

## **Collecting what you are owed**

This article on debt collection is written for SME businesses in Ireland. Many are facing increasing problems in collecting debts from customers and clients.

Debt collection is a process that can be learned and we deal with it under the following four headings:

1. Attitude
2. Technique
3. Communication
4. Tools

### **Attitude**

The first thing to remember when understanding the most effective way to collect what you are owed, is to get your attitude right. When we think of the term 'Debt Collection', there are often many negative connotations that come to mind. How else could that term be described? Accounts receivable? Asset Management? Asset Recovery? Asset Acceptance? Credit Acceptance? Credit Assurance Professional Services? Huh??? There are lots of options but in terms of a shift in attitude... what's a far better idea is to see Debt Collection as GETTING YOUR SALARY PAID.

So first, let's look at the technique of collecting your salary.

### **Technique**

Sometimes the reason for the customer/client not paying the bill is because there was not enough prior discussion about the price. When people feel 'trapped' into paying a charge that has not been negotiated, it may not be the best way to react, but they may feel that the most appropriate way to voice their disagreement, is to ignore requests for payment. It is often the case that a little clarity about price and payment terms at the beginning of the process would have helped a lot.

Your strongest negotiating point with a client or customer is at the beginning, *before* you satisfy the customer's need. Your ability to collect is therefore stronger and the collection task easier if you do this bit right.

Early on in the business relationship it is wise to do the following:

- Assess your clients/customers in writing
- Use a pre – qualification questionnaire - see the panel below.

- Use state of the art contract terms, clearly setting out the price and offering different payment methods like standing order, post-dated cheques or credit card. If you ever need to sue the client/customer, you are off to a poor start without some form of written contract.

#### Pre-qualification questionnaire

- Assess the source of the referral
- Carry out a credit reference check
- Attitude to previous suppliers – did they leave them in the lurch with outstanding fees? Remember there are always at least two sides to every story.
- Quality of the business/industry/location e.g. construction not doing too well at the moment
- Has this customer been allocated a credit limit and do we adhere to it?
- Previous history of keeping/breaking promises to pay
- Have we got a reservation of title clause on our invoices?

### **Communication**

. It's important that you imagine everything going well and smoothly before you ask for payment. By doing this, you get the idea into your mind that it is no big deal and is just a natural, normal conversation that happens. You thus make it easier for you to go into the situation and do it effectively.

Your body language and tone of voice is also important. It's important to look relaxed and calm about the whole matter. The customer/client will (often without realising it themselves) look to your body language for clues as to how to feel about what you are saying. If you demonstrate awkwardness, then they might feel more awkward.

Getting a small commitment from them is also something that can help you. People tend to respond better to something when they have committed to doing it. So, make sure when discussing your work that you get their affirmation that they are pleased with your work and/or goods supplied.

The principle of reciprocation is a good thing to keep in mind. When you give something to people (e.g. a free consultation/sample), it often makes them feel obliged to give back.

The right language might help you as well. The word 'Obviously' is a powerful word because it presupposes that what you are about to say is true and obvious and there is no question of it. This is important because by making something 'obvious' it is making it less of an issue and more of something that you would accept.

The word 'Because' is another important one. Every time we hear the word 'because', it acts as a mental shortcut to us. We assume the person's conclusion is true and don't always listen to the reasoning because the word 'because' itself points out that there is a reason. So, make sure that you always give a reason and use 'because' to illustrate that reason to your clients.

The other term is the word 'But'. But is a powerful word because it directs the attention of the listener on where you want them to focus. These words are all useful because they ensure that you can put your message across in a way that gets through to the other person.

In any payment negotiations, use 'we' ('we are in this together' language) rather than 'you' (accusatory style) language. For example say, "What do you think we are going to do about this problem?"

Once you have done all that, you need to automate it, so it becomes something that is always taken care of. For this, there are certain tools you can use.

## **Tools**

One of the most essential tools to help with collection, if used in the correct way, is the contract. It should address the:

- Scope – what are we supposed to be supplying – what's the nature of the goods/service?
- Outputs of the assignment e.g. delivery deadlines/reports
- Timing of delivery and payment?
- Complaints policy - if the client or customer has a complaint to whom should they speak?

Do you have written terms and conditions of business on your website which are replicated in your sales documentation, in a professional manner?

Be proactive, invoice customers/clients by e-mail, ask for a deposit up front, especially where there will be some initial research or product preparation work and suggest payment via standing order or credit card.

Improve the language used in bills/invoices to highlight the benefits - value added/time saved because of using your services. This makes your service unique. Instead say, one or more of the following:

- *"time spent saving you as much money as we legitimately could which amounted to €....."*
- *"time spent avoiding surcharge/penalties"*

Remember, at the end of the day it's your salary, but you need to ask for it. It's no big deal.

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