



F.I.C.M.

Module 4

Your Guide to getting Paid in Full and on time

This module outlines the 25 things you have to do to master your own collections function, and explains simply what has to be done and why.

By Declan Flood FIACP, FICM

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A new beginning – Collections

This module is going to focus exclusively on the “Art of Collections”; we will explore the different collection methods, which methods are appropriate, what you can and can’t do from a legal perspective and what you should and shouldn’t do from a practical viewpoint. You will receive some simple guideline you should find most useful in your business. The following topics will be covered in the pages ahead:

1. Persistence – the secret ingredient in successful collections
2. Developing a clear collection strategy

Telephone Collections:

3. Preparation for every call
4. Making the call
5. Understanding pitch, tone, volume and speed
6. The right words and the right questions
7. The various stages of the call
8. Fact finding during the call
9. Closing the call
10. Follow up after the call

Other Collection Methods:

11. Email
12. Text messaging
13. Letters
14. Door to door collections
15. The use of third party agencies
16. The Legal System

Communications skills:

17. Building rapport with your customers
18. Using your voice
19. Body Language
20. Dealing with different types of people

Reporting and decision making:

21. Reviewing Collection activity
22. When is it worth suing and when is it cheaper to write off
23. At what point do you stop doing business?
24. Holding orders.
25. What you should report on – seeing progress.

We will cover all the topics above and give you some valuable insights. The purpose of credit is to find a way of delivering every order and deliver maximum profit to the business. The purpose of collections is “to get as much money as you can as quickly as you can, while maintaining the goodwill of the customer”. The methods we cover are inclusive rather than exclusive we will deal with both trade credit which involves giving credit to other businesses and consumer credit where your customer is an individual. While some of the rules are the same, in most cases the advice a Trade Credit Controller receives would be the exact opposite of the advice a consumer collector would receive.

Persistence – the secret ingredient in successful collections

Of all the lessons you can learn about Credit Control and Credit Management, when it comes to collections the one secret ingredient (and isn't really a secret at all) is persistence. Forgive me for being so basic and simple – read the following four words very slowly "Ask for the money". Yes, "Ask for the money". You might say "Ah, come on Declan, you are getting a bit too simple here". I don't agree, in most cases, most businesses simply fail to ask for the money. Listen to the next collection call, if someone else is making it or be conscious if you are making it yourself, and ask yourself "at what point did I ask for the money?"

If you cannot put a specific date and time in your diary that the payment should be received, chances are you never asked for the money!

This could be a great exercise for those Companies who record calls "for training purposes". Listen in to some examples of calls (If you don't have the time I can do it for you) and ask "at what point did we ask for the money?" You just might be horrified at the answer.

The next exercise is to distinguish between calls and contacts. It is currently accepted that you have to make around three calls to make a single contact. Make sure you are recording both with emphasis on the contacts. It is possible to call a person ten times and not make contact once. In this case you DID NOT ask for the money! If the phone is not working, and if you have called ten times without success, then this method is clearly not working, then you have to have to find another method of communication.

When you make contact, the purpose of the rest of the call should be either to get the payment over the phone via Debit/ Credit Card etc or to get a clear commitment that is going to be delivered.

The details of the call should be noted and the exact date and if possible, time, should be recorded. Your customer will then make up their minds about how important the money is to you, by how quickly you follow up and simply ask for the money.

If you call on a Tuesday and they tell you they will post a cheque on Friday and a month goes by and there is no cheque from them and no call from

you, you are sending out a clear message that by making false promises will buy me another month, so they will be more likely to do it again and again.

If you are responsible for getting paid this is a crucial lesson. Most people are afraid to ask for the money in case they will offend their customers. I will agree that there is a particular way you have to ask and that will be covered in summary form here and in great detail in the Collections module.

I was speaking to a group that received the following advice on cash flow at a new business program "Pay no one and take a day off each month to shout at your customers until they pay you". Now if you adopt that approach you will have neither suppliers nor customers, in a very short space of time - and both are important if you are to stay in business!

On my website I have the words "For your business to be successful you must believe at the outset that getting paid is important to you, and then you must act accordingly"

Leaving balances outstanding for long periods without any meaningful contact, and then getting annoyed with your customers when they cross the line, (A line you have drawn and your customer doesn't know where it is!) is how most businesses approach their credit control at present - it is inadequate, it is dangerous and it is wrong.

Developing a clear collection strategy

Anyone who has attended one of my talks or training courses recently will be aware of the concept of the funnel I explain. The funnel represents the activity that happens at set points on a scale. The skill is in developing a collection strategy that works for your business and not a simple one size fits all that is guaranteed to cause offense.

When I hear the phrase "Dunning Letters" it sends a shiver down my spine. I have visions of badly worded mass produced letters being fired out to "Dear valued customer" or some other nonsense that is sprayed indiscriminately at an unsuspecting customer base. OK, maybe I am a bit dramatic but have you read your own "Dunning Letters" lately?

Now there is more to collections than letters, there are telephone calls made by different people with different authority levels to people with different authority levels. There are text messages, e mails, faxes – yes I know they are old fashioned – thing is there is almost a novelty factor that makes them effective in the current technological age (Most are now linked to email at this stage – but not all!). There is personal calling either by appointment or unannounced. There are 3rd party door to door collectors; there are Debt Collection Agencies and there is also a number of different letter services that should appear on the funnel somewhere between exhausting your own efforts and placing the account with a firm of solicitors. Then there is the Legal system and enforcement.

If that is not complicated enough you also have different types of customers, key customers, high risk customers, high margin customers, high value customers and the opposite and the ones in between. You cannot treat a high value low risk customer and a high risk low value one in the same way.

The skill of being a top Credit Professional is to be able to tailor a system that suits your business, gets the results you require and is pitched at an appropriate level bearing in mind all the factors above and the available resources at that particular point in time.

Your strategy must ensure every single balance from the highest to the lowest has a method of collection assigned to it, you do what you say you are going to do and you follow up relentlessly.

See if you can create the type of matrix required to tick all the boxes. When you have achieved all this and when the system is operational make sure you monitor the effectiveness of each step in the process and as soon as you notice a negative shift at any stage – change what you are doing. Rewrite the procedure, turn it on its head, that way customers won't be able to predict your next action and are more likely to respond.

Knowing what will work where and what won't and then acting accordingly is such an important part in the Credit function and performing the role at a level of excellence.

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Preparation for every call

Every time you pick up the phone to talk to a customer, member or client, you are putting the reputation of your organisation on the line. It doesn't matter about the history of the account, it doesn't matter what has happened in the past, every single contact creates a new level for the relationship between you and them. The contact that has the greatest significance is always the last one. This is why you have to be prepared for every call, and you have to go through the call in a systematic way to ensure you get the very best result which is always: getting the money and keeping the customer.

Now, what about the first stage of the collection process – Preparation. There are a number of things you have to do:

1. Make sure your own attitude is up to scratch. In the same way a salesperson competes for your customers business you are competing for their money. You have to be clear, concise and confident.
2. Check that of all the balances on the ledger, the person you are calling represents the highest available balance to collect. The only exception to this rule is when you are following up on a previous promise to pay from the customer.
3. Make sure you know who you are calling – is it a person or a company, if it is a company what is the name of the person you wish to speak to?
4. Make sure you know the exact amount you are looking for, exactly what the terms are and exactly when the amount should be paid.
5. Set out a clear outcome for the call – I am calling X to arrange payment of €Y, to be in our bank account before the end of the month. If you set out a clear intention for every single call in advance along the lines of the outcome statement above you will find you will be much more focused and successful.

