

NACM Learning Center  
Credit Basics

# Session 1: Why Customers Don't Pay

Presented by  
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# What's the Problem with Non-Payers?

- Costs of Credit
  - Finance
  - Opportunity
  - Collection
  - Relationship



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# What's the Problem with Non-Payers?

- Payment Gap/Red Zone

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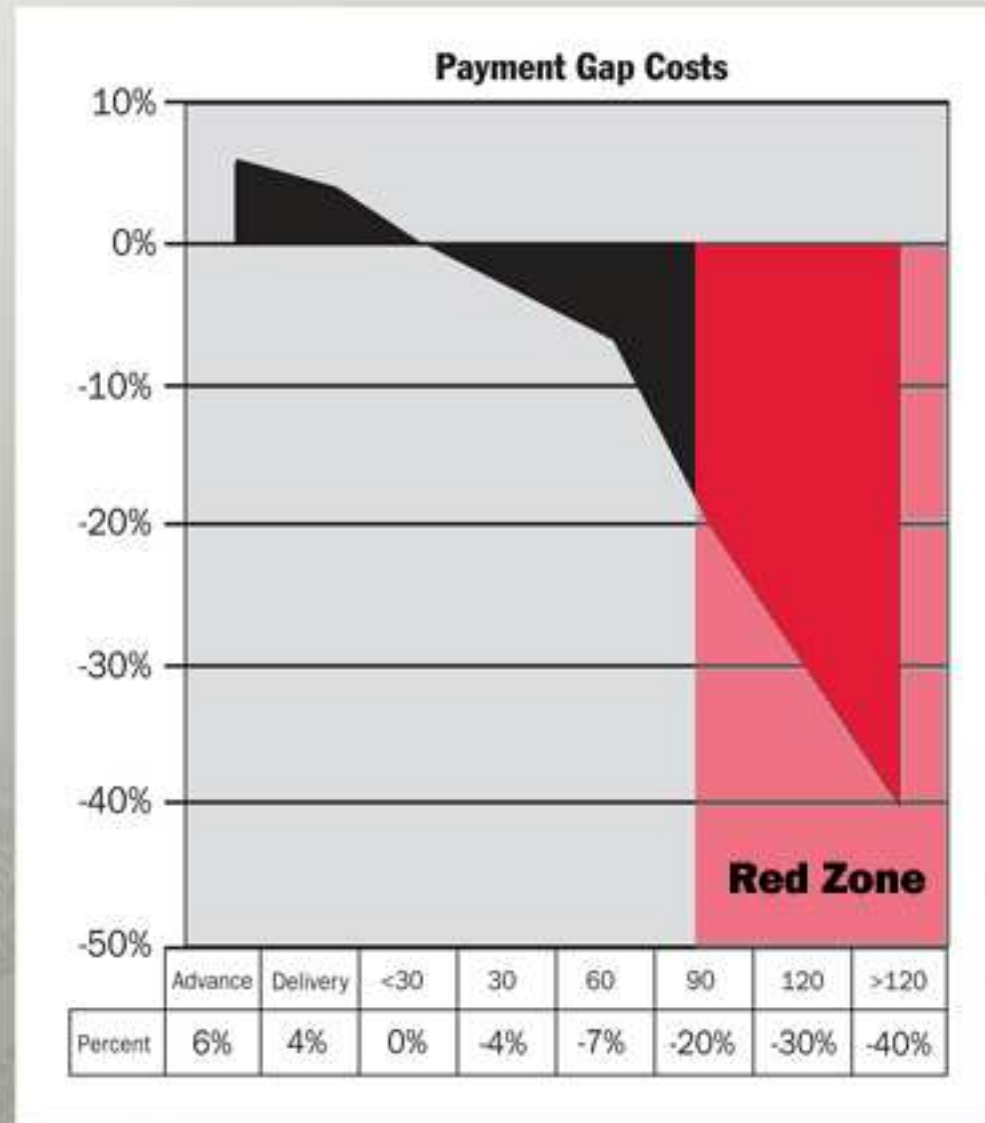
# Problems The Payment Gap



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



# REASONS FOR NON-PAYMENT

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# What are the Reasons for Non-Payment?

