

The reasons for non payment

Before you start this section make a list on a separate page of all the reasons and excuses you get on a daily basis that acts as a barrier to getting paid. List everything you have ever heard from copy invoice to the dog has eaten my chequebook and everything else. As soon as you have the list finished go down through the list and establish if that reason is because they can't pay, they won't pay or they shouldn't pay. If you are not sure leave it blank and hopefully when you read the following material you will be in a better position to call it. Remember the only definitive statement I have ever made about Credit which is "it depends" so for example a copy invoice request alone could be any of the three. So we have to use our skill and knowledge to find out which it is.

We can eliminate the "shouldn't pay" very quickly, we send them a copy and we call back ten minutes later to make sure they got it. Now we have removed that excuse it is either can't or won't. Use the strategies below to decide which course of action will be the most effective in every case.

When we get to the end of this chapter if there are any reasons that you are having difficulty categorising, drop me a note and I'll do what I can to help you with a proper approach.

The reason they tell you and the real reason

This is a very important lesson in dealing with the public. If they give you a reason they haven't paid, chances are there are two reasons your customer won't pay you – there is the reason they tell you and the real reason. Failure to grasp this simple point will result in decreased efficiency on your part. A simple throw away remarks like "can you send me a copy invoice" is really effective as it gives the credit controller something to do, deflects attention away from the customer,

puts the onus of the next move back on the credit controller even if it has nothing to do with the real reason the account is not being paid. Remember “the reason and the real reason” at all times, every conversation with every one of your customers. Be sure you ask the right question at the right time. The best response to the request “can you send me a copy invoice?” is “Of course I can, what is your fax number or e Mail address? This lets them know that you are willing to help, but their request will not buy them any extra time. Before you hang up a great question to ask at this point is “Tell me, John, is this the only reason you are not paying?” If the answer is yes, that leaves the door open to you to ring back in ten minutes to confirm he received the invoice and then ask “So, now can I have the payment?” If the answer is yes, and logically it should be, then all is good. If the answer is no or it has to be approved or some other reason you now know that the real reason was NOT the requirement of the copy invoice. In the words of Thomas Edison, you have succeeded in finding a reason that didn’t work, now the task is finding the real reason.

Too often credit controllers and collectors are diverted from getting the required result by becoming sidetracked by spurious reasons that knock them off track. The fact that you are doing this course and you have so many more information at your disposal you will never be one of these again.

Always accept the first reason they give you on the surface, if they detect any suspicion or disbelief in your voice or tone, this could have a damaging effect on the relationship. Deep down you know you are either dealing with the reason or eliminating it. Either way it is an essential part of the journey from here to there, from an overdue account to money in the bank.

This is a great approach because what you are doing is, going past the reason they are telling you to get the real reason – you are also getting rid of the next excuse. If they say it is (even if it isn’t) it leaves the door open to you to call back in 5 minutes to make sure he received the Invoice and to ask “Now can I have the money?” At best he will feel the pressure and agree to pay now, at worst you will get the real reason – whoever gets here first is in a better position to get payment

than the busy fool that is busy posting copy invoices and giving customers another week or two or more to pay.

Always deal with requests for copy documentation immediately, failure to do so will result in delayed payments. You see, when you accept the request, the onus is on you to deliver NOT on your customer. While there is an outstanding request with anybody in your company the customer will take this as justification for not paying and the longer you take to deal with the issue the stronger the signal you are sending them that the money is not important.

Be on the top of their priority list, and that is where you want to be, and that is the point of this course.

Once you get to the real reason you will discover there are really only three; there are the customers that can't pay, the customers that won't pay and the ones who shouldn't pay. We will deal with each of them in turn and the strategy is different for each of them, so very early on in the call you have to discover which of the three categories this customer falls into this time.

Can't pay

There are customers who can't pay in simple terms they simply don't have the money. How you would know is if the account is showing this type of behaviour. The person in charge is either not spending time in the business or they are telling you that they don't, either way it is bad news. The receptionist/PA is overly protective when it comes to putting calls through: "who is calling?" "What s it in connection with" "I'll check if he is available" this one means he is in the office I'll check if he wants to talk to you.

The typical reasons these customers give you include:

- Waiting to be paid by someone else
- Things are a little tight at the moment
- I am in negotiations with my bank
- I have no money

There are two sub categories here, there are people who can't pay in full right now and there are people who can't pay at all, or more accurately there are people who don't think, at this time that they will be ever be able to pay you.

