
Who's Making Sure You're Getting Paid on Time?

"It Doesn't Count 'til it's in the Account"

It's human nature that many customers will not pay you until they are reminded to. Many people find this a tricky and often uncomfortable conversation to have, but the longer the debt remains unpaid the more difficult it becomes to collect and the more at risk you are of being caught with a bad debt.

With bad debt and cash flow issues cited as two of the main reasons most small businesses fail it's vital that someone is keeping an eye on yours.

What is Credit Control?

Credit Control is the system used by a business to make certain that it gives credit only to customers who are able to pay, and that customers pay on time. It is a critical part of a well-managed business that will help reduce bad debts and improve the cash flow in your business. Improving the management of your debtor book can release important cash flow into your business and help avoid the need to pay interest on overdrafts, offer discounts or use expensive invoice discounting. Having cash to make payments on time will improve your own credit terms with suppliers. In other words, managing your debtor book can help keep those juggled balls in the air.

However it requires specialist skills together with the right systems and processes in place at the business. It's not just about collecting cash from late paying customers, good credit control is based on building relationships with your customers and creating a rapport with them. Calling a customer to chase money can often be a difficult conversation and if you're not careful you could easily upset them, so it's always best to be polite and professional and to remove the emotional side of things from the call.

Credit management is also about assessing the risk of potential customers from day one, before the sale is even made and deciding how much credit (if any) you are comfortable extending. If you trade with customers over an extended period, you need to keep your credit ratings current and stay on the lookout for the signs of a business in financial distress so you can adjust credit limits limit your risk of getting caught out by a customer going into administration owing you money.

Gaining knowledge of your customer's processes and approval systems when it comes to invoicing is also a useful factor. It is tough enough getting paid on time without realising 35 days after the invoice is raised that it is wrong and needs re-submitting. With most companies only having one payment run a month nowadays this could result in your business having to wait over 60 days before you receive payment – could your business afford to wait this long?

Don't give people an opportunity to pay you late, check that your invoice is up to scratch and meets all legal requirements. Customers will not let you know if there is a problem with your invoice – it will just sit on their disputed pile so it's really important to get it right first time. If you are sending an invoice out to a new customer then it is worth giving them a call a few days after you sent it just to check it has been received.

Dealing with Overdue Invoices

One of the many challenges small businesses face is tactfully, but firmly, securing payment from customers who have disputed an invoice. When this happens, however tempting it might be to try to avoid conflicts, you must not ignore the problem of a late disputed invoice. It certainly won't go away on its own and it's far better to tackle the issue quickly before positions become entrenched.

If an invoice does become late, you now have a statutory right to add late payment interest and compensation charges to the debt (see also our handy late payment interest calculator). You should escalate the invoice quickly, for example by passing it to a business debt recovery service, and never have to listen to yet another excuse for paying late. The cost of the service can be added to the debt as a compensation charge, so in effect your late payer ends up paying for the collection service. It's important that the collection service has teeth and can see the process through to a County Court Judgement (CCJ). This way the debtor knows it's time to pay and most will do so long before such measures are necessary.

Outsourced Credit Control

Few small and medium sized businesses can afford a specialist credit controller and often it is down to an administrator or even the owner to deal with it. This takes up their valuable time when they should be doing what they do best – in most cases that's winning new business. Many businesses do not realise that this kind service exists let alone that it can be bought on an outsourced basis.

Outsourcing gives you the option of using the service as and when the need arises, therefore it reduces the need of employing specialist staff who you may not have a full time position for. Why not go and take a look at your debtor book – you will be surprised at how much is sitting in the overdue column – remember that's your cash and it should be sitting in your bank account!

Source: mycreditcontrollers.co.uk

About Kollect Systems Sdn. Bhd.

Kollect Systems is a leading technology provider of Revenue & Arrears Collections, Debt Recovery and Agency Management Software Solutions. Kollect provides specific solutions to help its Customers focus on their clients reduce arrears and optimize profits throughout their Revenue and Profitability Lifecycle. As experts in Revenue & Arrears Collections, Debt Recovery and Agency Management, Kollect continuously brings enterprise level scalable software technologies to the doorstep of its Customers. This helps to reduce Arrears Delinquency, Bad Debt and Improve Tracking & Profitability. Kollect, being a MSC status and TUV Quality certified company has its global HQ in Malaysia and leverages on partners for regional presence in ASEAN, Asia South, Middle East and Africa.

Enterprise Revenue Collections & Debt Recovery Software Systems

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Data Analysis, OLAP and Multi-dimensional Cubes for Online Interactive Reporting



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