

GOOD CREDIT MANAGEMENT CONTRIBUTES TO PROFIT

It takes an average of 72 days to settle an invoice owed to in the UK. Financing a single £1,000 debt at 8% per annum (average overdraft rate for businesses) for 72 days would cost almost £16; that's before you even begin to take into consideration bad debts or administration costs. Yet many companies simply do not bother to train the people who are instrumental in getting cash in. Targets, incentives, rewards and training should be as welcome in Credit as they are in Sales!

Collecting money is an important part of the overall business. Timely collections ensure good cash flow, minimise the need for bank borrowing, lessen the possibility of crippling bad debts and maximise profits.

Points to think about

- Your terms of sale are there to be enforced
- The policy you set will determine the effect needed
- Credit-check your customers regularly
- You should never be embarrassed to ask for your money
- If you promise to do something, do it!
- Efficient, effective systems and communication channels at the time of sale ensure fewer problems at the back end
- A dedicated collections person or team ensures better use of knowledge, quicker reaction to adverse signs and continuity for customers

Why do you have problems?

- You may assess a risk incorrectly
- You fail to notice warning signs of a customer's decline
- Because companies can be crippled by outside events; the collapse of a major company in a market sector can cause many smaller businesses in the same industry to fail
- Management doesn't plan for impending business downturn or interest rate increases
- Cash flow suffers before you figure out what's wrong

What you should do

- Follow up on all overdue accounts. Be persistent
- Find out what the real problem is, how it will be resolved, when you can expect payment and so on
- Maintain goodwill, empathise, but don't get sympathetic to their problems

- Collecting money is a selling job, so talk about the benefits of paying rather than the consequences of non payment
- Watch the big ones. Don't think because someone spends tens of thousands of pounds with you they cannot become a problem
- Ask for the money. All too often one has heard conversations about the weather, business levels, held orders, but never a request for payment
- Set the tone. A little friendly conversation puts them at ease and preserves goodwill, but get to the point
- Leave yourself an escape route. If you lose your temper you lose control. Stay courteous, but in command. Be assertive not aggressive
- Provide Customer Satisfaction at a Profit and collect the money

Steve Sarva