A few other tips, when you are calling your customers make sure your workspace is neat and tidy. A confused working environment will lead to confused conversations. If you are working from a system generated call list, all you need is your screen and your headset to keep your hands free to record the conversation.

If you aren't working in a hi tech environment, if you have a copy of the ledger, the screen, your phone and your diary to take a note of required future action on your desk – that should be enough.

Finally block off chunks of time for making calls say between 10am and 12pm and 2.30pm to 4pm if you are working in a B2B world tends to work best. Use the other hours for reports, follow up query management and other admin tasks.

If you are working with consumers, the hours between 6pm and 8pm are the most effective.

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Making the call

When it comes to collections, making the call is a crucial element in the process. The call can be made either by phone or in person. In person tends to be more effective, although it is more expensive and more resource hungry. This section will concentrate on the telephone call.

Assuming all the preparation has been completed successfully and you know before you start the desired outcome from the call, dial the number with purpose. There are two types of customer and two types of call. The first is when your business sells and collects from other businesses (B2B), the second is when your business sells directly to consumers (B2C).

In B2B you should always ask for and speak to your own contact in your customer's office. Calls should be friendly, co-operative and focused on the required outcome for both of you. If you don't know the name of the person in your customer's accounts department – ask for it! When the phone is answered ask the question "Who is the person who looks after the payment of our account?" Armed with the contact name you are more likely to build rapport and be more successful.

In B2C the first stage of every call is to establish you are talking to the right person, depending on the size of your organization the whole Data Protection compliance increases as your company increases in size, there are many levels of establishing you are talking to the correct person, make sure your method is appropriate to your organization and the protection of your customers.

In all cases there are a set of steps you must go through and there are three stages to the call that you really have to know in order to be successful. In simple terms we will go through the steps in summary form here.

Stages of a call:

1. Identification – getting through to the correct person
2. Stating the clear purpose of the call
3. Establishing the reason for non payment
4. Dealing effectively with any objections and issues that could get in the way of payment.
5. Getting the commitment

If you have ever been on one of our training courses, you will know how to distinguish between a customer who can't pay, a customer that won't pay and a customer that shouldn't pay. And we go in depth on how to establish which category they come into and how to deal with each one effectively.

One major point here to excel at points four and five you have to learn to LISTEN. In fact I think it is the most important skill if you are to become a successful collector.

Then you have to get the commitment, you have to establish how much they are going to pay, exactly when they are going to pay and finally how they are going to pay the amount in question.

Finally, you must take a note of every call you make, and exactly what was promised and then you must write a follow up note for yourself to contact the customer in the event that the commitment was not honored in full.

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Understanding pitch, tone, volume and speed

When you are talking to a customer on the phone, please remember that the only thing they get from you is your voice. They don't know what you look like, they don't know what is going on around you, they don't know what your workspace or workload looks like, from the verbal and non verbal signals they receive from you they will build up a picture in their own head and they will react and respond in relation to the picture they have in their own head, as that is the only thing they have to go on.

You see it doesn't really matter what you say, what matters is what they hear.

The next section will give you a flavor of what we cover in relation to the words you should use and the words you should never use. This is not about what you say, it is more about how you say it.

You can hear a smile on the phone. You can also hear a whole lot more, you can hear how professional the person on the other end of the phone is, you can hear how interested they are, you can hear if they are competitive or if they are simply going through the motions and doing what they are told. You can also tell if someone is reading from a script, or if they have a learned script they must give to a customer. The purpose of a collection call is simply to get the money, to get the money **and** keep the customer. Everything about the call has to be set up to achieve this goal.

The four essentials of a great collection call are more relevant to anyone involved in consumer collections, where you are generally talking to people you don't know and you have to use your voice to convey your message. In trade collections you are generally talking to the same people month after month and as you get to know them your personality becomes more important than the elements discussed below.

Pitch

It is important to be aware of the pitch of your voice, the higher it is, the more that will be confused with nervousness and the less successful you will be. When talking to convey energy and to be persuasive you should use pitch inflection to make what you are saying come to life.

Tone

It is essential that your tone represents what you want to achieve. If you start in an angry tone you will have an angry call, even if you are not angry but if the other person at the end of the phone thinks your tone is angry that will be enough. Your tone should be serious, professional and understanding all at the same time.

Volume

This might come as a shock, my advice is the lower the volume the better. I am sure you have heard of collections by decibels i.e. the louder you shout the better the results. In all my years in credit I have never found shouting a good way to collect. Shouting is usually associated with a loss of control and the job is called credit **control** so the point is you need to stay in control at all times. The appropriate volume is when you can be heard and understood. There are some exceptions to this rule, the explanations are so subtle I couldn't explain them in a single page. Maybe it is a topic I can revisit later.

Speed

Please slow down. There is nothing worse than a collector talking at such a speed that the customer doesn't understand what you are saying. Remember to adjust your speed to the person you are speaking to. If you are speaking in English and the first language of the person you are talking to is not, you should speak as slowly as you can. As well as making sure you are understood, it also gives great weight to what you are saying and you will be taken more seriously if you speak more slowly.

The right words and the right questions

It is a simple rule if you ask the right questions you will get the right answers, if you ask the wrong questions you are going to get the wrong answers. Einstein once said that “the quality of your life depends on the quality of the questions you ask”. As simple as that sounds it is very profound. On a personal level when you consider the internal self talk you engage in you are either making a statement or asking a question. Are the statements you make to yourself positive or negative? Are you telling yourself how great you are? Are you beating yourself up for being so stupid? In every situation you find yourself in, which statement would be the most common?

Be honest. If you are like most people you will probably admit that it is possibly more negative than positive. If you are filling your own head with negative self talk all the time, how do you expect to be positive with your interactions with others?

So I know you are saying, I thought this piece is supposed to be about collections. It is! Before you are let loose on an unsuspecting public, you have to spend some time getting your head in the right place.

The great Usain Bolt would not just walk onto the track in a pair of jeans and run 100 meters in less than 9.6 seconds. He would arrive at the track in plenty of time; he would make sure he had all the best equipment, all the best coaches. He would stretch and warm up to make sure he is in peak condition before the race even starts. He would prepare himself mentally and physically for the task in hand.

In the same way, if you want to perform at a high level, you have to prepare for the day ahead. You have to create a spark of positivity that you can share with all the customers you are going to talk to throughout the day. This all happens with self talk. Before you can learn to interact with others in a positive way, you have to first learn to talk to yourself in a positive way. This is a key part of the new Resilience Training we have developed, at the moment it is only available for Credit Unions, although if enough people enquire, we could be forced to extend our offering!

Now you are in a more positive frame of mind, you have to watch the words you use throughout the day. Become conscious of what you are saying.

When someone asks you “How are you?” do you respond “Not too bad” without even thinking? Not too bad – three negative syllables in just two seconds.

