

THE PLASTIC SOLUTION

by
John H. Nardozzi, CPA
Nardozzi Consulting, LLC

One of the most critical problems facing oilheat dealers today isn't the flow of #2 crude—it's cash flow. Too much of your valuable time and effort goes into collecting from deadbeat customers, waiting for payment from credit customers, even chasing your cash from so-called C.O.D. deliveries.

There is a simple, easy solution to many of these challenging cash flow problems—credit cards. The use of credit cards is a common, accepted practice in our society. Yet many oilheat dealers have resisted offering their customers this convenient payment option. This stubborn resistance may be due to a reluctance to part with the relatively small transaction fees, or simply ignorance of the credit card process.

There are many, many solid reasons to include credit cards as a payment option.

- Convenience for the customer;
- Instant payment for you;
- Collection of accounts receivable becomes somebody else's headache;
- Protection against deadbeats.

Here are some ways in which the “plastic option” can improve your cash flow and generally make your life easier:

- When making collection calls—never a pleasant or easy task—you can offer an immediate and palatable solution to customers who have major credit cards. If the customer puts you off by saying, “I'll pay you on the 10th of next month,” you can counter by suggesting he or she pay via credit card. That way, you get your money and the customer has an additional 30 days to make the payment to the bank or credit

company that holds his credit card. (The customer can even defer payment further, by paying only the minimum on his credit balance. But that's no longer your problem.)

- When extending credit to a new customer, obtain a credit card and authorization.

This gives you a second collection option to fall back on in the event of non-payment.

- For budget accounts, offer to charge the customer's credit card automatically each month. This eliminates worry for both of you.

- C.O.D. means "Cash On Delivery," not "I.P.Y.N.W." ("I'll Pay You Next Week").

If no cash is forthcoming at the time of delivery, allow the customer to use his or her credit card in lieu of cash. Or if the customer will not be at home at the time of delivery, offer to have them prepay by credit card. This eliminates the problems of a missed delivery for them, or chasing the money for you.

- Collection letters can include a tear-off sheet or card authorizing payment by credit card.

Setting up a credit card program is easier than you might think. Go to your commercial banker and fill out an application form. The banker will then instruct you on how to process the payments. (The card imprint machines you see at retail stores and restaurants are not necessary.) There is generally a set-up fee of \$100, a monthly fee (approximately \$8) and a transaction fee equal to 3% of the sale.

This 3% transaction fee can be a stumbling block for many oilheat dealers. With margins being squeezed from all sides, can you justify "giving up" an additional 3% on credit card sales? Yes! Factor in the time, effort and cost of collection, plus the lost revenue from uncollectible accounts that can now be recovered through credit card payment and you can easily see the benefits of a credit card program.

Processing credit card payments is a fairly simple operation. For telephone or mail credit card payments, all you need from the customer is the type of card, card number, name on the card, expiration date, amount to be paid and verbal or written authorization from the cardholder.

The “plastic option” offers a number of solutions to your cash flow problems. While we are still far from becoming a cashless society, credit cards are playing an ever increasing role in retail transactions. As an industry, oilheat dealers have been slow to accept this inevitable trend. It is time that you investigate this important payment option, for your sake and that of your customers.

John Nardozzi of Nardozzi Consulting, LLC provides valuation, transaction advice and business management services for fuel oil retailers and distributors. He can be reached at (617) 487-4752, or jnardozzi@nardozziconsulting.com.