

THE SACRAMENTO VALLEY MIRROR

Business watch: **Customers who come back from the dead**

By Bill Beckett

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Well, the business was not too good with a couple of our customers.

They were big hardware and home improvement chains. Too much competition. The way it was, our customers ordered our product, and a year later we shipped it by the truckload.

Now, we were not the sophisticated and business-smart marketing outfit like other suppliers to the big chains. We were just a little company with a single product that we supplied on a seasonal basis.

The product? Packaged firewood.

The long and short of it is, two times the business had to make huge adjustments because our customers went bankrupt. This can lead to an ending that's awful.

If you have ever been with a company that's in trouble, you know they take in less money than they need to pay the bills. So the bills get overdue, and they spend a lot of time talking to creditors.

When a customer was in real financial trouble, the ordering stopped. Obtaining payment for the last shipments always required a monumental effort, which involved calls and letters.

A spirit in Accounts Payable can put you on the top of the list, and that's what happened. We got paid. This was a big relief as the wood and the packaging and the shipping had been paid, on our end, and was already part of our own costs.

This happened twice, and both times our firm was able to get paid before the end. But, this end is not the end. The end is much grimmer.

All payments made in the last year before a company goes bankrupt must be returned, so the cash can be fairly divided among the creditors. The reasoning is that in the end, typically, the management spends the last cash flow on insiders and favorite accounts, to leave the big creditors hanging. So the bankruptcy courts take the money back and redistribute it.

It is now two years later. The first rains, the harvest moon, the nuts and rice harvested and Halloween soon. A certified letter comes. It is hard to believe this. After making some calls, you learn the truth.

The threat is to place a lien on your property and notify the credit agencies, which would ruin your credit rating. It is impossible to ignore. The wolf howls in the night. Hungry for a bite. Return the cash you were paid!

After going through this once, a year later the other bankrupt customer comes back from the dead for a bite from the check-

book. We're talking a couple of truckloads here. The collectors are tough and the penalty for not complying is high. We bleed cash again.

So, is there a bit of good in this awful tale? Yes, negotiate for a smaller bite. The hungry wolf can be replaced by a smaller predator, if you are convincing.

Ouch, that hurt.

Bill Beckett, a former professor of forestry and former owner of Hager's Quality Firewood, now works with West Company, assisting microenterprise in Glenn County. Anyone wanting assistance in avoiding the wolves should give him a call and benefit from the bites of his experience. The number is 530-990-5801.