FCIB and NACM. She has served as Co-Chair, Panel Member and Presenter at Annual Global Conferences, served as President of FCIB Forest Products Group, and participated in FCIB Conferences in Mexico, Puerto Rico, Munich, and Brussels. She is currently a member of FCIB Board of Directors and the FCIB Hotline Committee.*



## Internal Job Opening

### Human Resources/Staffing



#### Customer Relationship Rep

Specialty niche firm is seeking an enthusiastic, energetic self-starter to join our team. Sell our services to prospective customers; establish & maintain existing client relationships; assist with recruiting and placement of qualified professionals. Minimum requirements: 2-yr degree, business school training, or comparable experience; exceptional communication skills; minimum 2 yrs experience and demonstrated success in outside sales. Previous experience in credit or finance industry preferred. Team player attitude is a must! Competitive base salary, incentive opportunities, and excellent benefit package.

If you meet the minimum requirements, please submit your resume and cover letter by fax to 503.245.6055, or email to [staff@credentiastaffing.com](mailto:staff@credentiastaffing.com). Credentia Staffing ResourcesS (FKA CrediTemps Staffing) specializes in credit, collections, banking/lending, accounting, and administrative services.

Temporary, Temp-to-Hire, and Direct Hire placements!

An Equal Opportunity Employer

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## Association Holiday Breakfast

The 2005 CFDD/NACM Holiday Breakfast, held on December 15, 2005, at the Multnomah Athletic Club was a huge success. Members enjoyed a delicious breakfast, and festive atmosphere, and heard a presentation from well-known economist, John Mitchell.



John Mitchell, Economist, US Bank, presents a review of where we are, how we got here, and the economic forecast for 2006.



Congratulations Liberty Northwest Insurance staff members, Cory Collins, who received her CBA designation, Barbara Davis, who recently earned her CCE, and Bill Anderson who received his CBA designation.



Congratulations to Doug Jacobson who recently earned his Certified Credit Executive designation.



The Food Services of America credit staff enjoyed the Holiday Breakfast and presentation.



Thanks to all who worked so hard to make this event a big success.

Dave Erickson, CCE, NACM Oregon Chairman of the Board, thanks Dr. Mitchell for his presentation on the Oregon economy.



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## Education

### Good Morning Credit!

The Good Morning Credit series is an excellent way to learn fundamental credit and collection management techniques or to train new staff. The program starts at 7:30 a.m., so you or your staff can head back to the office by 9. Join us for these informative sessions packed with practical tools for immediate use.

Second Tuesday of each month (except August).

7:30 - 9 a.m.

NACM Oregon  
7931 NE Halsey, Portland,  
Suite 201

.15 CEU per class

### 2006 Education Calendar

The 2006 Education Calendar was recently mailed.

Check out the new classes added for the more experienced credit professional.

We've also added several "Quick Start" breakfast seminars on current topics of interest to credit and finance professionals.

Call Claudia Sarinana at 971.230.1184 or email to [csarinana@nacmoregon.org](mailto:csarinana@nacmoregon.org) for more information.

### Foundations Credit Series

Get a jump-start toward your accreditation. CFDD is offering preparatory classes to Business Credit Principles, a required CBA certification course.

The **Foundations of Credit** series include a comprehensive look at the credit function. Topics covered include the role of credit in financial management; the components of effective credit department systems and procedures, including credit policy, credit investigation, and approval procedures; credit controls; and collections.

These are half-day classes, one held in the morning and two held in the afternoon:

**Thursday, February 9, 1 - 5 p.m.**  
"Introduction to Credit & Credit Investigation and Approval"  
Instructor: Deborah Davis, CCE, CICP, Corporate Credit Manager, Schnitzer Steel Industries, Inc.

**Thursday, February 23, 7:30 - 11:30 a.m.**  
"Managing the Credit Function"  
Instructor: Martha Anderson, CCE, Credit Manager, Ash Grove Cement Co.

**Thursday, March 9, 1 - 5 p.m.**  
"Collections"  
Instructor: Marsha Johnson, Assistant Credit Manager, TEC Equipment.

As a part of this series, assistance will also be offered in preparing your Career Roadmap and the CBA application.

Classes will be held at the Days Inn City Center. Total cost for the three-class series is only \$150. Individual classes are \$75 each.

Now is your chance to "Go For It!"

Nancy Reed, CCE,  
Lampros Steel,  
CFDD Education Chairman



The 110th annual Credit Congress & Exposition, hosted by the National Association of Credit Management, is the premier event for the business credit and financial professional. No other industry conference allows you so many opportunities, under one roof:

- relevant, timely educational offerings, including industry specific programs, led by the experts
- nearly 100 specialized service providers on the Expo floor, showcasing the latest products and services for your profession
- countless networking and relationship-building events to encourage and facilitate the sharing of knowledge and expertise

By continually enhancing your skill-set and your knowledge-base, you will add value to your department and your company's bottom line. Register today at [www.nacm.org](http://www.nacm.org).

You also may forward your registration to Claudia Sarinana, the NACM Oregon Education Coordinator. She'll bill the fees on your member account and get you registered for this conference.