As soon as you have established they are in this category there are a number of things you have to do. The first is to say something like "I'm sorry to hear that" It proves that you were listening and also that you are understanding and human. This will also deal with the heightened levels of emotion that will be around such an admission of financial status. Most credit controllers fall at this hurdle, "they have no money, what can I do!" There are many options at this stage the best thing you can do is negotiate.

To get the negotiations process off to a good start and getting them to say “yes” is a good start so make sure the next question you ask them gets a “yes” answer. For example “John, do you accept you owe €3,675?” is a great question, you are focusing on the money, you are getting them to say yes, and if they don’t you are still getting closer to the real reason where the resolution lies. It is a very good question because it is not threatening and won’t cost them anything at this stage to answer it, you will probably get a response like “I accept I owe it, I simply don’t have it” If they say no, then the focus of the conversation shifts to establish the exact amount the customer says they owe. All the negotiating in the world will not work if you are looking for one amount and the customer thinks it should be a different amount.

So your priority has shifted to establishing the correct amount. This can be a simple matter of asking them “What is the difference” or “How much do you owe?” When you get the lower amount or the reason for the lower amount again you have two options, you can investigate it on the spot or if the amount is small in comparison to the overall debt, or you could park the query and deal with the money issue first. A rule of thumb here is half. In the example above if he agrees he owes €3,200, I would agree to investigate the €475 and see if we can come to an agreement on the €3,200. If they said they only owed €1,000, I would get all the facts from them, investigate them fully and come back and agree a final amount and a payment method.

Coming back to words, when you are involved in a negotiations process you must never use the words “no problem”. It **is** a problem, the fact they have no money **is** a problem, they cannot pay you in full and on time this **is** a problem. Some people justify their situation by consoling themselves with the notion that I am not alone and there are thousands of people in the same position as I am. So as you skilfully go through the process, at no stage should you legitimise their position by saying things like “you are not alone” “there are lots of people in the same situation” . You need to make them think that they are the only ones with a problem to this extent and you are prepared to help them as long as they are prepared to work with you. You should also never use the words “no problem” in the context of dealing with a request the customer may have at this stage. To win the

negotiations you have to look to every single opportunity to make your advantage count. So even if they ask for something simple – your answer should always be in the “if...then...” format. Let me explain. If they ask for something, there is a value to them in receiving it, if there is a value, it has to come with a cost. So if they ask for something simple like copy invoices on yellow paper, and you have a hundred reams of yellow paper in the office, they don’t know that. So hesitate before you jump in to say “no problem” stop, and say something like “If I could arrange to get you the invoices on yellow paper, could you sign a direct debit form for me?” This is known in Latin as “quid pro quo” which literally translates to “this for that”. If I give you something, you have to give me something. The two things don’t even have to match, as long as you get something for everything you give, the negotiations process will be more successful. As long as they perceive they are getting something they want, they are more likely to engage in the process and feel as if they are winning as well.

So stage 1 – discover they are in the “can’t pay” category. Say you are sorry to hear that. Ask do they accept they owe the money, if they accept they owe it then go straight to the killer question – something like “So, how do you propose to clear this amount?” When you ask a question like this, it has to be followed with silence. Stay completely silent until they respond. They have to come back with a proposal. The proposal they come back with can either be acceptable or unacceptable to you that is of secondary importance right now. What is important is they have made an offer and have entered into the negotiations process. You see, the negotiations process is simply one of proposal, counter proposal, proposal, and counter proposal until a solution is found. The proposal has to follow the line on the “here to there” chart in the previous module, so at every stage you are bring them closer and closer to where you want them to go.

Now here is where I disagree with most other commentators and trainers who will tell you to reject their first offer. I believe if you reject the offer you will bring the negotiations to a screaming halt. You asked me for a proposal, I gave you my proposal, you rejected it. Can you see the conversation stops here, the fact I rejected your proposal will mean you will be less likely to come up with another one, for fear that will be rejected too. What is worse is if you simply accept their

first offer, without question. That will leave them feeling they offered too much in the first place, and the fact that you accepted it straight away it must have been more than you were expecting. This feeling will have a detrimental effect on the follow through, they will go away thinking “I was really stupid there, I offered them €500 a month and they nearly took my hand off, why didn’t I say €200? It probably would have been accepted just as readily and I’d have an extra €300 a month to spend.”

The solution to this dilemma comes in the simple words “Thank You”.

If they have an account for €3,000 and they offer €500 per month, which might be acceptable or if they offer €10 per week which may be unacceptable, right now engaging them in the process is the most important thing, as is getting the facts and coming to an agreement that will be delivered in the end. What the simple words “thank you” does is put the money in the bank! If they say “I’ll give you €500 a month and you say thank you, the worst that can happen now is you will end up with €500 a month, if you reject the offer you are back to zero and as discussed earlier they are unlikely to come forward with another offer, so the conversation is either over or will end in a row.

