

MAKING DEBT COLLECTING EASY

A robust credit control policy may be many things, prudent and valuable among them. But not even the most enthusiastic advocate of tight financial management would suggest that chasing debtors can be a pleasant experience.

In order to assist you with a fresh motivating approach we have detailed some ideas to make debt collection more "fun".

Make your invoices friendly

Most invoices say something like 'payable within 15 days'. Of course, no one pays the slightest attention.

Instead the bill should carry a specific yet friendly call to action such as 'We would appreciate receiving your payment by 15 April'. If the customer doesn't pay by the due date, immediately send a copy invoice with a handwritten note. It should say 'Just a friendly reminder that payment is now due'.

If nothing happens, it is time to get on the phone.

Following the script

The telephone call should go like this:

Hello (customer name), this is (your name) from (your business name), and I'm calling for two reasons. First, I want to make sure that everything is okay with our (product or service) and that you're happy with us.

Most people will respond by saying something like "Oh yes, everything's fine, thanks". You then go on to say: "Great. I'm glad to hear it all went well. (Customer name), there is one thing I need to ask you about. We haven't received your payment yet, and I was wondering if it perhaps got lost". Most people will feign surprise, or apologise and offer excuses. At this point you say: "Oh okay, well could we take care of it now please? What would be the best way for you - credit card or a cheque, say by (date)?"

Putting it in writing

Naturally, there will be those who promise payment but do nothing. The next step is to write to them. Most debt collection letters are negative and threatening. Rather than encouraging payment, they alienate the recipient. The purpose of a letter is not to show that you are getting tough, it is to recover your money in full.

People pay people they like. That is why the letter must build empathy in your favour. It should begin by saying "Thank you in advance (first name) for taking action on this now. We really do appreciate your helping us to meet our business obligations. If for some reason you can't take care of this now, we understand. We have financial pressures too. But please do call us so that we can find a good solution."

Empower the team

Educate the team about how crucial it is to everyone to get paid on time. Explain the consequences of late payments upon cash flow and the security of the business. Help them to understand that they are all in this together, and that everyone who deals with customers has a part to play. Empower your team to make deals (within limits) and agree payment schedules. Provide incentives and rewards for your staff. They will cost you relatively little, but the impact upon your business will be significant.

Reward prompt payers

Some businesses offer a reduction for prompt payment. This can be useful but it is surprising how few customers take advantage of it. However, a reward doesn't have to be financial. Send a personal note thanking customers for paying on time. People don't expect to be thanked simply for paying when they are supposed to. That is why the note will be effective. A letter like this does two things.

Firstly, it makes it more likely that customers will keep up the good work. Secondly, it encourages repeat sales. When you send your next invoice, add a printed sticker that says "Thank you. We really appreciate the way you always pay your accounts on time", or "Thank you for being such a good customer. We wish we had more like you!"