For more information or to register for a class, please contact Claudia Sarinana at 971.230.1184 or go to [www.register@nacmoregon.org](http://www.register@nacmoregon.org)

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## Scholarships

### **NACM-Oregon Foundation Scholarship Funds Available for 2006**

- NACM Credit Congress—three (3), \$500 scholarships, May 21-24, 2006, Nashville, Tennessee.  
Deadline: March 31, 2006  
Total: \$1,500
- Pacific Northwest Credit Congress (PNWCC)—seven (7), \$300 scholarships, September 20-22, 2006, Vancouver, BC.  
Deadline: August 18, 2006  
Total: \$2,100
- NACM Seminars  
Total: \$1,000
- Certification Fees—to establish files for exams and for continuing certifications and re-certifications i.e. CCE, CBF, CBA, CICP.  
Total: \$2,000
- College courses approved and required for accreditation and certification. Includes online courses through NACM National Education Department.  
Total: \$1,000
- Graduate School—\$2,000 each year for 2 years. Scheduled for June 19-30, 2006, at Dartmouth College, Hanover, New Hampshire. (Requested matching funds from National.)  
Deadline: April 30, 2006
- NACM Certificate Sessions Program—Choice of two programs, January 16-21, 2006, Scottsdale, Arizona.  
Total: \$1,500
- Phylliss Clark Memorial Funds—three (3), \$300 scholarships. Applicants must be a CFDD member and a first-time Pacific Northwest Credit Conference attendee. One scholarship allocated for each chapter—Eugene, Portland, and Salem.  
Deadline: August 18, 2006  
Total: \$900

**Total amount available: \$12,000**

Contact Lou Rice for an application or more information at 503.454.1051 or [lrice@pacificmetal.com](mailto:lrice@pacificmetal.com).

### **NACM Oregon**

- Three (3) scholarships for each seminar available (does not apply to National seminars and Good Morning Credit! classes/series).

### **CFDD Portland Chapter**

- Georgia Noble (Basic Credit)—one (1), \$100 scholarship.  
Total: \$100
- Phylliss Clark (Basic Credit)—one (1), \$100 scholarship.  
Total: \$100
- NACM Oregon seminars—one (1), \$100 scholarship.  
Total: \$100
- CFDD Seminars—four (4), \$100 scholarships.  
Total: \$400

Contact Charlene Gothard, Land O'Lakes Farmland Feed at 503.286.7188 for more information.

### **CFDD Salem/Albany Chapter**

- Pacific Northwest Credit Conference—one (1) scholarship for conference registration.

### **CFDD Eugene/Springfield Chapter**

Please contact Tony Ceniga, Industrial Finishes & Systems at 541.284.2225.

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## From The Cutting Board to the Cutting Edge

This publication is about change; it is about creating the future of credit.

The book also emphasizes that for credit professionals to survive and thrive in the 21st century, they must embrace a new vision, a new purpose and mission to create a new reality. Yes, the credit professional should become the catalyst for change.

The book strives to discover reasons for the paradox—if credit is so important for the economy and business in general, why is credit not given the due importance and proper recognition? Why does the credit professional tend to get sliced and diced on the corporate cutting board?

The book seeks to build understanding between credit and all those who deal, need, or come in contact with it. The credit professional should become the corporate or business instrument—the cutting edge—that slices and dices through the competition.

The author hopes that this book ignites the zeal of every credit and sales professional to bring down the walls of misperceptions and misunderstandings and start to build bridges of understanding, cooperation, and collaboration.

Paperback, 80 pages.  
Price: \$14.95 + S & H

To order your copy today, contact Barbara Salazar at 971.230.1182 or email [bsalazar@nacmoregon.org](mailto:bsalazar@nacmoregon.org)



## Welcome New Members

**South Valley Bank & Trust,**  
*a banking firm.*

Jamie Rennels  
541.312.7152  
572 SW Bluff Dr., Ste. E  
Bend OR 97702

**The Commerce Bank of Oregon,**

*a banking firm.*  
Eric E. Rey  
503.548.1020  
1211 SW 5 Ave., Ste. 1250  
Portland OR 97204



## Mardi Gras April 1, 2006

Don't miss this fun-filled evening in the traditional Mardi Gras style!



This annual event will be held Saturday, April 1, 2006, at the Multnomah Athletic Club in Portland.

Join us for a memorable dining experience and support the NACM Oregon Foundation Scholarship Fund.

The evening will include great entertainment, dinner, exceptional auction items, and a truly enjoyable New Orleans style experience. Donated items for the silent and oral auctions include great trips, weekend getaways, tickets to sporting activities (including the Blazers, the Mariners, and the Seahawks), original artwork, theme gift baskets, Trail Blazer items, collectibles, apparel, and unique items.

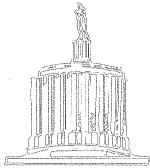
The Foundation's primary activities in carrying out its mission are: (1) managing the Phylliss Clark Memorial Fund to provide scholarships and (2) managing the NACM Oregon Foundation Scholarship Fund that supports career development opportunities for persons associated with credit management. Established in 1997, the Foundation has awarded more than \$100,000 in scholarships.