Using the right words and asking the right questions is all you have to do to be successful in Credit, and everything else for that matter. I hope as a result of reading this you will begin to think before you speak, and listen to the words you are saying and correct yourself by replacing the negative words and phrases with positive ones – not by beating yourself up.

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The various stages of the call

Every successful collection call has three distinct stages. When you understand these three stages and follow the simple formula you will increase your productivity and the effectiveness of every single call.

Stage 1 –Introduction

In the first stage you need to get to talk to the correct person. If you are dealing with consumers you need to verify you have the right person on the phone before you can begin to discuss the issues. If you are dealing with other businesses you need to find and talk to the best person who will be able to help you get the money in the shortest possible time. One question I have often heard and it upsets me when I do – the question is asked: “Hello, can you put me through to your accounts department?” Now, I think it would be a better use of your time to ask the question “who is the person who looks after the payment of our account?” This way you will get the contact name for future reference. Rather than talking to a different person every time, it is better if you have a single point of contact and develop a working relationship with them. (As long as they continue to deliver as required!)

Stage 2 – The middle

In this stage you set out the facts and receive feedback from your customer. You get to establish the exact reason whether they can't pay, won't pay or shouldn't pay. There is a simple formula for dealing with each that we cover on our training courses that ensures that whatever category they are in you will still receive maximum payment in the shortest possible time. This is where you have to think on your feet and differentiate between the reasons they are telling you and the real reasons. You have to ask for the money during this stage. If you have ever phoned a customer about their overdue account, and you think that is ok, you have never been on one of our training days and you may have more to learn than you think!

Stage 3 – The close

Just as a good salesperson is always looking for the right time to close the sale, the good credit controller should be always on the lookout for the signals. When you know what you are looking for they are obvious, when you don't...well you don't know what you don't know! The final part of the

call is the commitment. At the end of every call you should know how much they are going to pay, when they are going to pay and how they are going to pay. Anything short of that is a wasted call. The promise should be noted and a follow up note for yourself on the due date to check that the promise has been delivered.

Follow this simple three step approach and your results will improve. While you are becoming familiar with the system or if you find the call is going round in circles, ask yourself which stage am I on? Then see how you can get to the next stage as quickly as possible. Time is money.

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Fact finding during the call

Every call has three parts, the start when you ensure you are talking to the right person and lay out the facts of what is required. The second part is your "fact finding stage". This is where you establish the exact reason for nonpayment and listen carefully to what your customer is telling you and maybe more importantly what they are not telling you.

You need to establish whether they can't pay, won't pay or shouldn't pay and then deal with the call accordingly.

Most are familiar with the "can't pay" and "won't pay" and we'll discuss these later for now I want to concentrate on the "shouldn't pay".

As simple as it sounds more than half the reasons for nonpayment fall into this category. This is where a customer hasn't received an invoice or received a wrong invoice or there is no purchase order number quoted you know... well you are spending more time on this than I am and what I am talking about here is queries, disputes and omissions. Where YOU get it wrong. Now forgive me if you think I appear too hard here – if you cannot get a simple thing like an invoice absolutely right, then you don't deserve to be paid.

From the time you send out a wrong or incomplete invoice to the time you were informed of the mistake or omission your customers **should not** pay that bill. As soon as you know there is a problem, you have to solve the problem in the shortest possible time to put the customer in a position where they should pay the account.

Be careful that you are not being taken advantage of, sometimes customers will ask for a copy invoice as a delaying tactic, and anyway it puts the ball back in your court and gets them off the hook for the time being. As long as you can deliver the required copy to them *within five minutes* of them asking for it will eliminate this tactic as an excuse for delay. Deal with the issue and then get the money.

If they tell you they can't pay then you will have to enter into negotiations and clarify the position – can they pay anything? If not what can you get instead? Can they make monthly payments? There is a right way and a wrong way – learn the difference.

Finally if they won't pay, all you have to do is find an appropriate consequence for them. If I can convince you that you will be better off paying me than not paying me – what will you do?

If you fail to get the facts you will in fact, fail!

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Closing the collection call

The sole purpose of making a collection call is to arrange payment of the money due. From the very start the skilled collector should be looking for opportunities to close the call. We have already covered the stages of the call so it is up to you to get to the third stage as quickly as possible. The key ingredient in the closing is getting a real commitment that you know is going to be delivered. The commitment has to have three elements: you need to know: how much they are going to pay, how they are going to pay and exactly when they are going to pay.

How much they are going to pay?

There is an old saying that when you assume you make an ASS of U and ME. Never take for granted that the amount that is on your ledger is the same amount that they have on theirs. So early on make sure you have agreement on the amount in question. I have seen many times a credit controller finish a call delighted with a promise that the money will be put in the bank that very day and the remittance arrives for €300 when they were expecting €3,000. Say the words, ask the question: "How much are you transferring today?" If there is a difference you should establish what it is and resolve any outstanding issues before the transfer is made.

How they are going to pay?

The second piece of information required for a full and proper commitment is to establish exactly how they are going to pay; is it a cheque? Is it a bank transfer? Is it a credit card? If they are posting a cheque have they got the full and correct address? If it is a bank transfer; have they the full and correct bank details. If the money goes to the wrong bank account it can cause many problems down the line as equal effort is often required to get the money the second time.

Exactly when they are going to pay?

Statements like "I'll do up a cheque on Friday" should not be accepted on their own. If you receive a statement like this; follow up with the question: "That's great thanks, will I have it on Monday?" or "What time on Friday can

I collect it?" You know there are lots of stages to processing a payment; doing the cheque is only the first part, then it has to be signed, probably by two directors, who may or may not be in the building on Friday, then they have to print a remittance, put it in an envelope and get it in the post. This may or may not all take place on the same day. It is your job as a collector, not to leave anything to chance and make sure that you fully understand what they are really saying and what it means in terms of bottom line. The reality is I am not really concerned with all the steps the payment process has to go through in my customer's office as long as the cheque arrives on my desk or the money arrives in my bank account in full on the day expected.

Anything less is a failure on behalf of the collector. Just in case I have to keep repeating myself, all of these conversations must be conducted in the most friendly and good humored way possible, being aggressive and overly forceful will have the opposite effect on your payments.

Follow up after the call

The last eight sections have focused on the collection call from start to finish and the next section we will embark on a journey through looking at other collection methods that will help you to perform your job at a level of excellence.

This lesson is vital. You can do all the good work, make the calls, say the right things, ask the right questions and do everything very well. The key to success is in your follow up. If you don't follow up the right people at the right time you could find you are wasting a lot of your time.

A major part of your success at collections is your own credibility, and your credibility is defined by doing what you say you are going to do when you say you are going to do it. If your customer says they will send a cheque on Friday, and you accept their promise, and the cheque is not on your desk on Monday morning you need to follow up immediately. If you wait a week or two what you are doing is letting the customer know that you are not really serious and by telling you they will send a cheque will in fact buy them at least two more weeks.

I have said in the past that you teach people how to treat you, and how they treat you will depend largely on how seriously they take you. You have to be relentless, you have to be organized and you have to leave as little grey space in your communications as possible. If payment is required on Monday morning, that does not mean Wednesday!

