

Contracts and Financial Relations of the Treasurer's Office to Men in the Field and Agencies

General

IT IS RECOGNIZED generally that there must be close cooperation between the Sales Division and the Treasurer's Office if we are to achieve the largest possible volume with a minimum of losses.

The men in the field and the Agencies act as the eyes and ears of the Treasurer's Office and all other Divisions of the Company. We depend upon them to keep us advised of current conditions with respect to individual customers, territories and, as far as possible, to evaluate the trends in their territories.

One of the major responsibilities of the Treasurer's Office is the extension of credit. While we use the services of credit reporting agencies, banks, etc., to obtain credit data, we depend to a large extent upon the reports of our men in the field and at the Agencies. It is, therefore, important that all pertinent facts be included in reports accompanying orders. In many cases the reports provide information which enables the Treasurer's Office to point out opportunities to obtain an order and offer suggestions as to terms under which the sale might be completed.

It is important that all members of the Sales Division understand that it is the duty of the Treasurer's Office to do everything possible to assist the Sales Division to obtain more business. This requires the complete cooperation of the men in the field and at the Agencies.

Sales Report

THE PURPOSE of the sales report is to provide the Treasurer's Office and other Divisions of the Company with detailed and intimate information concerning a customer. In this respect it differs considerably from a Dun and Bradstreet report which is designed for use by all grantors of credit. It is essential, therefore, that the Sales Report be filled in completely and that all questions be answered in detail.

A brief discussion of the various elements of a Sales Report will be of assistance.

The upper part which describes a customer's business is more or less self-explanatory. Machine and

equipment, of course, are easily described by the Production Engineer.

The "Terms" are those under which an order has been obtained. The reason for special terms is something that should be given careful attention. The word "competition" is not a sufficient reason for special terms. The reason the customer requires special terms should be set forth in detail so that an adequate explanation of the customer's problems is available to the Treasurer's Office.

The section of the Sales Report dealing with equipment in a customer's plant is very helpful as it indicates the size of the plant and the equipment used in the business. It is essential that the condition of the equipment be described because that indicates the care with which a customer looks after his fixed assets. This is particularly important in view of the fact that the printing industry requires a heavy investment in machinery.

While it is realized that it is difficult to establish an accurate valuation of a customer's plant, experience should permit a reasonable estimate of the worth of the plant. Any encumbrances on the plant should be detailed, particularly in cases where the sale is made on the basis of deferred payments. This is important because a customer, already heavily burdened with payments for any machinery, may find it difficult to pay for additional equipment. A description of other property owned by the customer is also an indication of his financial position.

The use of a cost system by a customer indicates the care and accuracy with which he is estimating his jobs. Such care and accuracy will help to keep him in business.

If the sale of a Linotype will result in a measurable saving it should be so reported as it is a guide to the amount that could be paid each month on the new Linotype, since the fundamental objective is to obtain a profit by reason of the purchase.

Wherever it is possible, a customer's bank or a bank in his community should be visited so that the information on the lower section of the report may be furnished. Production Engineers will find that discussions with bankers may be of considerable assistance because

bankers generally have a broad perspective of their community and the relationships of the various industries and businesses within the community to business in general. Very often contacts with bankers will lead to additional sales because the bankers are aware of the problems of their customers as well as the business prospects of their community.

The date shipment is desired should be definite as it is used in scheduling our operations.

The section on the reverse side of the report reserved for remarks and for a brief history of the Company is of considerable importance to the Treasurer's Office. In writing up this section the Production Engineer should describe the customer's background, his activities in his community, his family background, any personal property not of a printing nature he owns, which will give an indication of his personal responsibility, and any other information pertinent to the customer's business or to the particular sale involved. It also is important to know the age of a customer, his military status, dependents, etc., together with information as to how the business would be conducted if the owner enters the Armed Forces.

Terms and How They Operate

ANY ONE of three different methods of payment may apply to a machine order. They are: (1) cash payable when the machine is ready for shipment; (2) cash payable within 30 days after erection of the machine; and (3) deferred payments calling for a down payment and monthly installments as specified in the S.B.I. A 1% discount is allowed for payment in cash, provided such payment is made either when the machine is ready for shipment or within 30 days after erection. It is the responsibility of the Treasurer's Office to determine the terms which are acceptable. When making its decision, the Treasurer's Office takes into consideration, among other things, the recommendations of the Production Engineer and the Agency.

Our Sales Agreements are designed to provide either for payment when the machine is ready for shipment or deferred payments. These terms are subject to the approval of the Treasurer's Office and may be changed only at the discretion of the Treasurer's Office.

Under terms calling for payment when the machine is ready for shipment, we bill the customer approximately three weeks before the machine is scheduled to be finished in production. We bill at this time to allow for mailing time to and from the customer and to permit the customer to make whatever arrangements may be necessary to provide the funds for the payment within the required time.

