

## DEBT COLLECTION BY PHONE

### The Purpose of the phone script

The point of the phone script and this information is to get you to think about questions you can ask the customer to get them to pay your invoice. This is an area where some people get caught. If a customer replies that they are not ready to pay and they have already had their 30 days, you need to have some questions or statements ready to counteract what they say. If you put the phone down without getting an answer of when you will receive a payment, then you are probably going to have to make another phone call, and another and another. Just like you have been doing before you came to this course. The invoice will older and your risk of not getting paid at all increases.

You don't want to upset your customers but you want to be taken seriously and not just seen as a polite reminder service.

- Be prepared.
  - Have all facts and figures available and correct.
  - Make sure your debtor's ledger is up to date. This means all invoices; credit notes and particularly receipts are entered. It is embarrassing to phone for a payment which you have already received.
1. Keep control of the conversation and anticipate likely diversionary tactics and excuses by those able but unwilling to settle debts promptly.
  2. Keep a progress report of your calls. Advise your management when a customer is avoiding payment or being difficult. Discuss the options
  3. Ask the customer a series of logical questions to establish the status of your invoice.
  4. If there is new accounts payable person, contact or any new information about the company, amend your records immediately.
  5. Rate your customer as:
    - Good payers,
    - Bad payers,
    - Payment avoiders,
    - Ones to watch,
    - Bad procedures,
    - Erratic,
    - High accounts staff turnover, etc.

### Large Companies

You have no choice but to accept their terms of trade of when they will pay you unless you can come to some special agreement.

If you deal with a company who pays in 60 to 90 days, then you will have to decide if you can afford to carry the debt. Collect as much information as you can about their procedures and personnel so there are no surprises.

### **Small Proprietors**

Some sole traders do not have an office and staff. They can be difficult to contact and when you do get them on the phone they will have excuses like: "I've been out of town and haven't had time to sort out the invoices." Either be firm with these people or don't give them credit.

If you do give them credit the best time to be firm is before they get the goods/service. Make sure they understand your terms and conditions. Avoid giving a 30-day account until they prove themselves. Start with 7 or 14 days. Phone for payment before it is due.

### **Domestic Customers**

Avoid giving them credit unless you feel they are credit worthy. They should be able to afford your services before deciding on the purchase. Insist on Cash on Delivery or Payment on Completion.

If the job is larger and has equipment or appliances you need to purchase first, then ask for a deposit – the retail value of the product you would have charged if the customer just purchased that alone from you.

Ensure you have your invoice ready on completion of the job and take the payment on mobile EFTPOS or over the phone on your office EFTPOS machine. Make sure the customer understands your terms of trade before you start the job.

One of the dangers with domestic customers is, if the work you do for them is repair work and they have called you out to repair something so they can get their rental bond back they may not be there when you send out your invoice a week later.

### **THE PHONE CALL TO THE BUSINESS CUSTOMER**

1. Phone the customer. Talk politely and confidently.
2. Ask for Accounts Payable (or an accounts person by name, or the manager, or the accountant.
3. Say: My name is (name) from (company name). I am phoning about an outstanding amount of (\$ \_\_\_\_\_) which is due for payment.

#### **Q1. Have you received the invoice?**

Yes, go to Q6 and ask for payment.

**No.**

Check when the invoice was sent from your office? Has there been a reasonable time for delivery of the invoice. Ask the customer their address. They may have moved premises.

Was the invoice sent to the accounts office or an employee of the company? If an invoice is addressed c/- a supervisor etc they may not pass it on to the accounts department

Be careful of sending your invoice to a supervisor instead of the accounts department unless they specifically say that is what they want. Alternately you could send the original to the accounts office and a copy - 'stamped copy' - to the supervisor. There is nothing more annoying to an accounts department than several original copies of an invoice floating around. You are not doing yourself favours by doing this. I am mentioning this because there are many small businesses that send multiple copies of invoices thinking at least one will get through to the accounts department.

Fax a copy immediately regardless of investigations. Amend incorrect addresses immediately in your master-file

Some businesses use non-receipt of invoice as a reason to avoid payment. Tag this customer to be watched if it happens several times as they may be trying to delay payment.

In fact, phone the accounts office a couple of days after you send the invoice to check if they have the invoice. See if you can send the invoice by email and to whom.

**Q2. "Have you received the goods?"**

**Yes,** go to Q6 and ask for payment

**No.**

Ask questions to find out why the goods have not been received. Is the problem in your company? Have the goods left the premises? Is the freight company at fault? Who despatched the goods? Where do the customers receive goods? Investigate.

This is where it is helpful to have a copy of the invoice in front of you where you can see the address where the goods were sent and hopefully a copy of any associated documentation like the purchase order and delivery instructions etc.

**Q2a "Has the service/job been completed?"**

**Yes,** go to Q6 and ask for payment.

**No.**

Ask for details. You may have sent your invoice too early.

They may have a problem with your workmanship. Refer to your complaints policy procedures.

This also may be a communication problem within your business between your on-site staff and your management.