So now let me finish the sentence. They owe €3,000, they have offered €500 per month and your response is “Thank you, I was hoping to get €1,500.

This way you have just put the €500 in the bank and now you are looking for more, you have made a counter offer that they now have to respond to, you are also letting them know you are prepared to negotiate, if you came back with “I need the full €3,000 this week” they will see that as a rigid position and there is no flexibility, so you are sending out the signal you are not going to negotiate, and there are times, particularly if you know they are lying, and they either have the money or they can get the money, when this approach is the correct way to go. It is a higher risk strategy than the other. Back to the response to “Thank you, I was hoping to get €1,500”. Either they agree to give you the €1,500 or they will give you a reason why they can’t. This stage of the call, is the data gathering stage, and as you go through the process you will have to make a call on how genuine they are and what is the best possible outcome all round.

Now say if you go through the process and agree they will give you €1,200 per month. That is where most credit controllers stop and congratulate themselves on a job well done and where I am telling you that your job is not even half over at this stage, you are only beginning. So verify you have a deal in place “John, you are happy with €1,200 per month?” “Yes” Can I have/ can I collect/ Can you transfer the first payment today? Now you have just taken the first month out of the equation. Then you have to agree what day of the month the following payments will be made. If it is two or three, and as long as we have cheques, you could ask for three post-dated cheques to cover the amount. It doesn't guarantee payment; it does take the collection bit out of the equation. Just a note on this, if you accept two or more monthly post dated cheques from a customer, I would send them a reminder a couple of days before the payment date, not to ask their permission but to inform them that the cheque is going to be lodged on whatever day it is going to be lodged. The fact that you have post-dated cheques is in itself an admission that they don't have all the money to pay you, and if they can't pay you chances are there are other suppliers they are under pressure to pay as well, so giving them a couple of days notice, improves your chances of receiving payment. They will either hold off giving a cheque to another supplier or taking money out of the business themselves.

Wow, so now we are finished? Not even close! If this customer buys supplies from you on a regular basis, the last thing you want to do is to send them across the road to your opposition, unless you are of the belief that they are not going to recover and the business are on their last legs

If the repayment period is over a few months, it is better to automate it so “Can you sign a Direct Debit or set up a standing order for this amount?” would be a good follow on

It is a good idea to follow up the conversation or the meeting with an email outlining the agreement reached and going into every single detail, e.g. in the above example:

Hi John,

It was great talking to you this morning and I hope you are happy with the agreement we reached. Just to make sure we are on the same page I have set out below my understanding of what was agreed. Please confirm you agree:

- 1. Outstanding account balance is €3,000*
- 2. The first payment of €1,200 will be transferred to our Baggot Street branch of [bank name] today.*
- 3. The second payment of €1,200 will be transferred to or will be in our account on or before the 26th [next month]*
- 4. The final payment of €600 will be transferred to or will be in our account on or before the 26th [following month]*

In the meantime you are welcome to order whatever goods you require either for collection or delivery basis and will be paid by credit card at the time. As soon as the account is brought back into order we will consider reinstating your credit facilities.

Thank you for your cooperation, I am glad we were able to facilitate you this time, it is important that the agreement reached is delivered in full and I look forward to many years of profitable business for both of us.

Regards,

You

Just that you are clear, this is just a suggested letter, nothing on the course is supposed to be used verbatim, so feel free to change the words and the tone to fit your own style, as long as the essential components are there.

If you are dealing with a consumer and they tell you they have lost their job, they are in arrears on their mortgage and simply don't have the money to pay you, what do you do now? The definitive answer I will give you to this question is the only definitive answer I will ever give you, and the answer is: it depends...

I agree that if there has been a change in circumstances, they might not be in a position to pay in full right now; we still have to come to a resolution.

If you are providing an ongoing service e.g. gas, electric, phone or internet, then the question is do they wish to continue to receive the service? If the answer is yes, you have to find a way to continue to keep them supplied and work down the arrears over the shortest time possible, bearing in mind the shortest time could be many months even a year.

Under the proposed consumer insolvency legislation it seems that the maximum repayment period, in the event of insolvency is one year, with all debts under a certain value written off after that time. Details of the new legislation will be available as soon as it is finalised.

