
Keys to managing debtors

Be upfront with your trading terms.

Let your customers know as early as possible about your terms of trade and bill promptly after product delivery or work completed. This makes it easier to contact clients to follow up on unpaid bills.

Manage credit risk.

Wherever possible, if it's appropriate for your industry, run a credit check before you offer credit. Or ask customers to complete a credit control application.

Stay on top of your debtor ledger.

Review it frequently and sound the alert on overdue payments.

Do the numbers.

Work out how much money you have currently tied up in payments pending and then, on average, how long it takes you to collect debt in your business. These are the numbers you continuously want to reduce. Let your team know that these are achievable goals.

Have a system. Delegate the task and give your debt manager the tools to make it work. Too often debt collection ends up back with the business owner simply because they are the one most passionate about their business and most closely concerned with cashflow. Their customers know them so a phone call from a business owner carries weight that a call from the office assistant just doesn't have.

However, while tempting, it is not best use of your time to chase bad debts. Much better for you to be out there, growing the business, pulling in new customers. And separation is essential between your relationship with your customers - which you want to be as good as possible - and the 'dripping tap' approach which a good debt manager should have.

Train your debt manager to be systematic. Scripts for regular follow up calls and templates for emails and letters work well. Whoever takes on the task might well hate making the calls just as much as you do. Turn this around. Go over the script and prep your debt manager with all the payment options your business offers.

Make it easy to pay. Customers are your favourite people. You want them to feel great about your business. You don't always know what's happening for them but you want to make it as easy as possible for them to pay you and continue to enjoy your awesome products and services. Offer payment plans. Set them up with payment options such as *feeSmart*.

Have a plan B. Set a time limit for when you turn debts over to a collection agency. If all else fails, know when to write off a bad debt and record this clearly for your year-end figures. But before that, systemise your debtor management so you know that you have done all possible to unlock the funds you have tied up in debtors.

This document is provided only as a guide. Users of this material are expected to seek advice with regards their own specific circumstances before acting on anything they read.