Have a simple system, either using the follow up diary in your accounts package is the best. That way you and everyone else has a view of the history of the account, the promises that were made and the ones that were honored. If your system doesn't allow you to include follow up notes, I would be looking for a system that does! There are a number of very good systems out there and I am happy to advise on what would work best for you. In the meantime use Outlook or whatever diary system you have to put in reminder notes for yourself. These reminders must be recorded directly after you have made the call and before you take the next one. If you cannot put a follow up date in your diary after you have made the call, you wasted your time. You have failed to get a commitment from the customer and if you are a reader or have attended one of our training sessions you will know that this is an essential part of the call. In fact it is the most important element of the call as all other activities are simply leading up to it.

If you haven't even got Outlook or the equivalent, then use your page a day diary to put the person's name in on the day they promised to pay and the date you made the call. After the payments have been entered and posted that day make sure you check them off. If the payment has been received cross them off and if payment has not been received, make a follow up call.

In most areas of business from sales to credit, success is defined by your ability of following up in a timely manner. Failure is in not following up when you say you will.

Make sure the follow up phase is implemented into your calls process every single time. This also holds for query resolution or any other contact with your customer. If you gain the reputation as a person who is serious, someone who always remembers every promise that is made and has the discipline of following up in a timely manner your success will improve. If you gain the reputation as one who forgets what was promised after the call has been made, you will find more and more promises will be made and broken and your collections will suffer as a result.

Using Email as a collection Tool

Two years ago I would have discounted email as the coward's way of collecting! Credit Control is a contact sport and some people hide behind email because they are too scared to phone their customers, in case they get a reaction or rub them up the wrong way and cause a scene.

Knowing what to say and more importantly how to say it, is essential for maintaining excellent customer relationships. The truth is those relationships will largely determine the level of future orders, so should be treated very seriously.

The fact is, over the past two years, I have changed my mind! I think email can have an important role in the collection cycle if used properly and intelligently in conjunction with other methods. There are a number of things an email can do.

1. It can act as a timely reminder when the account is due. It is effectively free and if properly worded can have the desired effect.
2. It is a great follow up tool after a call, to confirm agreements and a record of what was discussed. Particularly if there were a number of detailed or complex issues being dealt with.
3. It can be automated, in the same way you have a Dunning cycle for your letters, your emails can be automated to be sent to selected customers, with customised and relevant information at a touch of a button. Great care is always needed when you are using any form of mass mailing to select the customers you want to get the message and more importantly selecting the ones you don't want to get any automated messages. The wrong message to the wrong person at the wrong time can have serious repercussions for your business
4. It can act as a substitute e.g. "Dear John, sorry I missed you when I called earlier...."
5. It can inform you when they received it and when they opened it.

There are a number of rules you should observe.

- One thing I always do is add the recipients at the end, as soon as I have written the body of the text and read over it and I'm happy with the content, the tone and the overall look and I have attached all relevant documents – I then add the recipients. This avoids hitting the send button in error either when you were half way through a sentence. Or worse still before you have had a chance to take out bits you didn't want them to see. Make a habit of it, it is worth it.
- Treat an email as a formal business communication and you should observe the same protocol you do with letters. Greeting, Structured paragraphs, punctuation, capitals etc. It may only take a second to fire off. It is a permanent record that is around forever after.
- Avoid using test speak and abbreviations, some people find this very annoying.
- The tone of the email should be appropriate, if I don't know you it should be formal, if I know you really well and we are on excellent terms and write to each other many times a day, then you can drop the formalities and keep the tone friendly, just remember it is a lasting record that both parties have a copy.

Remember, it is just one tool you can use to assist you in the collection of what is owed to you. It is through blending many methods and approaches that real success comes.

Text messaging

In some businesses text messaging is becoming an acceptable method of communication. It has many advantages over other forms of communication: it is instant, it is practically free, if you are using a large quantity there is the option of web text and some phone packages gives you free texts as part of the deal. You can also send out vast numbers at the flick of a switch which makes it very attractive, you also get a delivery report to let you know they got it. In the current climate everyone over the age of twelve has at least one mobile phone, so your coverage is also very good.

As a customer of eMobile I receive a text message informing me that my statement is available to view online, the amount of the account and the date the direct debit will be taken. Personally I find it very useful and while I know it is a preemptive reminder I think it is very effective. So far so good, I have not received any further reminders from them and I don't even know if there are follow up texts.

My opinion is that if you are dealing with consumers, sole traders or owners of small businesses where you are working with an individual, text messaging is appropriate and effective.

If you are working in a corporate space where your customers have hundreds or even thousands of employees, then it isn't. I am very sure the FD of a multinational Company would not take kindly to getting a text message on his/her mobile phone about an account the company should have looked after, and while you will get noticed, you will probably also get action, you might even get paid quicker than you would have if you didn't send it, fact is the chances of future business could be affected.

Like all forms of communications there are disciplines and areas to look out for.

Under current legislation you can only contact a debtor looking for money after 9am and before 9pm between Monday and Saturday, and never on Sunday or on a Bank Holiday. You have to ensure your schedules test messages conform to this law. I would avoid sending lengthy messages with individual content, particularly in the collection of overdue accounts. Needless to say never use threatening words or any words or phrases that could be misinterpreted – clarity is the key here.

If you intend using text messaging you need to collect the relevant mobile numbers at the start of the relationship and mobile phone needs to be listed in the contact details.

The whole area of regulation and legislation in the area of debt is lacking in the extreme, in most civilized societies, contacting people at work can be anything from illegal to not recommend to frowned upon. To be sure it is better to get permission from your customer/ client/ member in advance that if there is an issue it is ok to call them at work. The receipt of a text message could fall into this area, I am not aware of any legislation in Ireland that prohibits the sending of a text message to a person in work. If I am wrong I am sure there are a number of readers who will let me know!

The same rules of structure and tone and content that applies to letters also applies to texts except in much shorter format. I talk about collection strategies quiet a lot. The problem with most businesses is that the simply don't have written policies and procedures, not just for credit – for everything. Anyway that is another story, the story today is that you should if appropriate introduce text messaging to your collection funnel.

Collection Letters

Even in the 21st Century, there is still a place for letters. Every outstanding balance must have some form of collection activity assigned to it. Otherwise it will never be collected. Most are agreed that the telephone, when used properly, is probably the best tool in the collection of outstanding accounts, it is a two way communication, you can hear exactly what they are saying and the tone they are saying it in, you can discover issues, solve problems, negotiate and make agreements over the phone, unfortunately, most credit departments do not have the available resources to be able to contact all their customers by phone, as soon as they go overdue.

To solve this problem a number of businesses have what they call a "Dunning Letter". The word stems from the 17th century verb dun, meaning to demand payment of a debt. Typically these are system generated and most of the letters I have seen belong firmly in the last century and in some cases even the century before that. If you are using system generated letters, please take a few minutes to read what you are sending, if in doubt about the content of a letter you are sending, imagine your mother reading it and imagine what reaction it would get. This will give you a better insight into how others might react.

Prompted by this advice, it might be a good time right now to read and revise the content of your letters to ensure they are read, taken seriously and more important responded to in a way you want i.e. the payment is sent immediately.

There is so much I could tell you about writing letters and the right words to use and the right questions to ask, the right lay out, the correct details in the correct paragraphs in the correct order, in fact I could probably write a book on this topic alone, for the purpose of this exercise I will give you my top five tips:

1. Address the letter to a person, NEVER Dear Sir or Madam

If the letter is Dear Sir – they know it is a circular that is going to lots of other people so they are less likely to take it seriously.