Now, the simple fact is that there are very few people on the planet who have no money. Even social welfare recipients have the most secure income you can get. Now I am not saying it is enough to meet all the commitments, most of the time that is not the case, but there is an income and while they may not be in a position to meet all the commitments they have entered into, they have to be in a position to pay something! Even if that figure is only €5 per week, it better to be getting something than getting nothing. It is better to keep the customer in touch with you and even if it is only a very small amount of money, establish the habit. Of course you cannot agree to a small payment such as €5 or €10 indefinitely, so agree to the smaller payment for a fixed period of time or it could always be event driven. If someone has a loan, agree the lower payment for a period of two, three or four months, to give them a chance to sort themselves out.

If someone tells you that they have lost their job and are now on €200 welfare and cannot afford to pay the full amount they initially agreed, without an end date, they are working on the assumption that they are not going to work again!

While in some ways it is understandable that people only see the worst possible outcome when they are in a crisis, part of your role is to help them through the difficulties they are having, so you both come out the other side with a stronger relationship that is based on trust.

If you work in a Credit Union or other consumer financial institution, you are on a life journey with your members and customers, and the thing you can be guaranteed with a life journey is that there are going to be ups and downs. If you truly care about your member/ customer you will do everything to ensure the best possible outcome from everyone's perspective, to me that is the role of consumer collector. Maybe you could say, "My manager would never agree to that". If that is the case perhaps when it comes to collections and as a result of the course, it is possible that as you become a Qualified Collector, you know more than your manager about this particular topic. Of course your manager knows more than you about the company image, the strategic goals of the company, which might be impacted by your collections policy and you may not be fully aware of it, so as with everything a little give and take is good.

By all means show your manager the relevant area in the notes and if they understand the logic and think that the business would benefit from implementing the changes, get them to make the necessary changes to the collections policy to incorporate the changes.

Getting the facts

The key to doing the best deal possible is getting all the facts and you will do this by asking the right questions in the right way. If you adopt a superior position or you are confrontational you will make slow progress, if you approach the situation

as a problem awaiting a solution, and you know that if you have all the facts you will find the best possible all round.

Negotiations tactics

Just some quick tactics I hope you find useful:

If you have to concede anything, no matter how small, make sure you make it look like a really major concession on your part.

If they make an unrealistic offer there are a number of things you can do:

1: Sound like you have been punched in the stomach and you are in physical pain as you repeat their offer slowly. "Twenty Euros" maintain a look of disbelief on your face as you say it. Maintain that look of disbelief in silence after you have said the words and wait for their response. Bite your tongue if you have to, very hard if you have to, DO NOT smile when they comeback with an improved offer as you sit there and say to yourself "I didn't think it would be this easy"

2: Say something like "John, you seem like a reasonable man to me. Can you explain how you think a payment of €10 a week on a €5,000 debt is reasonable?"

3: Laugh or say something really dismissive without making them angry, something like "you are having a laugh!" sets the tone for the rest of the process and they know they have to keep it real.

Here are some very good questions you can use as part of your negotiations:

"What do you have in mind?"

This question leaves the door open for a variety of responses from the customer. In most cases, the position or proposal which is foremost in the customer's mind will be the first thing that is said. The collector does not have to agree with what the customer says, but the stated position provides vital information.

"What would it take to . . . ?"

Again, this open-ended question established position and provides information. The question can end in several different ways. For instance, it could be "What

would it take for you to get this account paid in full today?” or “What would it take to verify this debt to you?” Collectors don't have to agree with the response, *but the question creates the dialogue.*

“What else?”

This question, when used in a continuing string, can keep the customer talking, providing additional facts and information to the collector. At a certain point, the customer may run out of things to say, and the collector will move on to another question.

“What's in this for me?”

If they are completely one sided and simply looking at the world through their own eyes, this is a good question to help them get real from your point of view.

“Where will you compromise?”

This is a “no-lose” question for the collector. Often, while attempting to collect a debt, a collector tries to determine a compromise position. When this question is answered, it establishes a position that can now be negotiated. collectors need not accept the compromise that is offered. However, sometimes the offer the customer gives is better than the one anticipated by the collector.

“Do I know everything I should about this?”

This closed question must be used when the customer least expects it. On occasion, a collector will sense that the customer isn't providing the whole story and, until key details are revealed, the resolution process will stall. At that point, the collector should couple the effective speaking skills with good questioning skills and use this question with a quizzical, dumbfounded tone. If the answer is “yes,” then the collector will need to ask other probing questions. If, on the other hand, the answer is “no,” the collector must quickly follow-up with a critical open-ended question,

“What else should I know?” The answer to that question may establish additional avenues to take in resolving the account.

“Could you repeat that offer?”

