



BEST PRACTICES FOR BILLING & COLLECTIONS

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Update

EACA members continue to be concerned about billing & collections practices in the trade show industry. While members fully recognize that they must each use their own best judgment in making billing & collections policies and procedures in their respective organizations, many members are looking for a recommendation on how they might be able to improve their internal efforts.

Formation of Ad Hoc Committee

The EACA has empaneled an Ad Hoc Committee to further study this issue and to make recommendations to the membership.

The Billing & Collections Ad Hoc Committee includes:

Perry Shupe	Zenith LaborNet
Susan Renner	The TERM Group
Randy Bott,	Momentum Management
Steve Matranga	Eagle Management
John Yohe	Nth Degree
Bruce Cantwell	On Location
Jim Wurm	EACA

New Recommendations

A. Pay As You Go is Still the Ultimate Goal

To enable a pay-as-you-go billing and collection process, EACs may have to put in place one or more of the following:

1. The capability to communicate internally to all staff, and externally by way of the sales process, that payment is required at the completion of the show.
2. The capability to generate invoices on the showfloor upon the completion of providing your service, or delivering your product.
3. The capability to accept payment on the showfloor via check, money order, credit card, or wire transfer.
- 4.

If pay-as-you-go is desired but the internal resources that may be necessary to invoice and/or collect payment on the showfloor are unavailable, then you may want to consider establishing a practice of requiring pre-payments whenever possible.

Another option to create a pay as you go scenario for your company is to use your customer's credit card account as back-up security. To best secure your payment by credit card, it is recommended that you obtain an authorization of charges prior to capture.

Credit Card Authorization Prior to Capture

Credit card processing enables all companies that accept credit cards for payment to conduct three different types of transactions. The most common transaction is the **authorization and capture**.

When you buy a pair of shoes with a credit card, the store owner runs your card for authorization and capture. This allows the merchant to gain an authorization for a charge (i.e. approval) and a capture of those funds at next scheduled settlement time for your card processing company (usually 24 to 48 hours).

The two other credit card transactions are **authorization only** and **capture only**.

When you check into a hotel with a credit card, the hotelier processes an authorization only charge on your card. This authorization is an estimate of the charges the hotel expects to make against your card at check out. This authorization would not show up on your billing statement, but enables the hotelier to insure that there will be adequate credit available on your card when it came time to check out.

At check out, the hotelier then processes a capture only charge on your card using the previously obtained authorization code. This capture only transaction removes the authorization only estimate of charges on the credit card, and replaces it with the actual charges incurred.

Authorization only transactions can be held for up to 30 days. That means if no eventual "capture" of funds takes place on the credit card using the authorization you had received then this "reserve" will expire and be removed from the cardholder's account.

If any member has had negative experiences with credit cards being declined for payment, it is recommended that you process an authorization only transaction on your client's card prior to services being rendered, and then a capture only transaction after the work is complete.

Another good safety procedure when accepting credit cards as payment is to get a signed authorization from your client before performing the work. This signed authorization reinforces the authorization only charges which is processed and clearly communicates the estimate of the services to be rendered and makes note of the additional charges that can occur based upon requests made on site.

B. Extending Credit

If a pay-as-you-go billing and collection system will not be completely available to you in the foreseeable future, and requiring pre-payments is not feasible for your business, then you find yourself in the position to extend credit and bill for your services.

If you have decided to extend credit and billing for your services it is highly recommended to embrace the following protocol:

1. Utilize a credit application that contains a Personal Guaranty, and specifies the amount of credit that is being sought. (**See *downloadable Credit Application***)
2. In the event that you are extending credit to a Third Party, it is recommended that your company obtain a Third Party Authorization for service from the end user customer. **Note: *The Third Party Authorization can be obtained on a show-by-show basis or on an annualized basis. (See downloadable 3rd Party Authorization).***
3. If you have not already done so, it may be advisable to take this opportunity to review the credit arrangements with all accounts that you have extended credit to. One way of accomplishing this is to send a cover letter (See Attached Cover letter) along with the credit application.
4. One additional safeguard that should be taken under consideration is the ability to obtain Accounts Receivable insurance for all credit that is extended. If the credit you are providing is insured you have one less thing to worry about. If, however, the credit is uninsurable, then it creates a reason to find additional means to secure that credit.

There is one final recommendation that cannot be overemphasized.

Amending internal systems to expedite the process of generating invoices may be the single most important factor toward improving your company's collections success. This is particularly important since this is the primary component of the billing and collections process that is entirely in your control.

C. Credit Insurance

As mentioned previously, an additional precaution to protect your company from non-payment, particularly in the case of Third Party Billing, is credit insurance that is available for your good receivables.

Credit insurance is:

1. Available for all your “good” receivables..
2. Dollar amount of exposure is also specified.
3. Contains a flexible deductible.

It is recommended that all EACA members investigate whether receivable insurance is a suitable option for your needs.

D. Pooled Legal Fund

It was suggested that in the event there is one debtor, or a group of debtors, that run up unpaid invoices to a number of EACA members that there may be some advantage in pooling funds and resources, through the EACA, for pursuit of these debtors in the courts.

The EACA will investigate the idea of retaining a lawyer/law firm for the purpose of reviewing such accounts.