

Business Fact Sheet – Your Customer Collections

Customer collections are a vital source of cashflow for your business. This can be an awkward or uncomfortable interaction with your **customer**. Part of the reason for this is that it can **challenge** the person following up the debtor and may result in unpleasant feelings – i.e. calling to ask for money, being promised the “cheque in the mail” etc.

Collections involve dealing with your customers and are an essential part of staying in business. So why is following up overdue accounts often put off?

Ever wished you could build stronger relationships with your customers and have them pay you within their credit terms?



You can!!

Use this proven follow up system and adopt a systematic way of collecting accounts. Think of it as touching base with your customers - prompt payment and repeat orders are tangible signs of a happy customer.

Types of overdue accounts

Overdue debtors generally fall into the following 3 categories:

- 1. Customers that need prompting – a gentle reminder** – say 1-3 follow up phone calls or emails, and they will eventually pay. This is more like checking the customer is happy rather than hard work.
- 2. Those with invoice issues or disputes** – Customers that do not agree with the amount invoiced, have already paid or have not received the invoice etc. Once the “issue” is addressed, the collection will be sorted out – and you’ll have another happy customer.
- 3. Customers that are bad debts** – These debtors are bad news and unless you are firm and proactive, they are not going to pay. This category is hard work. You need to identify these customers early and not extend any further credit. These debtors are generally the exception.



Most customers are the first two categories – they just need a reminder or invoice issues to be resolved.

It is important to build a rapport with the customer and collections generally improve over time.

These debtors require a customer service approach.

The **Category 3** types – bad debts – are **unlikely to be ongoing customers**. In most cases, you will not give them credit in the future and you need to establish this **as early as possible**. You will need to pursue them further to get paid.

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Proven Collection System

The steps are:

1. **Agree Credit Terms** - Ensure the credit terms and credit limit for each Customer is clear and has been agreed upfront. Otherwise, your collection efforts are likely to fail or slow down.
2. **Regular review and follow up** – Review the overdue accounts on a regular basis, at least weekly, but daily for better results. **Make it a part of your normal work activities.** Identify the accounts that are overdue for follow up and target the larger amounts first to maximise the impact on your cashflow.
3. **Contact Person/Commitment** – It sounds like hard work, but a number of friendly follow up calls can greatly improve your control over collections. Make sure the customer has the outstanding invoice(s), agrees with the amount(s), is happy etc.
 - Phone or email the customer to determine when they will pay.
 - Keep good records - name and contact details of the key person and the date promised for the payment.
4. **Quickly respond to issues and disputes** - If the customer disputes the amount owing, record the name and contact details of the person you are dealing with and work with them to resolve the difference. They may be stalling, but chances are they want their records to be correct and will work with you to bring their records in line with yours.

Once again, the key is to build a friendly working relationship with the customer and get the account sorted. This process will either ensure the account is paid or it will weed out the **Category 3** debtors who are not going to pay without being pushed.

5. **Work the system** - Continue to follow up the overdue accounts until any invoice issues are resolved and the account is collected or it is determined that formal collection proceedings need to commence.
6. **It's a Team Effort** - Escalate problem accounts. Bring in the Sales or Senior Management when required to facilitate the collection process.

The sale is not complete if the matter is not resolved and the outstanding invoice collected.

Don't get caught short with your customers!

- ✓ **Keep in touch with your customers - a friendly reminder**
- ✓ **Ensure invoice amounts and terms are clear and resolve any issues promptly**
- ✓ **Identify non-payers early and take action**
- ✓ **Make collections a customer friendly part of your business – like your sales and service.**

It's not a sale until you get paid – so complete the sale!

A professional with commercial experience can review your collections process and help make your customer follow up, collections and cashflow a real strength of your business.

Contact us Today!

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