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## CFDD Chapters



### Salem/Albany

This chapter of the NACM Credit & Financial Development Division meets the second Tuesday of each month.

Next Meeting: Tuesday,  
January 10, 2006

Location: Red Lion Inn  
3301 Market St., Salem

Networking Time: 5:30 p.m.  
Dinner: 6 p.m.

**Program: "Leadership Skills—How Do You Become a Leader?"**

Presenter: John Peel,  
JP Consultants

Coordinator  
Theresa Quillard  
503.362.3633 x539  
tquillard@airbpaviation.com



### Eugene/Springfield

This chapter of the NACM Credit & Financial Development Division meets the second Wednesday of each month.

Meeting Date: Wednesday,  
January 11, 2006

Location: Downtown Athletic  
Club Conference Ctr.  
999 Willamette St.

Networking Time: 5:30 p.m.  
Dinner: 6 p.m.

**Topic: "Small Claims From Start To Finish"**

Presenter: Edith Carcamo,  
Court Operation Specialist II

Coordinator  
Rebecca Jarrett  
541.242.7121  
rjarrett@levi.com



### Portland

This chapter of the NACM Credit & Financial Development Division meets the second Thursday of each month.

Meeting Date: Thursday,  
**January 19, 2006**

**(NOTICE: This meeting has been rescheduled from the usual second Thursday meeting.)**

Location: Days Inn City Center  
1414 SW 6th Ave.

Networking Time: 5:30 p.m.  
Dinner: 6 p.m.

**Topic: "Alphabet Soup"**

Presenter: Bob Akin, CCE,  
Collections Manager,  
NACM Oregon

Coordinator  
Charlene Gothard  
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## Paradigm Shifts

...continued from cover

And if companies fail to extend credit for any of the above reasons they lose profitable sales.

DSO and bad debt percentage have nothing to do with sales and everything to do with "risk"!

Credit is the selling of a product or service based on payment at a later date...it is a lubricant of commerce that allows for the expanded movement of products and services. Risk is a factor in extending credit but should not be the focus.

### Credit Approval, Maximum Sales, Minimal Risks

It takes an investment of money, time, and effort to get a potential customer to the point where they want to buy. Rather than looking for reasons to turn away a credit customer and not only lose the investment but also close the door to future dealings; credit approval should be about working to find a way to say yes to profitable sales while remaining confident of payment. Terms and conditions allow a company to say yes while factoring in the risks involved.

### A/R Management, Keeping Customers Current and Buying

Collections is what "Collection Agents" practice...it is the "enforcement of payment" and they deal with debtors. Past-due A/R management is the "completion of the sale" and companies deal with customers. There are two goals in "Completing the sale": 1) keep customers current so that they can keep buying. Past-due customers are more apt to place the next order with a vendor with whom they are current than one with whom they are past due. The

most profitable sale is the repeat: 2) identify and control the small percentage of past-due customers who really represent a potential for loss.

### In B2B credit all past dues will be one of three types:

**Type 1**—Past-due customers are good stable businesses that have the ability to pay and who have a history of paying slow.

**Type 2**—Past-due customers are those with some kind of problem which must be dealt with. The problem can be "systems" related or due to an inability to pay. System-based problems, those where something has gone wrong, often make up the largest percentage of all past dues. Early identification and resolution of system problems elevates customer service levels and customer retention. Financial-based problems can be short-term or long-term in nature. The customers with short-term financial problems can be worked with and their business kept. Customers with long-term financial problems run a 90%+ risk of failing to pay altogether and need to be placed on credit hold as soon as possible so as to limit the potential for loss.

**Type 3**—Past-due customers are uncooperative and they lie, break financial arrangements, and skip out. While the smallest percentage of all past-due types, and the only type that must be forced to pay, Type 3's cloud the thinking of business managers about all past dues.

The only time past-due A/R management becomes "collections" is when a Type 3 is involved or when a Type 2 customer with financial-based problems refuses to co-operate.

### Drive Down Costs

In the course of finding ways to accommodate profitable credit sales and in identifying and resolving Type 2 systems-related problems;

the credit function will interface with just about every aspect of a business. Credit can provide invaluable insights as to where there exist areas of opportunity for improvement....TQM from the back of the parade. Business managers not focused on constant improvement at the best become administrators and at the worst they become bureaucrats.

### Summary:

Thomas Kuhn first used the term "paradigm shift" in 1962 in his book "The Structure of Scientific Revolutions" to describe the process and result from change in basic assumptions. In order for the credit function to best contribute to its fullest potential, business managers must let go of the old "risk management" mindset and rethink its proper role.

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*Abe WalkingBear Sanchez is an International Speaker/Trainer/Consultant on the subject of cash flow/sales enhancement and business knowledge organization and use. Founder and President of [www.armg-usa.com](http://www.armg-usa.com).*

*WalkingBear has authored hundreds of business articles. A hard-hitting and fast-paced speaker, he brings life and energy to a critical business function whose true potential has yet to be realized by most businesses. WalkingBear can be reached through:*

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