2. Spell their name and address correctly

If their name is spelt incorrectly or missing capital letters or apostrophes on names with an O they probably won't even read the content.

3. State clearly why you are writing

Clarity is the key – state your message clearly and in simple language

4. Have a clearly defined call to action

Most letters I see are missing a clear instruction of exactly what you want them to achieve.

5. Sign the letter in blue ink

Yes, I know it takes time but having printed letters with printed signatures again sends out the signal of mass production. By signing each one individually you can check that all the points raised above are in place and you can double check that everyone who is receiving a letter, should receive a letter.

Finally you should have a separate list of VIP customers that never get a standard letter.

Door to door collections

With consumer collections in particular, businesses are going back to the door to door collector to call in person to collect the money that is owed. Different organisations have different rules and different instructions to their door to door guys.

Some are given statements and are expected to collect the agreed amounts when they call. Others are requested not to collect any money but instead get the person to call in or engage with the organisation they owe money to.

Letters and telephone calls are one thing; having somebody knocking on the door brings about a whole new level of urgency and immediacy to the situation. The person knows you are serious and they also know that they are not going to get away with this one! Even if the person is not at home or are at home and decided not to answer the door, leaving a card stating who called and why you called is a good idea, otherwise they will not know who it was.

I know at the outset I singled out consumers, because I know an increasing number of organisations are using this method of collection and the reason they are using it is simple – it works!

Now it also works in a business to business setting as well. Whether you decide to make an appointment or to arrive unannounced is a decision you will have to make and my advice here is that it depends on the number of broken promises you have received from them. If the answer is none, they will probably meet you if you make an appointment, if you have received a number of broken promises, they would be more likely to avoid you when you call so arriving unannounced is probably better here.

If you decide to adopt this collection method make sure you set out the rules very clearly. You should never threaten or otherwise intimidate a debtor, you cannot call before 9am or after 9pm on Monday to Saturday, you cannot call on a Sunday or a Bank Holiday as this is against the law.

To call door to door is time consuming and expensive, if the amount of money outstanding is significant and all other efforts to contact them have failed, it one thing you should consider as an option before you engage a solicitor to go down the legal route.

Some collection agencies have door to door collectors that will call on your behalf; some will work on a commission basis and the rates can be significant, remember a small percentage of something is better than a large percentage of nothing!

In the current climate you have to take whatever steps are necessary to protect your own business and that means collecting what is owed as quickly as possible.

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The use of third party agencies

When I am talking about third party agencies in this context, I am referring to Debt Collection Companies. This is one area that causes more problems for more Credit Controllers and Credit Managers than any other. The question is when should you hand an account over to a third party for collection or is it simply a waste of time?

If you pass it over too early you risk paying out commission charges that are adding to your costs, if you hold on to the account for too long you risk losing the money altogether.

If you hand it to an agency that doesn't know what they are doing you risk creating more work for yourself with little rewards.

Worse still, there have been instances in the past where Debt Collection Agencies collected money on behalf of their clients and they never passed it on to them sometimes due to insolvency and other times bordering on fraud. Because the industry is completely unregulated in this country anyone can at any time decide to set themselves up as debt collectors and start collecting money if instructed to do so.

So what do you do? It depends on a number of factors:

1. Your resources:
 - a. If you have adequate resources and have contacted the customer many times and received many promises that were all broken. If you have written to them many times requesting payment and all your actions have yielded no results. No matter what you do at this stage is going to progress an account like this one inch towards payment. It may be a good idea to escalate the account as soon as you have exhausted your own procedures a letter from a third party agency can have the desired results.
 - b. If you have limited resources you should look to place accounts earlier. Some of the better Collection Agencies can offer an outsourced service where they phone your customers on your behalf and they tell your customers that they are from your company and keep the lines of communication open through sophisticated collection software. In this case you really have to trust the people doing the job to act professionally.

- c. Your Relationship with your customers: If you have a small number of loyal customers they might take offence by being contacted by someone else. If you have a large number of small customers, you could be better off outsourcing the entire function.
- d. Your in-house Credit management expertise – if it exists use it, if not train your staff up to the required standard.

There are a number of absolute rules you must observe:

1. Make sure you chose a reputable and professional Collection agency to work on your behalf.
2. In general, I would require all payments to be made payable to your company. If you have a large number of low value consumer debts – you might give permission to your Agency to collect the payments electronically and pass them to you on an agreed schedule.
3. Credit Controllers and Credit managers tend to hang on to accounts for far too long, set up a system and stick to it.
4. If you can get a reputable agency to work for you on a commission basis, then you have nothing to lose and all to gain. The sooner you act the sooner you will see results, don't consider it a failure, think of it as the next stage in the process.
5. Next section we will be looking at the legal system and all that that entails.

The Legal System

In Ireland we have an excellent system for collecting debts and like everything else it works when it is used correctly. There are many misconceptions and some practices that should be improved. The whole system could be improved and in particular the use of the small claims court for debt collection and the ability of individuals and companies to handle the paperwork for all undefended judgments without the need for a legal firm to get involved in what is mainly an administrative process would be good for starters. We will concentrate on the system we have and how it works from start to finish. Forgive me if you know most of this stuff already I am writing for the benefit of the person who has little or no knowledge of the current system.

If you have done everything in your power to collect a debt, if there is no reason you are aware of why the amount hasn't been paid, or sometimes when there is, if the customer is not engaging with you in a meaningful way, i.e. making payment, there are times you have to make a hard decision whether to go down the legal route or to simply write the debt off completely.

As simple as this choice may seem, there are times when it is cheaper and easier to write the balance off, particularly in cases where the other party simply has no way to pay the amount in question. Once you have established that the money is due and owing, you know the exact legal entity you are trading with, ideally you have the necessary back up documentation, including copy invoices, signed dockets and a record of all the activity that took place since the account became overdue and you are satisfied that there are sufficient funds available to pay the amount in full, including interest and fees and that the relationship is beyond repair and you have no intention of doing business with them again, then the sooner you issue proceedings the better.

The court you sue in is determined by the amount outstanding, The District Court hears cases up to €15,000 The Circuit Court up to €75,000 and there is no limit in the High Court.

Each court has its own rules and vagaries and I have lots of information on the specific processes if you want to find out more, just let me know. There

are also some common ground: If you are successful each court will issue a Judgment, this is simply a piece of paper that says the court accepts that the debt is due and owing, it is worthless unless you do something with it. Your options include:

1. Register the Judgment for publication – it will appear in Stubbs and other Gazettes and be on the public record, and as a result will have a negative impact on their credit rating.
2. Lodge with the local Sheriff, who has power to seize goods to the value of the Judgment
3. Register the Judgment as a charge against property owned by the company or individual. You can then enforce your mortgage through the sale of the property in question. The reality right now is that no judge would enforce the sale of a family home for the settlement of a debt.
4. In the case of an individual you can get an Instalment Order, which if it isn't honoured can lead to committal to prison. It is important to understand that the Instalment Order is an Order of the Court, if the person fails to pay the instalments in accordance with the Order, they are in contempt of court. This is why they go to jail – not for the debt itself.

