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Group Therapy / Collection Agencies

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Group Therapy

Column Editor: **Rosann Bazirjian** (Syracuse University)

Hey y'all out there! Do you have any gripes? Come to your therapist!
Try rvbazirj@hawk.syr.edu or FAX (315) 443-9510.

Gripe: (Submitted by Joyce Ogburn, Yale University)

I wonder why publishers and vendors are using collection agencies instead of working directly with the library to resolve payment problems. I have been contacted by belligerent collection agents on behalf of publishers with whom we do a fair amount of business. Why don't the publishers call themselves? When and why do they resort to collection agencies?

Publisher Response: (Submitted by **John Burke**, IEEE Sales Manager, Institute of Electrical and Electronics Engineers, Inc.)

Collection of overdue payments is a tough, thorny issue for publishers and librarians. Consequently, neither party wants to deal with the issue and turns it into an unpleasant experience for both.

In general, publishers tend to have a fairly liberal policy towards late payments, particularly with retailers and wholesalers. It is not uncommon for a publisher to have outstanding balances in the range of 90 to 100 days. Libraries tend to be more timely and reliable with their payments; therefore they are put on hold or turned over to collection agencies less frequently.

But as you may imagine, this sort of liberal payment schedule puts severe cardiac stress on the accounting and financial folks. There is a definite, significant cost in terms of interest and cash flow. The publishers are in a sense allowing customers to use their money for 90 to 100 days. Remember, the publisher has already invested money in acquisitions, development, printing and distribution over the course of a year or two. The financial people, who run the credit departments, are therefore less forgiving of late payments.

This last point is key - the credit department usually reports to the financial people, and there's not always the best communication between them and Sales/Marketing. I don't think many Sales Departments would approve the use of collection agencies, but often it is either out of their control or there's a lack of communication. Often no one in Sales or Marketing will be aware that a library is on hold or sent to collection. The publishers that handle this situation best are the ones that communicate well internally.

I would encourage libraries to contact someone in Sales or Marketing if they are contacted by a collection agency. They can sometimes intervene to solve a problem. Credit departments don't always understand how libraries pay, or have little tolerance or sympathy for the workings of a bureaucracy. A sales person can act as the go between to solve problems.

Otherwise, work with the credit departments and explain how it might take 90 days to get their check cut. Consistency is important — if you're always a bit late, but always come through with the payment, publishers will generally accept it. Collection agencies should be a last resort when there seems to

be little hope for payment. This is rarely, if ever, the case with libraries.

Vendor Response I:
(Submitted by **Barry Fast**,
Vice President,
Marketing and Sales,
Academic Book Center)

Publishers use collection agencies because it is costly to train and retrain staff in-house to resolve overdue invoices. Think of it as a form of outsourcing. Collection agencies generally work on a fixed percentage of the amount they collect. Obviously, publishers feel that the fee they pay the agency is cheaper than doing the collection themselves. Usually publishers have a policy of turning over the collection task to an agency after their own routine efforts have failed.

I know of no vendors who use collection agencies. It is very rare for a library not to pay vendors, and when there is a slow payment problem it is almost always easily resolved. My experience has been that slow payments are as much the fault of the vendor as the library: a missing shipment, a faulty invoice, a failure to promptly issue a credit, or a problem in the business office that is temporary. Because of the intimate relationship between libraries and vendors, the need for an outside collection agency just doesn't arise.

Publishers deal with many types of customers, including book stores, catalog producers, exporters and libraries. Some of these customers may be a bit flaky, so the collection process is a lot more complex and time consuming than it is for vendors who deal exclusively with libraries.

Librarians who find that collection agencies are a problem ought to first make sure that their own invoice processing system is efficient. If they know that it is (and overwhelmingly it is), they should inform publishers that the collection agency is hurting the business relationship. Most publishers would appreciate being informed when their agency is having a negative effect on their reputations.

Vendor Response II: (Submitted by **Kathleen Born**,
Director, Academic Division, EBSCO Subscription Services)

I can only speak for EBSCO, as that is the only vendor's policy with which I am familiar. It is not our policy to use collection agencies. We have procedures and staff of our own to handle overdue payments in an appropriate manner. If we were to ever enlist an agency's assistance it would only be after all efforts toward collection had been exhausted and after prior discussion with the customer. However, in our experience with academic library clients we have not found them to have many prolonged collection problems. ☛

