

Article of Interest:

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UNPAID, BUSINESSES BECOME CREATIVE

BY COELI CARR

LAST SPRING, EDWARD IP, THE OWNER OF IUG BUSINESS SOLUTIONS, A COMPANY THAT SELLS POINT-OF-SALE SYSTEMS TO RETAILERS, GAVE A PARTY FOR ABOUT TWO DOZEN SUPPLIERS AT HIS OFFICES IN LOWER MANHATTAN. THE EVENT WAS CATERED — WITH A TWIST. THE CATERER WAS A CLIENT OF MR. IP'S WHO WAS MORE THAN \$10,000 BEHIND ON PAYMENTS, AND THE JOB PROVIDED AN OPPORTUNITY FOR THE CATERER TO LOWER HIS DEBT.

“I GUESS THAT MEANS I’LL WORK FOR FOOD,” MR. IP SAID.

COLLECTING MONEY OWED IS NO LAUGHING MATTER FOR SMALL BUSINESSES, ESPECIALLY DURING THIS ECONOMIC DOWNTURN.

LAST MONTH, INTUIT, THE SILICON VALLEY COMPANY THAT MAKES ACCOUNTING SOFTWARE FOR SMALL BUSINESSES, SURVEYED 751 OWNERS OF BUSINESSES WITH FEWER THAN 10 EMPLOYEES. NEARLY 42 PERCENT OF THE RESPONDENTS SAID THAT GETTING PAID ON TIME WAS A TOP CONCERN, AND A THIRD REPORTED SEEING MORE OVERDUE OR UNCOLLECTED DEBTS OVER THE LAST YEAR, AVERAGING ABOUT \$1,500 A MONTH.

SINCE EARLY FALL, MR. IP, WHO IS ALSO IUG’S PRESIDENT, HAS ALSO EXPERIENCED SLOWER PAYMENTS, WITH 20 PERCENT OF HIS CLIENTELE HAVING FALLEN BEHIND AND OWING, ON AVERAGE, BETWEEN \$2,000 AND \$3,000. “WE HAVE WORKED WITH MANY OF OUR CLIENTS FOR YEARS,” HE SAID. “IT’S NOT THAT THEY DON’T WANT TO PAY, BUT TIMES ARE TOUGH.”

RECENTLY MR. IP HAS EVEN HELPED SOME OF THE COMPANIES THAT OWE HIM MONEY TO GET NEW LOANS, WHICH IN TURN ALLOWED MR. IP TO BE PAID.

MARCUS MUNIZ, PRESIDENT OF BOXES ETC., A COMPANY BASED IN ORLANDO, FLA., WHICH SELLS PREASSEMBLED SHIPPING CONTAINERS AND SUPPLIES, HAS ALSO SOUGHT TO BE PAID. LAST MONTH, ABOUT 30 PERCENT OF HIS 1,000 CLIENTS WERE 60 DAYS BEHIND IN THEIR PAYMENTS, WITH THE AVERAGE DEBT ABOUT \$7,000.

“IT’S A TRICKLE-DOWN EFFECT,” SAID MR. MUNIZ, REFERRING TO CLIENTS WHO HAD ANTICIPATED USING THE CARTONS TO SHIP GOODS THAT IN THE END HAD NO BUYERS. “WE ARE TRYING TO NEGOTIATE.”

HE HAS RESORTED TO DELAYING SOME SHIPMENTS UNTIL CUSTOMERS MAKE A PAYMENT. AND, THANKS TO HIS BUSINESS OFFICE’S REMINDERS THAT CREDIT CARD PAYMENTS ARE ACCEPTED, ABOUT 15 PERCENT OF HIS FINANCIALLY STRAPPED CUSTOMERS NOW PAY THAT WAY.