This is another closed question which must be coupled with the correct voice inflection to be totally effective. The psychology is very simple. When this

question is asked with an air of disbelief, it implies that the offer was so bad that the collector couldn't believe his or her ears, a subconscious, "I can't believe you said that." Plus, very few offers are ever repeated exactly the same way the second time. In almost all cases, when they are repeated, they become more favorable to the side that requested the repetition. If, in a rare case, the offer gets worse, the collector now can choose the best points of each offer to continue the negotiations. Getting them to repeat what they have said is also a good tactic to give you time to get your own thoughts together. If they make a big offer and you need another few seconds to evaluate it to see what needs to be added to it to make it better, simply ask them to repeat what they have said. This is one of the exceptions to the listening rule because you don't have to listen this time because you heard it before and you are deep in thought, the only time I would pick up on something they said is if it is significantly different than the first statement.

In the examples above I have concentrated on negotiations over the phone with a customer who is in the category "can't pay". If this is an area that interests you or you would like to get more information on, please let me know. We all negotiate all the time and the quality of our life is largely determined by our ability to negotiate. I will end this section with an assessment guide on the strength of your overall negotiating ability. This is not for testing or for marks; it is simply for your own use to help you identify what needs to be improved

Options: 1=Never, 2= Sometimes, 3 =Often, 4 = Always

		1	2	3	4
1	I research the other party before I negotiate				
2	I read background information before I devise my strategy				
3	I am clear about the main objectives of the negotiation				
4	I chose negotiations tactics that appropriate to my objectives				
5	My strategies enable me achieve my main objective				
6	When I use agents I brief them fully				
7	When I use agents I give them as much authority as they need				
8	I have a flexible attitude towards negotiations				
9	I believe negotiations to be an opportunity for both parties to benefit				
10	I enter every negotiation determined to reach a satisfactory agreement				
11	I use simple language				
12	I communicate logically and clearly				
13	I consciously use body language to communicate				
14	I avoid exposing the other parties weaknesses				
15	I am polite at all times during negotiations				
16	I create deadlines that are realistic and determined by the negotiations				
17	I use my instincts to help me understand the other party's tactics				
18	I have enough power to make the decision when necessary				
19	I am sensitive to all cultural differences				
20	I work well as part of a negotiations team				
21	I am able to put myself i the others persons position				
22	I know how to guide the other party into making an offer				
23	I avoid making the opening offer				
24	I make progress through a series of conditional offers				
25	I approach my final objectives step by step				
26	I show emotion only as part of the tactics				
27	I regularly summarise the progress that has been made				
28	I use adjournments tactically to give me time to think				
29	I introduce third parties when negotiations break down				
30	I employ a mediator as an effective way to break a stalemate				
31	I ensure the agreement is signed by both party				
32	I prefer to negotiate a win/win situation whenever possible				

Total Score _____

32=-64 Your negotiating skills are weak, you have a lot more to learn

65-95 You have reasonable skills, there are areas for improvement

96+ Keep it up – you're brilliant.

You have probably worked out at this stage that the higher you scored the better you did. As a result, the correct answer to all the questions should be 4 – Always. Knowing that you can go back and see the areas you need to improve on.

Won't pay

The second category of customers is the ones who won't pay. They are using every trick in the book not to pay. The reasons you are told in this category are:

For Trade Collections:

- Not approved for payment
- You are on the next Cheque run
- Waiting for the boss to sign it
- Maybe send a copy invoice

For Consumer Collections:

- On holidays
- Lost the cheque book
- You were closed when I called
- Tried to contact you by phone

There is no evidence at this stage that there is any form of financial problem, it is either they are disorganised or they are simply cash managing, that is they get in their own money as quickly as they can and then hold on to their supplier's money for as long as possible.

Understanding the motivators

Having money in the bank is motivation enough for some businesses. Some people have a simple measure as to how their business is doing by looking at how much they have in the bank. The difference between being in credit in the bank and being overdrawn can mean as much as 1% per month, which is significant, and if the motivation for the business is to make money then it is understandable that some businesses would prefer to hold on to the money as long as they can.

When you have identified that the customer is simply a “Won’t Pay” then all you have to do is to come up with a compelling consequence for them. You see all you have to do is to convince them that they will be better off paying the bill than not paying it – and what will they do? They will pay it of course! And that is why we are here, that is our job – simply to get the payment.

One thing you have to be very conscious about when it comes to consequences – one size certainly does not fit all. So for this to work for you have to pick the correct consequence and deliver it in a factual and non threatening way.

