

**ACCOUNTS RECEIVABLE.COM**

ETHICS, INTEGRITY, RESULTS

# **8 KEYS TO COLLECT FROM ANY CLIENT THAT OWES MONEY**



**AccountsReceivable.com**

**CALL (321) 710-3530**

## Know what you're getting into

Too many times we have clients contact us about a new case.

When we start our investigation we see that the debtor has a terrible history of not paying their vendors.

It's obvious actually...

There will be blogs, rip-off report warnings, BBB complaints and all kinds of warning signs from simply doing a Google search of the company.

If you have never done business with someone before and you want to dig a little deeper you can also go to the secretary of state in their state and search to see how long they have been in business, did they say they have been in business 10 years but the state says 6 months? ... **RED FLAG**

Another way to protect your business is by having prospective new customers complete a credit application and having a background search conducted.

If doing these Google searches are not suffice. You can contact us and request our sample credit application for use for new customers. Accounts Receivable can conduct background searches to determine who you are really dealing with.

## 30 days means 30 days

A lot of our clients find themselves in a predicament because they do not stand by their own credit terms.

When a company has net 30 terms with you then that means the payment should be there by day 30.

If by day 31 you do not have a payment you should have your staff make a courtesy call to find out what the status of the payment is.

If you have the ability to process payments over the phone you can have your accounting staff call using the following “talk off”

*“Hello, This is (Your Staff) with (Your company), I was making a courtesy call to speak with Accounts Payable regarding our invoice (Invoice Number). Our invoice was dated (Date of Invoice) and our terms are net 30, we have not received payment on this invoice, are we able to process the payment over the phone, for your convenience we take (cards that you take).”*

They do not need to be pushy necessarily but it will let your customer know that you take your credit terms serious.

It will also make them less likely to be late in the future.

## Don't Let Up

After you have made the initial call, we suggest making another phone call 5 days after the first call if you did not take the payment over the phone.

This gives the customer time to mail the payment once they received the message from your first call.

The second call should be more forceful yet still in a customer service capacity.

A sample script below can be followed.

*"Hello, this is (Your Staff) with (Your company), I called last week to find out the status of the invoice that was dated (date of Invoice). I need to know if a check has been sent for this invoice. I am going to be meeting with our credit manager regarding all items that are past due, I am sure this has been an oversight, for your convenience we take (cards that you take) I can process the payment right over the phone."*

Many people do not like to make this second call because we generally shy away from confrontation however failing to do this will lead to more confrontation.



## **Send, Call, Repeat**

Prior to making your first and second calls to your customer we always recommend emailing and faxing over the invoice.

One of the most common lies or excuses customers make to avoid or delay paying a bill is “I didn’t get the invoice”.

By emailing and faxing the invoice 10 minutes before your phone call, you will eliminate this stall tactic and save time in having to “resend the bill”.

Now I know emails are convenient but fax is a vital tool. Emails have taken over many phases of business but faxes are still used for the most important business transactions.

Sending a fax relays a different message to the recipient than an email. Most emails can also be deleted without ever being viewed.

Nowadays many faxes do convert to emails but a majority of faxes are still printed and handed to the intended recipient.

Once the fax is printed it becomes something tangible in the customer’s hands that they have a psychological need to address. It makes the invoice real in a sense.

## **\$hit Rolls Faster Downhill Not Uphill**

If you are not getting anywhere after your first 2 attempts you need to cut to a person of higher authority.

Depending on the size of the company, you should ask to speak to a controller or owner to discuss a past due invoice.

Working with the Accounts Payable Department will only lead you to working with an Accounts Payable Manager, then an Accounting Manager, then an Office Manager prior to reaching the owner or controller, the only person who can authorize releasing your payment.

Do not get caught in the delay of dealing with people who have no decision making ability.

**(View Past Due To Paid Flow Below)**



**If you attempt to contact the controller multiple times with no success, please be aware of their int resolve the situation at hand.**

## Get To The Root Of The Problem

If you are not being paid then there is a big problem.

The sooner you can determine the problem the sooner you can take action to head off the issue.

You want to keep lines of communication open so do not threaten or alienate your customer.

Try to determine if the issue is one of the following:

- 1. Lack of Cash Flow**
- 2. They Have Not Been Paid By A Customer**
- 3. An Issue With The Product Or Service**

If you do not hear from your customer or you seem to be getting the run around, it will almost 100% of the time be reason 1, lack of cash flow.

Knowing this, do not be afraid to give your debtor the chance to make 2 or 3 payments in short (weekly) increments to resolve the balance.

Do not get into long drawn out payment plans or monthly arrangements. This will almost always draw out into non- payment and no contact.

## Never Pay for Collection Fee's

When it comes to collecting on a claim that is out sourced to a collection firm or an attorney, your current contract or terms of service with your customers should keep you fully protected in the event they turn into a non-compliant debtor.

Using the clause below to update your agreements will insure that you will always get every penny you rightfully earned and insures your debtor will have to pay for any fee's you incur when collecting their past due balance.

**“In the event that (Your Company) must retain a collection agency or law firm to collect past due balances owed to (Your Company), you agree to pay any and all collection agency fees, court costs, attorney fees or incidental costs associated with collecting.”**

This simple clause in your agreement will make any cost associated with recovering the money you are owed completely irrelevant.

This is also a clause that will ensure a customer of yours will pay you promptly, so their bill does not raise a substantial amount if they become delinquent.

## Take Action & Do It Quickly

Debt becomes less collectible as it ages.

Once a receivable has exceeded its original terms by 30 days the collectability will drastically decrease with each passing day.

As a general rule of thumb if your customer has already exceeded this time frame it is time that you start collection activity against them.

Using a professional debt collector is important for two reasons.

First off, you will have an experienced tactician that has extensive experience collecting from your customers. As the clock is ticking the recovery rate is drastically higher using a professional as opposed to trying to do it yourself costing you time, resources and hurting your overall recovery.

Secondly, you do not have to be the bad guy.

Let's face it, if you wanted to collect debt, you would be in collections. Your customers purchased a product or service from you and that is the experience they need to associate with you.



By becoming aggressive and attempting to collect from your customer, they will never associate you with your products or service, only the manner in which they dealt with you when trying to collect.

Collection agencies do not need to worry about this as their primary function is recovering money, even if it means “being the bad guy”. Leaving you as the good guy.