Under deferred payment arrangements, we also bill the customer a few weeks before the machine is scheduled to be ready for shipment and at the same

time send the notes and other instruments for execution. This also is done in order that all papers shall be received by the time the machine is ready.

Under terms calling for payment within 30 days after erection, the customer is billed at the time of shipment and at the same time is notified that, if payment is made within 30 days after erection, we will allow a 1% cash discount.

It is important for the Production Engineer to understand that approval of this method of payment is reserved to the Treasurer's Office.

Cash Discount

ON SUPPLY ACCOUNT items, such as parts, matrices, etc., shipped on open account, the Company grants a 1% cash discount for payment before the 15th day of the month following the date of the invoice.

It is within the discretion of the Treasurer's Office to decide, in the event of any unusual circumstances, whether or not a customer is entitled to this 1% discount for cash.

The same policy of a 1% cash discount applies in machine transactions if payment is made when the machine is ready for shipment, or within 30 days after erection.

Monthly Statements

IT IS THE PRACTICE of our Company to mail customers a statement monthly. The purpose of these statements is not only to notify the customer of his indebtedness to the Company, but also to furnish the customer a list of the charges and credits which have been entered in his account during the month. This gives a customer an opportunity to check the invoices and credits with his records.

The great majority of our customers prefer to pay on the basis of monthly statements rather than pay each invoice as it is received. In order to permit our customers to take advantage of our 1% cash discount, statements are mailed from Brooklyn sufficiently early in the month to insure their receipt in time to remit before the end of the discount period.

Specially Cut Matrices

IN THE GREAT majority of cases, specially cut matrices are useless to us if returned for credit or in the event a customer cancels his order for such matrices after they have been manufactured.

Since it is only fair that we should not incur a loss because of a customer changing the order, we make it a practice, except in special cases, to require payment for such matrices before they are manufactured. We follow this policy in connection with both machine and supply orders for special matrices.

Intertype Parts or Matrices

FROM TIME TO TIME we receive orders for Intertype parts or matrices as part of regular supply orders. If the order blank contains only Intertype parts or matrices, we return it to the customer with a letter explaining that the parts or matrices in question are not of our manufacture and, suggest that he send the order directly to Intertype.

Sometimes customers order Intertype matrices as a part of an order for a new Linotype. Every effort should be made to discourage this practice. However, if the customer insists upon ordering Intertype matrices in connection with a new machine order, such matrices should be written up as a supply order only. Upon receipt of such an order, we enter our own order for the matrices on Intertype. When received, usually after a long delay, we ship them to the customer and charge the supply account.

All Production Engineers should bear in mind that Intertype will *not accept* for credit parts or matrices returned by us and neither will they permit cancellation of orders we place with them.

Therefore, we make it a firm practice to accept orders for Intertype parts or matrices only, (1) when they are tied in with a new machine, (2) when they are ordered as a separate supply order and, (3) provided the customer clearly understands that he cannot cancel the order or return the parts or matrices to us for credit.

Handling the Contract

THE TERM "*Preliminary Agreement*" is very often used to describe our contract form. This term needs clarification. It is quite true that the document referred to is an "agreement" but there is nothing "preliminary" about it which implies that it is the first part of something and that other documents are to follow. It is a form of contract and nothing more nor less. It is the only contract in the case of a cash sale. However, when the time-payment plan is used, it is supplemented by either a mortgage or a conditional sales contract.

Perhaps a word of explanation as to how this document becomes a contract is fitting. When this document is received by the Executive Offices in Brooklyn it is nothing more than an offer by the customer to purchase. It becomes a contract when and only when the customer's offer is accepted by this Company. This is accomplished when the document is dated and signed by a Vice-President and attested to by the Secretary or an Assistant-Secretary. Therefore, let us dispense with the phrase "*Preliminary Agreement*".

Since this contract is the basic document underlying the purchase of a machine and our sale to a customer of the machine, it is of utmost importance that it be filled out accurately and completely. Of particular importance are those sections of the contract which re-

quire information obtainable only by the Production Engineer, such as, the customer's complete and accurate name and correct address, and the business status of the customer; namely, whether the customer is an individual "doing business as"; a partnership; or a corporation.

It is also very important that the machine and equipment be fully and accurately described and that the terms of payment are accurate and complete. The reverse side of the contract form should be studied carefully and the required data accurately inserted as this information forms the basis for the preparation of the notes and mortgage or conditional sales contract, as the case may be. For instance, in the event the customer is a partnership, the names of each partner should be shown.

In order that we may obtain a proper waiver of landlord's lien, the name and address of the owner of the building should be shown, accurately.