Remember that there are often many different relationships

Consequences could include:

- Relationship – if they currently have a good relationship with key people in your business they may not want to damage it.
- Continuing supply – if they need the goods or service you are supplying they will be more likely to respond to this.
- Interest charges – If you explain the longer they leave the more it will cost, and if you are in a B2B environment that you will add interest at a particular point, if the payment is not received – check out the European Late Payment Directive.
- Passing the account to a Debt Collector – most people do not want their names on a database of bad payers.
- Legal Proceedings – most individuals and businesses do not want to be the subject of legal cases that could damage their reputation and impair their credit rating
- You will contact the Guarantor on a specific time
- Jail – for consumers who fail to abide by an Instalment Order – they are in contempt of court and can receive a prison term of up to three months in jail. You have to take out separate committal proceedings to enforce this.
- Negative effect on their Credit Rating – Agencies like D&B and Experian measure payment performance and a negative score here can impact on the levels of credit recommended.

- Reporting the account to the Credit Insurance Company – Credit Insurers have vast databases of payment patterns for customers who they are underwriting. Any detrimental information can impact on the amount of cover that is available and this can have a huge effect on a business.
- Wind up order on the business – if a company cannot pay its bills as they fall due, this is grounds for winding the company up.

The list is endless; before you offer a consequence it is important that you select the right one. Everybody is different and what they value is different, you should have a better insight into this from the material you have just read. So if you select the wrong consequence it will have no impact at all. If in doubt, simply ask the customer – “What is the worst thing that can happen here?” and you just might be amazed that they will give you the correct consequence to use in this instance.

Shouldn't pay

You probably know my style by now. The people who shouldn't pay are the customers where you have got something wrong:

- Wrong invoice
- Wrong prices
- Wrong quantities
- Wrong billing address
- Wrong legal entity
- Charged VAT for a VAT exempt customer

Where you have left something out:

- No order numbers
- Incorrect delivery address
- No contact details

Where you failed to do something that was expected:

- No invoice
- No statement
- Invoiced outside the terms of the contract

In all of the above cases, the customer shouldn't pay until you do something first. You need to have systems and procedures to make sure when such an enquiry is received it is dealt with immediately. The longer you wait the greater the excuse you are giving your customer not to pay.

I do not distinguish between discounts, promotions, special offers etc when saying the price is wrong. In my world the price is either right or it is wrong. It is right when it has been agreed in advance with the customer and they are prepared to pay that price in full on the due date. If you are finding instances where you are getting it wrong, it is up to you as credit controller to work on behalf of your customer to ensure the situation is resolved as quickly as possible. Even if you think the price is right and the customer is still querying it, in my experience they are not making it up and somewhere along the line there was a miscommunication that needs to be resolved.

Part of your mission as a result of completing this course is to embark on a project within your company called "Right first time – every time" This project is about excellence in communications, and a great place to start is by looking at the credit notes you raise on a weekly basis. You should establish the exact reasons why it happened and determine if a person should be advised of how the system works or if a failure in the systems is found a new system is put in place to ensure that this will never happen again. To do this effectively you need a deep understanding of what the customer needs, and again in my experience, the people who are best placed to know this are the Credit Controllers.

2 Determine if it is genuine

There are two types of query. There is the genuine one where you simply got it wrong. In this case you should inform the relevant people in your organisation and get the required approval to put through the credit note or provide the missing stock, apologise to your customer for the error and then fix it. The final stage in this process that is often missed is – solve it. It is not good enough to fix this particular instance, if the problem could reoccur in the future, so you have to take the necessary steps to make sure it never happens again.

Another mistake I have found credit controllers make is that they deal with the queries received from the customer alone. If there is a pricing error that you have been informed of, you should also check any current invoice, that hasn't been queried yet that may become a query in the future.

The great thing is that if you get your invoices right all of the time, a funny thing will happen in your customer's office. They will look forward to receiving your invoices, because they know they will go through first time they will be brought to the top of the pile. If there are constant problems with your invoices, you will find that your invoices will be put to the bottom of the pile to be entered when they have more time to deal with the expected issues.

If you meet resistance to your new approach of dealing with all issues instantly there are a number of strategies you can adopt to ensure you get the support of everyone.

If there is an overcharge for a rep for a customer.

Checks what the total value of the overcharge is, and then check their sales performance last month against budget. If the overcharge amount the amount is the difference between them reaching or missing their target, this should be raised with the Sales Manager immediately. You should explain to the Sales Manager that your concern is for the customer and the accuracy of their information and explain the consequences of the overcharge from a sales and customer service perspective. This will have a greater impact than simply talking about credit and finance issues, that they are simply not interested in. You should explain to the rep that where they go in and agree a price with a customer and

then send an invoice for a higher amount, the customer will think you are either incompetent or dishonest, is that the impression they want their customers to have of them?