EVEN THOUGH THE FEES MR. MUNIZ MUST PAY TO CREDIT CARD COMPANIES REDUCE HIS PROFITS, HE SAID BEARING THAT COST WAS BETTER THAN RECEIVING NO PAYMENT AT ALL. AND HE SAID THAT CREDIT CHARGES ALLOWED CLIENTS AN EXTRA 30 DAYS TO PAY.

“MANY OF MY CLIENTS ARE EMBARRASSED,” MR. MUNIZ SAID, ADDING THAT THEY FELT REMORSE OVER NOT BEING ABLE TO PAY, AS WELL AS “PRIDE IN WANTING TO PAY.”

EARLY THIS YEAR, YIN CHANG, OWNER OF PHOENIX MARKETING COMMUNICATIONS IN MONTCLAIR, N.J., WHICH FOCUSES ON TECHNOLOGY BUSINESSES, FOUND HERSELF WITH A CLIENT OWING A FIVE-FIGURE AMOUNT. MS. CHANG WORKED OUT A PAYMENT PLAN AND EVEN OFFERED TO REDUCE THE DEBT FURTHER IF THE CLIENT SENT NEW BUSINESS HER WAY.

THE EXPERIENCE LED HER TO INCORPORATE NEW TERMS IN HER STANDARD CONTRACT, WHICH ALL CLIENTS MUST SIGN. SHE NOW ADDS 20 PERCENT INTEREST TO ALL PAYMENTS THAT ARE 60 DAYS PAST DUE, AND SHE CUTS OFF SERVICES TO CLIENTS WITH BILLS 90 DAYS PAST DUE.

“I FEEL A LITTLE SAFER,” MS. CHANG SAID, ADDING THAT HER CLIENTS HAD NOT BEEN DETERRED BY THESE NEW MEASURES. “I DON’T THINK ANY C.E.O. WOULD SIGN A CONTRACT LIKE THAT UNLESS THEY FELT CONFIDENT THEY COULD PAY.” HER STRATEGY HAS ALSO CAUGHT ON. THREE OF THE FIVE BUSINESS OWNERS SHE REGULARLY MEETS WITH, AND WHO ARE ESPECIALLY WORRIED ABOUT START-UP COMPANIES’ ABILITY TO PAY ON TIME, HAVE ADDED SIMILAR CLAUSES TO THEIR CONTRACTS.

“THE MINUTE BUSINESS OWNERS FAIL TO RECOGNIZE THAT BY PROVIDING GOODS AND SERVICES THEY BECOME THEIR CUSTOMER’S BANK, THEY PUT THEMSELVES AT RISK FOR INAPPROPRIATELY UNDERWRITING THEIR CUSTOMERS,” SAID MORRIS BOCIAN, A BUSINESS CONSULTANT AND OWNER OF CREATIVE BUSINESS PLANNING IN LIVINGSTON, N.J.

TO PROTECT ITSELF, A COMPANY CAN SET A POLICY THAT ALLOWS IT TO BE PAID ON A CONTINUING BASIS AS GOALS ARE ACHIEVED, HE SAID. OR BUSINESSES CAN COLLECT PAYMENTS IN ADVANCE, MITIGATING THE RISK THAT THE CUSTOMER WILL NOT PAY.

MR. BOCIAN CAUTIONED, HOWEVER, THAT A CONTRACT WAS ONLY AS GOOD AS A BUSINESS OWNER’S WILLINGNESS TO LIVE BY IT. “YOU PUT YOUR COMPANY AT RISK THE MOMENT YOU FAIL TO ENFORCE THE TERMS,” HE SAID.

ALTHOUGH IN THE LAST SIX MONTHS ONLY A FEW OF MR. BOCIAN’S CLIENTS SAID THEY HAD BEEN WORRIED ABOUT SLOW PAYMENTS OR THAT COMPANIES THAT OWE THEM MONEY MIGHT GO BANKRUPT, HE EXPECTS ANXIETY TO HEIGHTEN. “ULTIMATELY, THE FEAR IS THAT THEIR RECEIVABLES WILL BECOME UNCOLLECTIBLE,” HE SAID.

