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Credit Control in a changing environment



Cash Flow and credit control in a changing environment

Facts

- You are not alone.
- Every other business is in the same situation as you.
- LOANS – you will need to **PAY BACK**– can you afford to later?
- Grants – you **DO NOT** have to pay these back.
- VAT – You **WILL** have to pay this bill, along with you next VAT bill.
- HP Holidays – You will need to pay back the months you have taken.
- You need to TALK, yes everyone needs to talk to each other, talk to your customer & suppliers –you are all in the same boat.
- 3 C's – **COMMUNICATION, CONVERSATION, COMMITMENT**
- YOU are NOT ALONE.

**It's the heart of
any business**



**Feeds your
business**

- **Good credit management can improve financial performance.**
- **Increases growth and stability.**
- **Understand your financial position to make better financial decisions**
- **Gets you paid on time.**
- **Pays your working capital**
- **Keeps you trading.**

So how much do I need to stay afloat?

- Staff dealing with chasing payment for invoices are important to your business.
- Have you prepared a cashflow forecast for the next 3 & 6 months?
- Do you know what your complete working capital expenses and liabilities are?
(Split these between WC and monies owed to suppliers)
- How much are you owed and how is this aged? 30, 60, 90 days +?

How to I get my money?

Well here is the tricky part.....

You need to ask for it.

By telephone is the best

Or by email, with **all** your contact details on so they can call you back

- Set Collection Targets
- Effective use of resources (contacts)
- **COMMUNICATION**
- Effective telephone collections
- Effective collection letters
- Other collection tactics
- Dealing with queries effectively
- When you should withhold supplies/services

Telephone

- Planning your call
- The contact
- Timing
- The **CONVERSATION** – this is KEY
- Techniques
- Dealing with responses
- Queries and dealing with them
- Closing the call - **COMMITMENT**

Benefits of telephone collection

- Personal contact.
- Immediate attention of customer.
- Helps identify debtors using delaying tactics.
- Helps resolve queries more quickly.
- Can develop rapport.
- **COMMUNICATION, CONVERSATION, COMMITMENT**

The Conversation.....

- Be in control
- Confident
- ‘Open’ questions
- Closed, probing questions
- Allow client to talk (Listen!) Understand their problems
- Must obtain definite promise of payment (amount and date)

**Always end the call knowing you have had
all your questions answered**

OPEN

Why

What

How

Who

Where

CLOSED

Have

Will

Can

Could

Example Questions

- Will you be paying your account on time?
- What date will you be paying your account?
- Will the payment be for the full amount?
- How much is your payment going to be for?
- Is there a problem with making payment to us?
- What is the reason for not having paid your account yet?

Example Questions

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Dealing With Responses

- Listen, note carefully
- Acknowledge point(s) being made
- Firm but calm
- Sympathetic but in control
- Professional
- Carry out your promises
- Understand root cause as to why payment is late
(not just “Coronavirus means payment is late”)
- Follow up in writing

Other Issues – How can we respond?

- Are you able to make payment plans?
- Agree the length of time you can arrange with payment plans i.e. 3, 6, 9 month periods.
- Ringfence debt
- Recycle debt

**BEFORE YOU AGREE PAYMENT TERMS,
Speak to your FD, Director, business owner and work out your
cashflow requirement + 25% on top.**

Recap with customer what has been discussed:

- Payment amount
- Date of payment
- Invoice has been passed for payment
- Ask the customer to repeat these
- Make a note on the customer file
- Make a diary entry to check if the customer keeps their promise

- If the customer is asking for time to pay and you agree an **instalment plan** you should clarify the date and agreed monthly payment amount.
- Again, ask customer to repeat these.
- Then, you must follow this up in a formal letter detailing payment dates and amounts and include a “reservation of rights” clause

“Reservation of Right” clause

“If any of these payments are not honoured or not received on time, we reserve the right to cancel this agreement immediately and will pursue the outstanding balance through the courts”

- Good habits
- Reminder letter
- Personally addressed
- Timing
- Responses to requests from client
- Faxes and emails – beware!
- Effective

- If you cannot speak to people via telephone, then email (or letter) should be used.
- Address it personally to your contact.
- Acknowledge difficult times businesses are having.
- Explain how situation is affecting your business and this is why you are pressing for payment.
- Give your contact details, bank account details to make it easier for customer.

WRITTEN COMMUNICATION

Dear

OVERDUE ACCOUNT - £

Our records show that the balance detailed above is still outstanding for payment and this has now exceeded our normal payment terms. This may be an oversight; however, could you kindly arrange payment of this balance by return.

Sort Code – XX-XX-XX

Account Number - XXXXXXXX

Account Name – XXXXXXXX

Account Ref - XXXXXX

Should you have any queries regarding this matter, please do not hesitate to contact us on XXXXXXXXX

Yours faithfully

WRITTEN COMMUNICATION

Further to our previous letter dated XX XX 20XX, we have yet to receive payment of your overdue account.

Should payment not be received within 7 days of this letter, we will look at escalating this matter to recover all outstanding debts. This could include all costs and interest we are entitled to under the terms and conditions of the **Late Payment of Commercial Debts (Interest) Act 1998**

Therefore please arrange payment for this balance by return.

Bank Name -

Sort Code -

Account Name –

Account Number -

Account Ref -

Why do I need extra 25% Cash?

**BEFORE YOU AGREE PAYMENT TERMS,
Speak to your FD, Director, business owner and work out your
cashflow requirement + 25% on top.**

The reason I mention 25% extra cash, I am looking to the future.
Why do you need this extra money is simple

TO TRADE

So collecting the extra cash and keeping it to one side will ensure that when the signs of recovery from COVID-19 are starting to show, you can start to prepare YOUR business to trade from day 1.

Being left behind could be the difference of survival, huge struggles or even demise.

Keep your marketing and Brand out there!

Use your Social Media Platforms to promote your business

Use or ask for testimonials and add those to your posts

Add any before and after photos of jobs you have done

Introduce everyone to your team, give out some personality behind your business

Use <https://buffer.com/> and do one post for all your social media outlets

Help share and comment on each others posts

Share some case studies

How can you contact us?

Please contact us if you require any further assistance

Don' forget we are also offering a 1 hour FREE consult

Visit our website at
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