When you are talking to the accountants, you should concentrate on the financial implications of the credit notes to be raised. In essence the accounts they put together are wrong. The sales figures are wrong and more importantly the margin figures are wrong. If you are selling stock it is important that you understand the financial implications. If you are buying a product for €8 and selling it for €10 and the customer is billed for 100 and they received 90. The value of the credit note is €100, the cost of sales is €80 so the margin implications is €20. If they were overcharged by €1 and they received the full 100, the Credit note value is still €100 but this time the full €100 comes off the margin, which has a greater impact on the business.

Another item that causes eyebrows to raise is that it is estimated that as much as 25% of the cost of doing business is in redoing things. If you could get it right every time there is a huge cost saving to your company and in these difficult times we have to look to see where we can become more profitable, and this area is often overlooked.

If there is a short delivery

If you are selling products, this has stock implications for your business. You should have a stock control system that records what stock you should have on your premises. If you billed a customer for goods they didn't get, the stock figure in your Balance Sheet is understated as the system thinks the goods went out when in fact they didn't. Some people see stock control as having nothing to do with credit, I disagree, if you maintain accurate stock records, this is a double check that all invoicing is correct. From a stock perspective the other side of the equation is the supplier invoices that you process. It might be a valuable exercise for you to have a look at the stock records every once in a while. Ask to see the last stock take records. Depending on the business stock takes can take place every month or every year. This is when they verify that the stock the computer says you have matches the stock you actually have. Typically there will be

overages and shortages, have a look and see what variances there were. In simple terms if there is a stock shortage, that either represents goods that were booked into stock that were not received from a supplier i.e. you paid for goods you didn't get – which is not a good thing. Alternatively it could represent customers receiving goods that they weren't billed for, which is not a good thing either! The only possible third explanation for a stock shortage is if the goods were misplaced or stolen, which really should be investigated thoroughly.

If there is a missing or incorrect Order number

Check with your IT department to see if you can make the order number field a mandatory one for selected customers. That would mean that an order could not be processed unless a valid order number is entered. The importance of this has to be explained to the people processing the orders, and bypassing the system by putting a number 1 in the field is not acceptable. If you can add some sort of validation here it really helps. Contact your customer and find out the exact format of their order numbers; do they always have eight digits? Do they always start with the same two letters? With this information built into your system it avoids the possibility of people putting in incorrect numbers and forces the operators to get it right every time.

We have now to look at the other side of the coin, where the queries are not genuine. There are only two possible causes for this; either the customer is inefficient or they are creating spurious claims in the hope of delaying payment to mask an underlying cash flow problem.

Now, nobody is perfect and we can all get it wrong on occasions, and if a customer makes a genuine mistake we can make allowances for that and give them the evidence that the claim is wrong and look for immediate payment if the invoice has already been short paid. If it keeps happening, that is when you have to start asking some hard questions.

Taking the proper steps

We are back to keeping accurate records here. Record every query or claim that you receive; you can create a query log and break it down by credit controller or by rep or by region, whatever makes sense to you. You can also create a weekly credit note analysis showing what credit notes were issued and why. It is better if you name names here rather than a generic “Overcharge” tab that means nothing to anybody, On the other hand if your report states we had to raise €1,900 worth of credit notes that came straight off the margin because Tony never told anyone he had done a deal with ABC Ltd. IF you add that this caused a delay of over two weeks in getting payment, with six calls and two meetings, the powers that be will start to see the cost implications of their actions and will be more inclined to support you.

Taking the proper steps also includes the notion that getting paid is important for your business, maintaining a great reputation in the marketplace is important to your business, getting it right first time every time is important to your business. If you can gain acceptance of these simple concepts you will see the importance of the credit function increase at the same time, particularly if you are viewed as the person who has the solution to the problem. We are not rewarded for our ability to find problems; we are rewarded for our ability to be able to find and implement the correct solutions.

Dealing with excuses

This can be the frustrating part of credit control, the endless excuses you get for non payment. While the customer may be congratulating themselves for being so clever, the simple fact is you have heard them so many times before. The idea here is that you always (on the surface) believe what the customer tells you and then you use your questioning skills to get to the real reason.

Here are a few examples of how you can get a result in different circumstances.
Pilot: I would be delighted if you could give me a list of the types of call you found difficult to deal with, that were not covered on the course, I will give you my opinion on how it should be dealt with and if it works, we can include it in future modules.

The cheque is in the Post.

