



Building the Best Customer List

New Program Could Aid Dealers in Avoiding Delinquents

ONE OF THE MOST VALUABLE ASSETS FOR a home heating oil company is the customer list, gained by a reputation for service to a community and built over many years.

With both dealers and customers facing tightening credit requirements and cash flow issues, having a reliable customer database is even more important, and companies must debate the risk of new customers to dependably pay on a regular schedule. However, some of that risk can be mitigated with the help of a computer program called Oil Well™, which relies on a network of companies reporting delinquent customers in order to warn others about the risk of signing them up.

Larry Smith, founder of Risk Assessment Data, coming from more than a dozen years working on Wall Street developing trading and risk management programs, created Oil Well based on his own experiences as an Oilheat customer.

“After months of research I discovered there was no system in the fuel industry that prevented consumers from paying late without any consequences,” Smith said. “Another

“The credit crunch is also putting dealers in a position where it is extremely difficult to obtain bank financing, so it is more important than ever that they collect their receivables on time.”

—Larry Smith, Risk Assessment Data

loop-hole was that a consumer could easily ‘skip out’ on their current provider and go to another provider. Being an Oilheat consumer myself, I found out that good-paying consumers were paying more for their fuel because of these delinquencies, which forced dealers to obtain bank financing to pay their suppliers.”

The system depends on an ever-growing network of dealers reporting their own

delinquent customers to warn other businesses. Dealers are required to upload customer data once a month or they receive an e-mail reminder; after 25 days of no contributions, they will not be able to continue searching. The uploaded data is divided into different categories—clients written off with no



payment expected and customers who are currently overdue on payments. Oil Well also has categories to notify of pending legal action and bad checks.

Dealers cannot just search the system to comb through a competitor’s customer list. The system will only provide payment information for a specific person if you enter specific identifying data first. In addition, under the Fair Credit Reporting Act (FCRA), a credit report may be obtained only when one of the following criteria is met: you have a legitimate business need in connection with a transaction initiated by a consumer; a consumer applies for credit; prescreening offers of credit; you have a court order or federal grand jury subpoena or authorization of the consumer in writing.

If another dealer does access a customer’s

data, however, the system will send an anonymous alert, letting the original dealer know that a customer is looking to buy fuel elsewhere. This gives the original dealer a chance to collect payments again or renegotiate the terms.

Smith says the system was built with privacy and security at the forefront, so dealers can feel safe uploading the information.

“First of all, dealers are only submitting their delinquent accounts—customers who are putting their business at severe risk,” he said. “Secondly, all dealers are anonymous when a consumer record is accessed, and the data is encrypted and secure. There is no way to retrieve a customer list, you can only retrieve records one by one.”

Oil Well currently has about 70 dealers contributing to the database, according to Smith. The program is also endorsed by several home heating oil trade associations in New York, Connecticut, Maine and Vermont.

Smith said the current economic slowdown has exacerbated the problems dealers face annually with collections and credit.

“The current economic environment has definitely led to a huge increase in delinquent payers,” he said. “Consumers are sooner to pay their credit card bills than their oil bills, because dealers do not report them to the credit bureaus. It costs too much and takes too long. The credit crunch is also putting dealers in a position where it is extremely difficult to obtain bank financing, so it is more important than ever that they collect their receivables on time.”

Also in deference to the economy, Smith said Oil Well’s pricing schedule has been updated. There are two packages available, a residential system for \$99 per month and a commercial and residential system for \$199 per month. The program is also free for dealers until it produces results, in order to encourage rapid growth in the database without risking subscription payments.

Those results could pay back for dealers immediately, Smith said, by avoiding potentially delinquent customers.

“Not taking on a bad-paying consumer who could skip out on one 275 gallon delivery prevents an approximate \$750 loss,” he said. “Getting an Oil Well Alert, which is indicative of the delinquent consumer shopping around, and allowing the dealer the chance to retain the customer, retains approximately \$6,000 in revenue per year.”

Companies can access the Oil Well system from any computer with an Internet connection; the program works in any Flash-enabled browser, no additional software is required.

For more information or to sign up, see www.oilwell.com.