WHEN SUCH A POSSIBILITY ARISES, EXPERTS SAY, IT IS IMPORTANT TO ACT QUICKLY.

“YOUR ABILITY TO COLLECT IS GREATER WHEN DEBT IS NEW, BECAUSE ONCE A COMPANY IS OUT OF BUSINESS THERE’S NOTHING TO COLLECT,” SAID JOCELYN NAGER, THE PRESIDENT OF FRANK, FRANK, GOLDSTEIN & NAGER, A LAW FIRM IN NEW YORK. HER COMPANY COLLECTS BAD DEBT UNDER A CONTINGENCY ARRANGEMENT; THEY ARE PAID ONLY IF THEY COLLECT. “YOU WANT TO BE THE FIRST OF ALL CREDITORS TO GET PAID.”

OFTEN A COMPANY THAT IS OWED MONEY WILL HIRE A COLLECTION AGENCY, WHICH IS LEGALLY ALLOWED TO PURSUE DEBTORS BY PHONE OR IN WRITING, MS. NAGER SAID. BUT IF THE AGENCY IS UNSUCCESSFUL, IT MAY SUBCONTRACT THE WORK TO A LAW FIRM, WHICH MEANS ADDITIONAL FEES FOR THE CLIENT.

“IT’S LESS COSTLY TO HIRE A COLLECTIONS LAWYER DIRECTLY, AND IT’S OFTEN THE MORE EXPEDIENT MOVE, BECAUSE COMMERCIAL CLAIMS ARE USUALLY NOT PAID WITHOUT A LAWSUIT,” SHE SAID.

OFTEN GETTING PAID COMES DOWN TO HOW MUCH THE CLIENT NEEDS THE SERVICES OF THE CREDITOR, SAID KEN MORROW, A CERTIFIED PUBLIC ACCOUNTANT AND THE OWNER OF BOOKKEEPING USA, WHICH HAS OFFICES IN MANHATTAN AND BROOKLYN. HE RECOMMENDS THAT HIS CLIENTS GO TO SMALL CLAIMS COURT TO COLLECT.

“THE MOMENT A COMPANY REALIZES ITS CLIENTS DO NOT INTEND TO PAY, BECAUSE THEY WON’T SET A TIME FRAME FOR OR AN AMOUNT OF PAYMENT, IT’S OFF TO COURT,” MR. MORROW SAID. IN MOST CASES, HE SAID, COMPANIES WAIT UNTIL THE LAST MINUTE AND PAY BEFORE THE COURT APPOINTMENT.

RICK JENSEN, A SENIOR VICE PRESIDENT AT INTUIT, SAID SMALL BUSINESSES WERE PAYING MORE ATTENTION TO BACK OFFICE FUNCTIONS, LIKE TRACKING EVERY DOLLAR OF ACCOUNTS RECEIVABLE. “YOU NEED TO BECOME MORE ORGANIZED AND RIGOROUS.”

MR. IP IS STICKING WITH WHAT WORKS. HE IS PLANNING ANOTHER EVENT THIS YEAR AND IF NECESSARY, HE SAID, HE WILL WORK OUT A CATERING ARRANGEMENT WITH ANOTHER FOOD COMPANY THAT OWES HIM MONEY.

IT IS IMPORTANT TO MAINTAIN GOOD RELATIONSHIPS AND BE CREATIVE WITH PAYMENT ARRANGEMENTS TO SHOW GOOD FAITH, HE SAYS. WHAT’S MORE, MR. IP SAID, HE FELT STRONGLY THAT EVEN IN A SLUGGISH ECONOMY, BUSINESSES NEEDED TO KEEP GROWING.

“BEING FLEXIBLE WITH OUR CLIENTS HELPS THEM,” HE SAID. “AND IT ALSO HELPS US.”

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