**Q3. “Do you have a problem with the goods?”**

**Q3a “Do you have a problem with the service/job?”**

**No**, go to Q6 and ask for payment.

**Yes.**

Why didn't they contact you sooner so you could rectify the problem? Ask why they have a problem; do you need to speak someone else besides accounts to sort it out?

Most customers will not pay if they are not happy with the service or job. The sooner this is rectified; the sooner you can collect the debt.

Refer to your customer complaints procedures. Find out if the problem is related to warranty or are they just not happy with the product. What you do about it will depend on the policy and the complaint issue.

Regarding service: what aspect of the job or service is the customer not happy with? You will need to resolve the problem before you can ask for the payment.

According to the ACCC guidelines (22c) a customer does not have to submit a complaint in writing for the complaint to be considered and acted upon.

**Q4 “Has the invoice been authorised for payment?”**

(Particularly the case with large companies).

**Yes**, go to Q6 and ask for payment.

**No.**

Why not? Who is the person responsible for the authorisation? How can you get in contact with them? Ask that person what is the hold-up. Do they require more information? When will they authorise the invoice for payment? Try to get a contact number to speak to authoriser to find out if there is a problem with the service or job.

If the customer is a large company and the authoriser is on leave then you may have to speak to the project manager or head of department

Large companies have their procedures of collating the incoming supplier's invoices, checking it against the purchase order, checking the calculations and attaching them to their copy of the purchase order and placing a costing and authorising stamp on the invoice. The invoices in the system are more likely to move through and get paid quicker. If you want the supervisor to get a copy of the invoice it is better to send the original to the accounts department and send a

copy to the supervisor with the word 'copy' on it, unless they advise you differently.

If you have sent the invoice directly to the supervisor or head of department and not the accounts department the invoice may sit in an in-tray for a while because you are messing with their system.

**Q5 “Has the invoice been processed in the computer?”**

**Yes, go to Q6**

**No.**

You may think that because the customer has received the invoice that surely they have processed it ready for payment.

Why not? You may have sent the invoice too late. If the customer has advised they have a cut-off date and your invoice is late then you will have difficulty getting payment and you will probably have to wait and review your invoicing procedures.

Make sure you complete the credit account details form to collect all the information on the customer's accounts payable procedures. Some medium sized companies have cut-off dates also. They are trying to cut down on processing time.

They may be waiting on authorisation. Try to contact the person who ordered the goods or services and see what the hold-up is.

Their staff problems may be the reason – maybe high turnover. Someone may be on holidays. A supervisor may be holding the invoice to sign off because there is an issue with the job.

If you have a contract with a business or company remind them they have signed an agreement for your terms of trade.

**Q6 “Is the invoice ready for payment?”**

**“When will you be paying the invoice?”**

**“When will the cheque be released?”**

**“When is the next cheque run and is our cheque included in it?”**

**Answer: The payment is not ready to be released**

At this point, if the invoice has been authorised, processed and in the computer and the customer is avoiding payment and the answer to the question “When do we get paid” is “I don't know”, it's time to change tactics.

Customers, who are avoiding payment are often not handling their cash flow efficiently and are paying suppliers as they get paid by their customers. Possibly they are not at risk of failing but you need to watch them carefully. The following suggestions are dependent on your business type or your contracts and whether you

have negotiated your terms of trade with your customers. The first thing to consider is to stop credit on the account. There is no point in increasing the debt with this customer if you cannot get paid for the current invoices. You will only add to the problem. Check your dispatch or stores department to make sure there is nothing due to be sent out. If you are currently doing a job for them then consider stop working on the job. There is no point in wasting time on the accounts payable person if you have exhausted their authority and responsibility. Ask for the supervisor, accountant or manager. Refer to your customer information regarding who is responsible for authorising the release of cheques. Be polite and assertive, but not rude. Avoid telling the customer about your money problems, they don't care.

If you are persistent and they have funds available, you could possibly get paid. If you do nothing your invoice will get put to the bottom of the pile and other noisy persistent people will get paid instead of you.

If you have an agreement, remind the customer of this. Try to enforce the agreement. If the customer is within a reasonable distance, pick the cheque up. If you are dealing with a remote site, find out who their regular freight delivery company is and make an arrangement with them to pick up the cheque. EFT is preferable. Try to avoid suggesting that you will stop supply if you think they could still be an ongoing customer, but advise they may have to go on COD until the account is up to date. Be resourceful and look for solutions.

### **“Cash Flow Problems”**

If the company has a cash flow problem, it is important to phone frequently (no more than 3 times per week). Be consistent because you may be able to get paid before others when funds are available.

Try to avoid dealing with the accounts payable person and deal with the management. Get your own management involved. Accept part payment on a weekly basis. At least some of the debt is being reduced. Don't give more credit. Put the business on stop credit.

You may decide not to stop supply if you can get COD because if the company can continue trading then there is less chance of them liquidating. This would be a management decision as it depends on how bad things are for the customer. Put it in writing that your terms are COD and have them sign that understanding. Still try to get some part payment to reduce the current debt.

Unfortunately, if the customer goes into liquidation or bankruptcy you are in the hands of the legal system and if you are lucky you might see a small percentage of your invoice paid. So you need to make sure that you do everything possible to get your invoice paid by due date and reduce your risk of non-payment.