This is one of the three great lies of our time (the other two are “I’ll still respect you in the morning” and “I’m from the Revenue and I’m here to help”). The cheque is NOT in the post, if it was you would have it. We have a reasonably reliable postal service that delivers most the following working day. When a customer tells you this, rather than call them a liar, which doesn’t help in building rapport, thank them and say you will keep an eye out for it in the morning. This allows them to post it today without losing face. If you want to verify the position it is a good idea to check the post mark on the envelope when you get it to verify if they had already posted it or if they posted it on the day you spoke to them. This information should be noted for future reference and never used as a put down, which will only result in conflict. It helps if you translate the phrase “the cheque is in the post” to “I’ll put the cheque in the post today.

If you are dealing with an individual or a sole trader or small business, it can be helpful to ask them for the cheque number so you can take a note of it. The reason for doing this is to either verify they have sent the cheque or more likely the only way they can give you the cheque number is if they take out their cheque book and give you the next number. When they tell you the number that is great and can I confirm the cheque if for one thousand four hundred and seventy five Euros, speak slowly, because they are probably writing it down! If the cheque doesn’t arrive the following day a follow up call should be made.

He is at a meeting

Now there are two types of scenario here. The first is when you call and are immediately told “he is at a meeting” in this case he is probably at a meeting, so find out when he will be back and ring a half an hour after that. Make sure you

make it clear to the receptionist what you are going to do. If you are told “he will be back at 3pm”, say “thank you I’ll call back at 3.30” then put a note in your diary and set the alarm on your phone for 3.29 and call back at exactly 3.30. This proves you are a professional, you say what you mean and you mean what you say and you are not one of those credit controllers that is easily fobbed off. If you want to add extra strength to this process, pick an uneven number! It is vital you keep a straight face when you are doing this. So, if you are told “he will be back at 3pm”, say “thank you I’ll call back at 3.37” then go through the same steps. The reason the 3.37 is so effective is that your call will be memorable and there will be a reaction when you call back exactly at the appointed time.

The second scenario is where you ask to speak to someone, they ask who is calling and when they find out it is you, suddenly “he is at a meeting”. No he isn’t! He has told the receptionist that he doesn’t want to talk to you and you can call forever and you will never be put through, unless the receptionist is on a break. To get around this one, if it is a large company, call back a few hours later and simply ask to be put through to sales. They never ask who is calling or what it is connection with, they will put you through straight away. When the helpful sales person answers (they are trained to be helpful) say “I don’t know what has happened, I was looking to speak to Des the accountant. Can you put me through to him? When you get through get straight to the point and never gloat about how clever you were. The job is the same it is simply to get the money.

A close relation has died

You will understand this response better when you have completed the fourth and final module. For now all you need to know is that this response is an emotional one, due to the fact they were caught and this is the worst thing that has happened to them in the past few weeks that could be accepted as a valid excuse for not paying. There is probably no link between the death and the non payment of the account; they are only linked here in an attempt to get you off the phone. Deal with emotion sensitively, find out a few facts and schedule a call for an appropriate time in the future. The best response is something like “I am sorry to hear that” – NEVER followed by a BUT!

You are on the next cheque run

If you accept this on face value you will have to wait a minimum of two more months to get paid. This is usually used by larger companies who have a regular monthly cheque run. The correct response to this is: "Thank you, can you tell me why we weren't on the last one?" This is one of the few instances where I break two of my golden rules: Never ask why and never go into the past.

The reason for this question is that if you are ringing them say in August, you are probably ringing looking for payment of a June account. If all was well you should have been paid on say the 28th July. You weren't so there is something wrong. If you accept the fact you are on the next run, wait until the 28th August or even the first week of September and ring back you will get the response "I'll check that out for you" Then they will come back with a new excuse: I never received the invoice, I'm waiting for it to be approved, I need a credit note... you know them all. Then when that is resolved you will be lucky to be on the September cheque run! BY getting them to check it now you are much more likely to be on the next run. When it comes to asking good questions, you should ask, as soon as the issues are resolved "can you do a manual cheque for me?" While most big companies will tell you they do a monthly cheque run, what they don't tell you is that they are in fact processing payments every day. If you ask nicely, if you demonstrate it is really important, usually they can oblige, They don't like doing it because it shows themselves up for missing it, so if you trust them to pay you at the end of the month and the amount is not really significant and you can wait until the 28th you will build a stronger relationship with the person you are talking to if you can let it go this month, if not you need to explain the importance of getting immediate payment.

I am sure I could write a book on this topic alone, when I told a friend of mine I was having difficulty finishing a book I had written, his advice to me was "Oh, you will never finish, you simply have to stop."

That is what I am going to do here, as always I would love to hear your stories and if there are other excuses like waiting for approval, too busy, on maternity leave, sick, sore, dead or whatever I'm happy to share my experiences with you.

Finally, the best excuse I have ever heard, and it was true “My wife always looked after the payments and she has just run away with the company accountant”