

Let's Show Clients the Overlooked Profit Center – They Will Love Us for It!

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The dismal economic climate of today has created a strong detrimental effect upon many business clients of Primerus lawyers. It is expected that they will look to the Primerus alliance, and more specifically, to its commercial law group practitioners, for the help and guidance with which to weather the storm. The most immediate area of economic improvement which will be available to most business operations is what I have termed “the overlooked profit center.”

Concerned business managers must explore every avenue to increase precious cash flow in the challenging economic times existing today. Many Primerus business clients will fail to recognize that the most available “profit center” is not viewed by them as a “profit center” at all. Because of this oversight, their most viable asset is not effectively managed as are other assets of their business operations.

This hidden “profit center” is delinquent trade debt collection. Because of reduced cash flow, the timely liquidation of delinquent trade debt has become a crucial part of business operations. Yet too many otherwise well-operated companies are blind to the value of the cash

reserves represented by their delinquent receivables. When effectively managed with well coordinated credit granting and receivables conservation, the results achieved include vibrant cash flow and “bottom line” corporate profits with continuing success.

Primerus lawyers must remind their business clients that when a sales person lands a new account that has a net return profit of 5%, it represents nothing in profits unless and until the subject receivable is liquidated and converted into business capital. It is especially important that they realize that collection of a delinquent trade receivable represents an asset which is converted into business capital much faster than the profits which may be generated from new sales. All the burden and overhead expense of the sale has been paid, and the delinquent trade receivable represents all profit immediately upon liquidation.

Can one imagine the cash flow and profit losses experienced by the American business sector when it is reported by The Commercial Law League of America, that for the calendar year of 2009, there was \$17,762,139,514 of delinquent trade debt forwarded among its members. This was comprised of 9,798,904 separate delinquent trade debt accounts. This figure is very materially increased when





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adding all other delinquent debt placed for collection with other organizations or law firms across the country. That trade debt loss is astounding, particularly as it ignores those losses never placed for collection or resulting from the filing of business bankruptcies.

We must counsel our business clients to be ready and willing to seek our assistance in the liquidation of delinquent trade receivables when their individual efforts to liquidate delinquent accounts are not met with payment or confidence that voluntary payment will be made. Primerus lawyers must continually remind their business clients that delinquent trade receivables, when liquidated, create increased cash flow and will produce profit, moving right to the “bottom line” of the financial statement.

We Primerus lawyers must reiterate to our business clients the commercial reality that when receivables are left unattended and improperly managed, substantial sums end up as expensive “write-offs”. We must work with our clients to ensure top management does not maintain the habit to carry an inordinate degree of bad debts on the books each and every year. It is surprising how many successful and otherwise well-managed companies lose millions of dollars each and every year through this poor practice.

The increased incidence of corporate bankruptcy and insolvency should spark the need for greater interest in effective credit management and efficient debt collection. Primerus lawyers must counsel their business clients that though it is always a pleasure to report a new customer relationship, customers who don't pay as promised become an albatross, extracting a devastating toll on their company's growth and development. Debts to be collected have the potential of contributing to net margins and immediate appreciation of “bottom line” profits. These available “profits” derived from liquidation of delinquent debt must be recognized as a type of perishable “financial food”, if they are not to be lost and discarded as “rotten apples.”

Steps are evident as to how Primerus lawyers may work with business clients to increase and preserve cash flow and bottom-line results. Included are the following:

- I. We must help the client develop a state-of-the-art credit application to set forth terms of the engagement between the parties to fully protect the interests of the client if the customer turns out to be an adversary in the need to force involuntary collection of the account. The credit application should fully state the terms applicable between the parties and provide for payment of interest, attorneys' fees, collection costs and all other relative costs should the client be required to force collection.
- II. The Primerus lawyer can guide the client to learn to control its corporate credit manager and establish a policy setting forth detailed procedures, with the expectation that these need to be reviewed as the company and the economic climate changes. We can help establish a top level committee within the operation of our client's business, to regularly review the company's credit granting and collection practices. We can persuade our clients to expect their marketing and sales managers to understand and appreciate this important area of business and hold them responsible for decisions made in the extension of credit. When considered as part of the big picture, clients will very readily realize that they would not pass up a \$100,000 sale to get a 5% net return, and that they should be equally concerned about not throwing away a \$5,000.00 delinquent account which represents the same value to the “bottom line” of the Financial Statement.
- III. Primerus attorneys must work with their business clients to develop an appreciation of the bottom line impact of placing someone in credit management who is qualified to do the job, and is to be treated like managers of other profit centers, with given goals and expectations to achieve results. Such a person must have the knowledge and capabilities required to fully implement that important position. If the client is a small business that cannot afford a highly qualified credit manager, then a “sharp” employee with definite guidelines and carefully crafted procedures is the best candidate to be assigned the task to achieve the desired predetermined goals.
- IV. It is in the interests of our business clients that Primerus lawyers impress upon them that the successful recovery of a delinquent account receivable is more than “wishful thinking” and requires demanding and timely consideration of appropriate steps which must be taken to protect each valuable delinquent trade receivable. Trade receivables should



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be recognized as a very valuable yet “perishable” asset. We must enlighten our business clients to move rapidly to capture the important profits represented by outstanding and delinquent trade receivables. We must educate our clients that it is a mistake to treat collections activity only as a necessary “expense” when it is most intelligent to recognize such activity as an “investment” in the protection and recovery of the valuable asset represented by the outstanding delinquent trade receivable. Primerus clients must be reminded that no successful business can afford “laissez faire” cooperation from customers in relation to the extension of credit provided them.

- V. Primerus business clients must be made aware of the fact that there are Primerus lawyers that will liquidate commercial debt and will provide such services on an attractive contingent fee basis, providing the client with substantially a “win/win” situation. In essence, the client must be made aware of the fact that there are Primerus lawyers that will “partner” with them in the recovery of their delinquent trade receivables, to provide assurance that all delinquent accounts, upon timely placement for collection, will productively move off the client's books and into the client's bank.

Through the counsel of the Primerus Commercial Debt Liquidation Group, our business clients can achieve material and financial advantage over their competition, during tough economic times. Every dollar “saved” as a result of the education provided to “firm up” collection practices will improve the “bottom line” net profits of the client and conserve the precious working capital required to continue successful operations. The Primerus organization will be encouraging continued success for its clients – and our clients (and their shareholders) will love us for it!

Steve Kailas is President of Kohner, Mann & Kailas, S.C., a business transactions, commercial finance and litigation law firm based in Milwaukee, Wisconsin. Under Steve's leadership, the firm has championed the rights of business creditors in court, across negotiating tables and through leadership in state and national organizations devoted to upholding the rights of business creditors. As a result, Kohner, Mann & Kailas, S.C. has secured an industry-wide reputation as a leader in the field of liquidation of business-to-business debt on behalf of a national client base.