



DEBT COLLECTION IN UNCERTAIN TIMES

Recent events in the banking and finance sector has shown that even the major banks can come undone if they aren't careful about credit, debtors and cash flow.

Small to Medium Enterprises (SME's) should be taking some time now to consider their credit/debtors policies as we face the possibility of a worldwide economic slowdown.

Dun & Bradstreet research shows that payment terms, or the average time from date of issue of an invoice to date of payment, is increasing and is already at a 7 year high. With an economic slowdown likely, payment terms are set to continue to increase.

What can you do?

It isn't all doom and gloom. As an SME, a few key strategies and some tight policies can help keep control of your debtors book and keep the cash flowing.

Some key tips include:

- Check out the customer – Don't underestimate the risk of a new customer in the excitement. Take some time with a new customer before extending credit.
- Clear terms and conditions – A firm but fair credit policy is critical. You and any relevant employees, including sales staff, need to know the rules and be prepared to stand behind them.
- Don't bend the rules – You have a policy – so stick to it. If you bend the rules it can lead to an endless procession of exceptions. If you have different classes of customer and you want to offer something different, make that part of your policy and make it clear to the customer that they will receive special treatment so long as they hold up their end of the bargain.
- Encourage payment – Don't be wishy washy with your payment terms. Make it clear when payment is expected on standard invoices. And when those dates are passed make it clear to the customer that failure to pay will cost them more money. Let them know that interest will be charged on overdue accounts – you're not an interest free bank!
- Make the customer accountable – Don't be afraid to call a customer on their "promises". If they promise to pay by a date, follow up immediately if they don't.

Who can help?

Clifford Gouldson provides services in this area that may assist you if your cashflow is struggling. This may include advice on establishing your credit collection policy, preparing letters of demand or enforcing large debts through the court system. There are also many reputable credit collection agencies that may be able to assist with collecting your well earned payment when the relationship with the customer has broken down.

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