As part of the credit information which is submitted with the order, the Production Engineer should see to it that the bank and other references submitted are shown in the contract.

Price Letters

THE TERM "Price Letters" is a misnomer, but it appears as the title of this paragraph because it is the term most widely used to describe a certain letter, sent out by the Treasurer's Office, which amends the original contract.

Although this type of letter is most often used when there has been an increase in the prices shown in the original contract, it also may be used to amend the contract in so far as the terms of payment are concerned.

Under "General Conditions" the original contract describes how it may be revised in so far as prices and terms are concerned. The so-called "price letter" stems from that clause in the contract. It must be borne in mind, however, that any amendment to the contract must be mutually agreed upon by ourselves and the customer.

We make it a practice to send such a letter to the same person to whom the "thank you" letter is sent by the Agency. In the event the "price letter" is to be sent to an individual other than the one to whom the "thank you" letter was sent, the Machine Order Department should be notified immediately.

The Treasurer's Office makes it a practice to send the "price letter" to the customer as far as possible in advance of the date of the scheduled shipment of the machine, in order that the customer may have sufficient time in which to make his payment plans.

Open Account

"OPEN ACCOUNT" means that we will ship parts and matrices on our established terms which provide for payment before the 15th of the month following the

month in which the invoice is dated. Thus it can be seen that if a customer purchased parts, etc., which were shipped on the 1st of any given month, he would have until the 15th of the following month to pay for them. If his order was shipped on the 30th of a particular month, he would have until the 15th of the next month to make payment.

We consider a delinquent account to be one which is not paid within 90 days after the date on which the goods were shipped. Through our analysis of open accounts, we pick up such delinquencies and write a letter to the customer calling his attention to the past due nature of the account and request payment. Every opportunity is given the customer to explain his circumstances and to pay up a delinquency. When the situation warrants it, we are willing to go along with our customers on any reasonable arrangement for payment of the delinquent account or further extension of credit.

Our Production Engineers can be of great assistance to the Treasurer's Office, and also to themselves as the selling representatives of the Company, if they will keep in mind the importance of a customer promptly paying his obligations. A well-paying customer is much easier to sell and certainly much easier to get along with than one who is chronically delinquent in his payments.

Whenever a Production Engineer brings in an order from a *new* customer it is necessary that we go through a formal credit investigation in order to determine the customer's ability to pay, as well as his moral standing. While we are not dependent entirely upon a Production Engineer for credit information, the type of information that he can obtain is more specific and much more up-to-date than we get from the usual credit agencies. One of the most useful things a Production Engineer can do is to describe the nature of the customer's business, how long he has been in that location, what his prospects are, what sort of customers he has, what other companies within the printing industry he buys his supplies and machinery from, what the local bankers in his community think of him, and the Production Engineer's personal estimate of his business.

Such information, coupled with what we obtain through credit agencies and trade and bank references, permit us to evaluate a customer with a considerable degree of accuracy and approve his orders with some assurance that payment will be made. The Treasurer's Office is always available to a Production Engineer

through Agency channels for consultation on any particular account.

Notes and Mortgage or Conditional Sales Contract

OUR NOTES AND MORTGAGES, or conditional sales contracts, are prepared by the Secretary's Office in cooperation with the Treasurer's Office. These documents are designed to give the Company maximum protection in the event it should become necessary to repossess a machine.

Sometimes it becomes necessary for a customer to ask us to postpone or rearrange his note payments. Whenever this occurs, the Production Engineer should investigate the situation carefully and send all the facts, in detail, to the Treasurer's Office. If the circumstances warrant it, we will do our best to cooperate. It is our policy to extend the utmost assistance, but the Production Engineer must not commit the Company as to the extent of our assistance. In the event a customer desires a note or notes extended beyond the maturity date, always have the customer make such a request specific as to the extension date, and *in writing*.

Bankruptcies—Repossessions

IN CASE a customer's business is placed in the hands of a receiver or the customer is adjudicated bankrupt, it is customary that a formal notice be mailed to the Company. When the customer's affairs reach such a stage there is not much the Production Engineer can do other than keep the Secretary's Office advised of developments in order that steps may be taken to protect the Company's interest.

As regards repossessions, the Production Engineer is fully informed as he receives copies of all communications pertaining to the plant in question. At such time as it appears fairly certain that a machine is to be repossessed, the Secretary's Office will furnish the Agency the minimum resale price. Repossessed machines must be sold "as is" and "where is" and "subject to the vesting of clear title in Mergenthaler Linotype Company." The prospective purchaser must sign either one of the two forms of letter of waiver which are now shown on pages B-24 and B-25 of the Sales Book of Information. The purpose of such letters is to be certain that the customer accepts the machine "as is" and "where is."