



THE CREDIT COLLECTIVE

WHAT RETAILERS SHOULD DO IF THEY CANNOT PAY VENDORS WITHIN TERMS

(April 23, 2009) Commercial bankruptcies have increased over 300%, payables are stretching to an average of 60+ days late and expensive safety testing, increased production costs and higher fuel charges are decreasing profit margins. Given this state of the economy it should come as no surprise that vendors are reducing credit limits and stepping up collection efforts.

In a recent survey conducted by The Credit Collective, LLC (a large consortium of vendors in the children's products industries), nearly 60% of its members report that their wholesale customers are paying later. In reaction to this trend, Credit Collective members are submitting unresponsive, late-paying accounts to collection agencies and attorneys faster than ever:

- 25% report submitting when an account is 30 - 45 days past due
- 20% report submitting when an account is 45 - 60 days past due
- 55% report submitting when an account is 60 - 90 days past due

Although vendors are tightening credit and starting dunning efforts sooner, they understand that this is also a difficult time for retailers. Unfortunately, 85% of Credit Collective members surveyed feel that while most retailers are honest and pay their bills on-time, there are many that are not completely forthcoming about their payment intentions. According to the survey:

- 5% of late-pays say they never received inventory although PODs prove otherwise.
- 5% say they never received an invoice (multiple times).
- 25% promise they will mail a payment but do not follow through.
- 65% claim the payment is in the mail but it never arrives.

In order to help promote ongoing, positive relationships between retailers and vendors in these challenging times, The Credit Collective also asked its members for suggestions on what retailers can do if they are having a difficult time paying their bills on time. An overwhelming 100% of members surveyed agree that they will be more patient and understanding if *the retailer communicates with them honestly and works to create a payment plan*. Other suggestions are:

- Cancel back-orders until existing inventory is paid for.
- Pay with credit card.

- Place smaller, more frequent orders.
- Reduce overhead until financial conditions improve.
- Return unsold product.
- Seek help from vendor in merchandising product for better sell-through.

In its continued goal of promoting the financial health of the children's products industries, The Credit Collective, LLC would like to encourage both retailers and vendors to contact us with any questions or concerns relating to credit and payables.

For more information please stop by our booth at this year's ASTRA Marketplace. Or contact, The Credit Collective, LLC at www.creditcollective.com or call us at 303-670-5111.

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