There are many other remedies, one final point if you are dealing with another business you are entitled to add on Late Payment interest and Admin charges to the account before you take proceedings and the amount should be included in the amount claimed, you are entitled to court interest of 8% on all amounts due from the date of the judgment. Hope this helps your understanding and make sure you get details of what it is going to cost you before you engage any legal firm.

Building Rapport with your customers

If you are involved in B2B collections, the simple rule is that success in collections is determined by your ability to build rapport with all your customers, and to develop the working relationship to a point of trust and mutual support.

The first ingredient is on the side of commitment, if you say you are going to do something for your customer – do it. If there are issues to be resolved and claims raised with you, it is up to you to break through any internal resistance to deliver what the customer wants, when the customer wants it. If they are looking for copy invoices, you have to have a system that allows you to provide the information, electronically if possible within seconds of the request, to give the customer the information they need to pay in full and never to give them an excuse to delay the payment even further.

In simple terms, the person you are talking to on the Accounts Payable side, wants to pay your account in full and on time with the minimum of hassle on their side. It is your responsibility to make sure you create the right conditions to allow this to happen. This means sending correct invoices to the correct place at the correct time with complete information including order numbers, delivery details, departments, correct pricing and correct quantities. This is the first step in building rapport, if they can process your invoices simply they are more likely to do it first, if your invoices are difficult to process as they often contain errors and inaccuracies, then your invoices are more likely to be put to the bottom of the pile.

Your statements should be sent on the first working day of every month, so your customer can rely on the information they need being there when they need it.

When it comes to calling your customer on the phone, this is where this lesson moves to a whole new level. We all know that different people are different; they have different ways to communicate and different priorities and different modalities. To be really successful, you have to be able to recognise their communications style and as far as possible use their style of communication rather than your own. In simple terms people can be divided into four categories: There are people who communicate visually, they will say things like “see you later” and most of the words they use are from the

visual side, some people are auditory – they rely on the sense of hearing as their dominant communications style, they will say things like “looking forward to hearing from you” – even if they are writing a letter!

The third section is kinaesthetic – they operate on the level of feelings “how does that make you feel?” You can hear the words they use are all on the feeling register. The final group are known as digital, these are the people who operate from the head up. Everything is logical, cold and factual. The first thing you have to know about these communications styles is that there is not one that is right and the others are wrong and there is nobody who is 100% one style on another and each of us have a bit of each style in what we do and how we do it. The thing is that each of us have a dominant style where we are more comfortable operating from, and we will respond better to people who are “on the same wavelength” as ourselves.

Knowing this information you can build up a profile of your customers and work colleagues and with that knowledge you will be in a better position to communicate with them at their own level. If you are interested in finding out more about how you can communicate better and easier check out the Collections module of this course, it delves much deeper into this topic and gives you an insight into your own personality type and what you can do to improve.

For the moment if you work on suspending your own style in favour of the style of the person you are talking to, you just might be amazed at the results.

Using your voice on a collection call

The funny thing is that most of don't know what we sound like, and worse than that we hate to listen to a recording of ourselves and find it hard to believe the voice we are listening to is really us!

If you can record yourself on a call, or if your calls are recorded for "training purposes" you should ask to hear a sample, particularly if a call went wrong and listen back to see where did it go wrong, this can be a real learning experience, even though it can be a bit painful at the time.

Some of the best training courses I have ever run were based on recordings of live calls to customers where we analyse what went right and what went wrong and how a call went from ordinary to ballistic in ten seconds – when the learner sees the affect a word can have or the affect a tone of voice can have or even how a simple inflection on a word or part of a word can change the meaning of the communications, this becomes a lesson that never will be forgotten.

Now for today there are a number of factors I would like to cover:

1. Speed – in most cases the slower you speak the better you will be understood. It may be alright to speak at your normal pace if you are talking to someone who comes from your local area, when talking to someone who has a different accent to you or where the language you are speaking to them in is not their first language, then it is a very good idea to speak as slowly as you possibly can. Practice speaking more slowly, your success on the telephone will improve if you simply take this one piece of advice on board.
2. Pronunciation – this might be somewhat addressed when you talk more slowly, there are areas where it will not. Make sure you finish your words – words like "collectin'" or "sortin' the account" will give the impression you are not a true professional, even though you probably are. Of course when you have developed a relationship with an individual you can lower your guard somewhat, you still have to remain professional and taken seriously. If you are dealing with somebody either for the first time or you really don't know them very well, you need to create the best impression you can.

3. Pitch – in simple terms the higher the pitch the less seriously you will be taken. If you speak slowly and lower the pitch of your voice you will come across as much more confident and really in control, and as a result you will be taken more seriously.
4. Inflection – this is where you put an emphasis on a particular word, this can completely change the meaning. Another aspect of inflection is where you raise the pitch on the last syllable of the last word in your sentence. This should be avoided, it can turn a statement into a question and cloud the message you want to deliver.
5. Tone – every person and every call has a slightly different tone – and while words contain about 7% of the communication, other factors such as tone can account for a much higher percentage. It is not what you say it is how you say it. Your tone will invariably reflect what is going on around you and the way you are feeling at that moment in time. Watch it. Asking for money can be a sensitive enough topic so you have to use everything you can to ensure a proper focused communication that achieves the correct result.

I am sure you would agree that you can hear a smile on the phone, in reality you hear a lot more than that! Credit Control is all about communications, and clear communications are essential for the prompt collection of the accounts you have outstanding. I hope that having read this section you will be conscious about how you speak and more importantly what the customer is hearing.

Body Language

Everyone knows that you can hear a smile on a telephone. The fact is you can hear a lot more than that. Your attitude, your mood, how you are sitting and your surroundings all come across on the phone as well!

In this section we will concentrate on your body language and how you can improve yours to ensure better results. When you are at your desk make it is clutter free – if you are working in an untidy environment it does have an effect on your performance. Even if you have a pile of paper to go through it is far better to put it behind you so you can concentrate on one thing at a time and give it your 100% focus. There is a long standing admiration for people who multitask – I must admit that I am a fan of unitasking! That is doing one thing at a time, giving it your all, finishing it 100% (95% finished is only half done!) and then moving on to the next most important task.

If possible place your screen above eye level. Believe it or not you are in a better mood if you are looking up that if you are looking down (I'll prove it later!). On the basis that the better your mood the better your performance, work on improving your posture and it will have an impact on the power of your communications, try it for a while and see if it makes a difference.

Never slouch. Apart to the damage it does to your posture it also has a negative effect on the clarity of your communications. When you are talking to a customer, client or member it is vital that you come across as confident, knowledgeable and serious about getting paid. If you give the slightest hint that getting paid is not important to you or that you are not really serious, your customer will pick up on that and put you back to the bottom of the pile.

Credit Control and collections is a contact sport, you have to communicate clearly and you have to communicate to win. In the same way your sales people are competing for your customer's orders, you are competing for their cash. Remember that at all times and go back to the previous lessons about talking slowly and clearly to make sure your message is heard, understood and most importantly, acted upon.

If you have a difficult call to make or even if a call becomes difficult half way through and you get a sense you are losing control, there is a simple and effective thing you can do – stand up. Yes, stand up and you and the person

you are talking to will feel the difference in the power levels and as if by magic you will regain control.