- Seller doesn't act like it expects payment
- Should never have received the credit
  - Violates policies
  - Three C's



# What are the Reasons for Non-Payment?

- Bad paperwork
  - Billing was inaccurate
  - PO numbers, etc.

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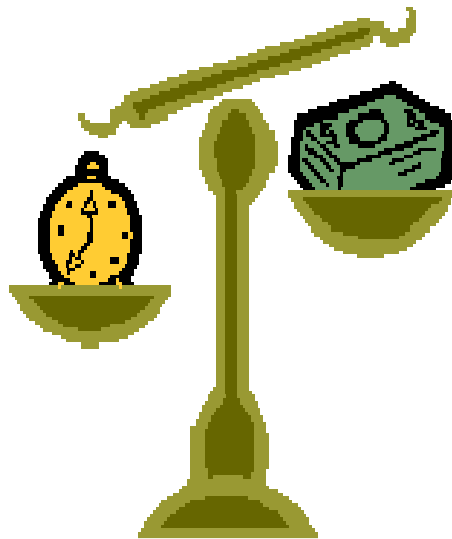
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# What are the Reasons for Non-Payment?



- Invoice and timing are wrong
  - Dating
  - Terms
  - Missed Cut-off

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# What are the Reasons for Non-Payment?

- Defects in Delivery
- Credits Due
- Misunderstandings



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# REAL REASONS FOR NON-PAYMENT

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# Real Reasons



- No Money
- Poor Cash Flow
- Customer Didn't Pay Them
- Seasonality

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# OPPORTUNITIES

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# Lack of Understanding About Terms



- Wants a discount
- Confusion over the deal

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# Personal Issues in Closely Held Businesses

- Divorce
- Illness
- Natural Disaster

# BAD INTENTIONS

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# Bad Intentions

- Bust Out
- Scam - Never intending to pay/  
outright fraud
- About to Cease  
Business

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# Bad Intentions

- Business strategy
  - Pay as late as possible, always



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# Summary

- Many delinquencies are innocent
- Look to clear up confusion and paperwork
- Find the real reason and address it
- Do your homework



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Thank you.

Look for Session 2:  
Documenting the Credit Relationship

The logo for Bernstein Law Firm features a large, stylized, light blue 'B' in the background. The word 'BERNSTEIN' is written in a dark blue, serif font across the middle of the 'B'. Below it, the words 'Law Firm' are written in a white, sans-serif font on a dark blue rectangular background.

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# Robert S. Bernstein, Esq.

- Certified by the American Board of Certification in creditors' rights and business bankruptcy.
- Trained by 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 in the Bankruptcy and Commercial Law Section, the Technology Utilization Committee, the Professional Ethics Committee and is a member of the Finance Committee.
- Bob was named a Pennsylvania Super Lawyer in 2004, 2005, 2006, 2007 in the area of bankruptcy by the *Philadelphia* magazine.
- Active member of the NACM and PACM.
- Writes and lectures for local and national groups on matters of collection, bankruptcy, business law, and professional ethics.
- Author of Get P.A.I.D A Guide to Getting Paid Faster (Business Credit Publications, LLC 2007)



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# Get P.A.I.D.<sup>TM</sup> A Guide to Getting Paid Faster (And What to do if You Don't!)

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- ❑ In this seminal book, he provides a solution, *The Get P.A.I.D.<sup>TM</sup> System*, that can transform a business by increasing profit, enhancing the relationship with the customer and reducing overall marketing costs. Get P.A.I.D.<sup>TM</sup> : A Guide to Getting Paid Faster advances a radical new philosophy, suggesting that credit policy is not just about collections. It is a business strategy to enhance customer relationships and add value to a company.
- ❑ The strategy discourages businesses from providing easy credit to their customers based upon the commonly held belief that easy credit will lead to stronger customer relationships. It usually leads to added cost and friction. The book outlines Bernstein's 4-Step Program to prompt payment and provides a "Collections Toolbox" to help businesses better manage their credit policies.



[www.getpaysystem.com](http://www.getpaysystem.com)

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**Bernstein Law Firm** has more board-certified Creditors' Rights specialists in Pennsylvania than any other law firm.

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