It is ok to be animated and to use your hands to emphasise the main points, again this action will be reflected in your voice and come across to the person you are talking to. Remember too that if you adopt a defensive pose that too will be picked up and you are more likely to be the subject of an angry interaction.

If you have an angry or abusive call, before you get upset, go through the stages of the call to see where it all went wrong. If you record your calls "for training purposes" then listen back to it and see if you can work out what went wrong, it is often just a word or a question or even a flinch that shows a sign of weakness that can be exploited. On a different point if you are having more of your fair share of difficult calls, I am happy to review any of the recordings and let you know exactly what happened and why.

Finally, as far as possible sit up straight and put your shoulders back, do it now as you are reading this and see if you notice the difference. Second final exercise from where you are sitting tilt your head to look straight down at the floor, check your happiness level. Then look up and tilt your neck until you are looking straight up at the ceiling and see if that brought a smile to your face – you see it works!

Dealing with different types of people

One of the great skills required by anyone in Credit Control is the ability to successfully communicate with many different types of people and still get the required result. This is a skill that most Credit Controllers never even think about because it comes naturally to them. This short piece is to bring your attention to the best way to build rapport with whomever you are talking.

On the Collections module you will learn all about the different personality types and the different ways different people process information to help them with improving their communications skills. For now the simplest way to get the best results is to remember to reflect back to the person the style you are hearing. Let me explain... the first thing you have to do is listen to the tone of the person you are contacting, if they appear to be friendly and chatty, then the easiest way for you to communicate with them is to be friendly and chatty yourself. This will put them at their ease and they are more likely to respond positively to you.

The simple fact is that people like people who are like themselves and 99% of the time when you are dealing with other businesses, the relationship you build up with the person you have to talk to on a monthly basis is the key to prompt payment and the speedy resolution of queries. If the other person likes you they are more likely to respond, if they don't, you are most likely to find your invoices at the bottom of the pile when it comes to processing.

Now this does not mean you have to be friendly and chatty all the time, you are only this way when the person you are talking to is this way. If the person you are talking to is factual, blunt and to the point, then it is better for you to adopt their style and be factual, blunt and to the point back.

If the person you are speaking to speaks slowly, then you should speak slowly, if they speak quickly, so do you. This process of mirroring their behaviour is a proven way of building rapport and getting the result you are looking to achieve.

We know there are 16 different personality types and each has their own preferred communications style and everybody thinks that they are right and the way they communicate is the correct way. It is not your job to judge, it

is your job to get the money, so you should use whatever techniques you can to make sure you are getting the required result.

Now the only exception to this rule is if the person you are talking to is extremely aggressive or downright rude. If they use foul language or expletives - that is up to them - you should never become aggressive, rude or engage in any unprofessional language. That will NEVER get the required result. The best way to deal with an abusive call is to actively listen to what they are saying; very soon you will be able to distinguish if their behaviour is justified i.e. action taken by your company has understandably upset them - in that case you should get the facts, apologise for the action and if necessary call them back with a solution before you ask for the money again. If it is clear that they are just venting, if there is no substance to their anger and they are just being angry for the sake of it, then unless there are some hidden external forces at work that you cannot see, the simple fact is - they have no money!

If they can get through the call where you are too afraid to ask for the money, it is round one to them and they get to keep your money a while longer. If they can put so much force and anger into their call that you are afraid ever to ring them again, in their minds they have done a great day's work and that is one less annoying creditor they will have to deal with. In extreme cases you may call the person back when they have had a chance to calm down, if they started calm and the call went mad, it is possible something you said, no matter how innocently, caused them to fly into the rage - and if you did that once you are more likely to do it again.

This week resolve that you are going to take time out to really listen to every caller, deal with their issues and always ask for the money.

Reviewing Collection activity

One of the key activities is to take time to review the collection activity and results being achieved by every Credit Controller and Collection Agent that are contacting people to arrange payment of their accounts. We all know that people do what is inspected, not what is expected. Everyone needs to feel that what they are doing is important, so leaving a Credit Controller to their own devices for months on end is not a good idea.

The best way to complete a review is to start with a copy of the aged debtors list and sort it into descending order on amount due. The purpose of the review is to be able to create a detailed cash flow forecast at the end of the process. Beside each entry you should be in a position to do a number of things:

1. Put the exact date that payment is expected, and the full amount of the expected payment – not the balance in the account. If the figures differ you should have two dates for your diary: the date the first payment is expected and the date that the balance will be paid.
2. You need to distinguish between calls and contacts. You can call someone ten times and never get to talk to them. If this has happened you should get the full details; did the phone ring out, is the phone disconnected, were messages left for the customer. If you have failed to contact them using this method, then you should look to other collection tools including letters, text messages or emails to make sure you are heard.
3. In some cases it may help to escalate the collection process and to this end it is useful to have different tiers of contacts within your customers business. Your Credit Controller typically speaks to their opposite number in the Accounts Payable Department, The Credit Control Supervisor should also have a relationship with the Accounts Payable Supervisor, the Credit Manager should be in a position to contact the Financial Controller, the sales person should contact their contact in the purchasing department and at Director level the Managing Directors should also be talking to each other. Part of the review process is to escalate the collection process to the appropriate level in both organisations to ensure timely collection. One of the things most Credit Controllers have to get better at is to get help and support from all the other people who interact with the customer. To that end, if you are making deliveries your van drivers are talking to the back

door staff and there are times when they know more about what is going on than the people at the top! At least they are more inclined to talk. Use the review process to decide what level is appropriate. I am aware that the structure as outlined is geared towards a large Company dealing with a large Company, even in a smaller business the steps can be scaled down as appropriate, the same rules apply.

4. Take particular note of customers who have an old balance and no current sales – this could represent a real problem. Have they closed down? Are they buying from someone else? Has business ground to a halt? Have you put them on stop? Find the answer.
5. Take particular note of slippage on payment dates, it could be the first sign of problems at a later stage.

At the end of the review agree the action points with names, dates and times and make sure your next review session starts with making sure what was agreed to be done at the last one was completed in full, otherwise you will find yourself having the same meeting over and over again and end up going nowhere.

When is it worth suing and when is it cheaper to write off

We have already dealt with the need to create a collection funnel for your business which is a set of procedures that automatically kick into place at a set time depending on the amount outstanding, the risk profile of each individual customer and the margin you are making on the goods or services in question.

Each business should have their own set of rules guidelines and timeframes on this and as each industry is different and there are different credit expectations. As you get to the end of your own process you should look outside the company for help in collecting the debts that you are owed, chances are if they are not acting on your reminders they probably never will so the sooner you pass the debts on the better.

The problem here is that some Credit Controllers and Credit Managers see it as an admission of failure if they have to ask someone else to help and the truth is it is nothing of the sort. The job of a Credit Manager is to get as much money in as possible, as quickly as possible while maintaining a good working relationship with the customers and keeping the costs to a minimum. The simple fact is that whether it is done in house, outsourced or insourced that is of secondary concern, the main concern should always be to get paid.

Different Credit Departments have different level of resources available to them and on that basis decisions have to be made on the best time to get someone else involved. The more resources you have in-house the longer you retain an account, the less you have the sooner you outsource – simple.

Then you get to the point at the end of the funnel, you have sent all your own letters, you have knocked on the door, you have sent your letters and a hundred other attempts to secure payment and they have all come to nothing. Then a simple decision has to be made – are you going to write it off or are you going to go down the legal route.

Like all decisions get all the facts in front of you first, in particular determine their own ability to pay or failing that the availability of unencumbered assets that can realise the money you are looking for. Quite simply from a financial perspective if they haven't the means to pay you need to look a little closer. If they are sole traders or individuals and not only do they not

have any money, they are in negative equity and their prospects are even worse – then write it off. If it is a Company you are dealing with – why are they still trading? One of the definitions of insolvency is the inability to pay your bills as they fall due, if the company is insolvent the Directors are acting illegally and as such could be made personally liable for the debts of the company.

If your company policy is to obtain a judgment against every defaulting customer as a matter of principle, that is fine – two things; firstly make sure you have the budget available because I have no doubt that it will cost you money and secondly, in the Republic of Ireland, will you make sure you register the judgment, if you don't you are wasting your time.

Whether you decide to write the debt off your books or register a judgment remember that a debt is a debt forever, so at a minimum send a reminder every six to twelve months – just to let them know it hasn't gone away and it's not going to until it is dealt with. You are entitled to charge court interest of 8% on all outstanding amounts from the date of the Judgment – perhaps a statement along the same timeframe – just to show them the balance will continue to rise will act as an incentive to address the matter, better late than never – even still early is best of all.

At what point do you stop doing business?

There comes a point when you are supplying a customer on credit and the payment has not been received on the due date that you have to make a call to either continue to supply further goods on credit or to suspend further deliveries until payment is received. This can be a difficult call and one that causes more conflict between sales and credit than any other.

Obviously the sales people want to make the sale and will resist any action that has the potential to reduce sales and run the risk of annoying the customer to the point where the customer goes elsewhere. To most sales people the money is of secondary importance and is the credit controller's job, anyway. The way they see it is that they are being penalized and the customer is being penalized, just because the credit controller did not do their job.

From the credit control perspective they see a customer who got an order probably two or three months ago on credit, they agreed to pay for the order on a specific day or date and failed to do so, and now they are looking for even more credit.

Unfortunately, there isn't a simple yes or no answer to this one and the only definitive answer I can give you is "it depends"

You should hold the order if:

- The company is on the verge of closure.
- You have reason to believe the customer is in financial difficulty.
- The amount is small and the profit is smaller.
- You have had many promises that were subsequently broken.
- You previously said that if the payment wasn't received the order would not go.

You should not hold the order if:

- There is a genuine unresolved dispute on the account.
- It was a genuine oversight and they make a promise you believe.
- It is a key customer and you know they are financially strong and something has simply slipped through the cracks.

By releasing orders for say the first five days after month end if the payment has not been received, you are in fact saying very clearly to all your customers that it is okay to pay you on the 5th day of the month following and there will be no consequences. The problem here is that if you are used to getting paid on the last day of the month and your customers slip out to the fifth of the following month, you would double the debtor's balance on the monthly report that you run on the first working day of every month, which does not reflect well on the credit controller.

The simplest thing to avoid conflict is to have a clearly written credit policy that sets out the rules for allowing orders and the rules for stopping them. It should also allow for some escalation process in exceptional circumstances. Sometimes there are facts that either sales or credit are not aware of that could influence the decision if it is escalated to a higher level.

The best decision is the one that acts in the best interest of the business, credit should not refuse profitable orders that will be paid for and sales should not accept orders that will not be paid for and the customer should pay the account on the agreed date.

Releasing orders

One of the jobs credit controllers spend a lot of time doing is “releasing orders”. In fact it is a task that is not even questioned anymore because it is so much part of the working day. Well I am going to question it! Why are you doing it? The only reason an account should go on hold is if the customer is either over the credit line set for the account or they are exceeding the number of days permitted. For each class of customer, depending on the risk category, you should build in a tolerance level showing how many days beyond terms you are prepared to let the customer go before you stop supplies or withhold service.

So, if these rules are being applied, the job of the credit controller should either be to review the amount of the line of credit, the customers risk category or the tolerance allowed.

If this important task is not completed on a daily basis in favor of releasing individual orders, then the problem will persist and what is even worse, the number of orders will eventually get out of control.

The function of management is to ensure that proper controls are in place and in my experience this is not always the case. In fact some don't even keep logs of what orders were released or why. Anytime you constantly override your system you are losing control.

To maintain control of your exposure you have to have rules and stick to them. Of course there is a need for some flexibility in certain circumstances and credit control usually involves applying common sense in every situation. There are good reasons and downright lies and the role of the Credit Professional is to be able to differentiate between.

It is only when things go wrong, when a business closes or a company goes into liquidation that the senior management comes looking for answers and explanations. If an account goes with a balance exceeding the signed off line of credit then all concerned have very serious questions to answer.

My advice for what it is worth, spend less time dealing with the symptoms of a problem by constantly releasing orders and more time tackling the root cause and making better decisions every time. The alternative can be very expensive.

What you should report on

One of the things I find is that some people think of Credit as a negative function, and other people wonder why. I would suggest a large part of the perception comes from the words that are used and the non commercial approach taken by some credit controllers and credit managers. Mainly I think it is the words and language of credit that is the greatest cause of the negative image.

Credit Controllers and Managers use words and phrases like "stop supply" "orders on hold" "credit limit" "bad debt" "provisions" "query" "credit notes" "problem" "credit refused" "account closed" and I'm sure you could add lots more of your own. We cannot stay focused on that much negativity, we cannot spread that much negativity without some of it rubbing off on us.

We have to change the language, we have to change the words and anyone who has been on a training course with us will know exactly what I am talking about here. If you don't know – for now all you have to do is to see how you can turn as many negatives into positives to deliver the correct message.

This negative way of thinking spills over into our reporting. Most credit departments report on things like DSO (days sales outstanding), Overdue debt, provisions and bad debts. If you go through the list again can I ask two questions? Firstly if you are doing a great job what way are your graphs going? Yes they are all going downwards and graphs that go downwards make senior managers very nervous indeed.

The reason your graphs are going down is simply because you are reporting on what you don't want – you don't want overdue debt, you don't want provisions (in an ideal world!) and you certainly don't want bad debts. So why do you focus on them? Why do you report on them? Why are you so hung up on them? You know you get what you focus on, whether it is stuff you want or stuff you don't want, so is it time to change your focus.

If you go to a boardroom and report on the aforementioned items did you ever stop to think what you are saying and what they are hearing? Let me explain in simple language. If you point to the overdue debt, you are showing them all the money you didn't collect! When you point to the figure for provisions you are showing them the money you don't think you are

going to get, and when you point at the bad debt figure you are showing them the money you are never going to get!

Is it any wonder they see the function as negative!

My advice is that you change what you are doing right away – change your reports to be a positive record of what you have done and not simply a document to show them what you didn't do!

Report on cash received, report on new accounts opened, report on bad debts recovered, report on % of the ledger that is in terms. Report on the sales potential in the ledger in relation to unused lines of credit. Point out the opportunities to make your customers happy, point out opportunities on how you can grow the business, point out how the business could be more profitable. If you change your approach, the senior management will change their approach to you. The purpose of what I teach is to increase the value and understanding of Credit Professionals everywhere, there comes a time when you have to do it for yourself.