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Show me the money—Managing your collectibles

In the past few weeks, I have had the good fortune to attend several industry conferences. The economy continues to be a popular subject of discussion for salespeople and publishers. The good news is that most of the people I spoke with feel the market is coming back and the worst part of the recession is behind us. Many of them found that one lingering effect of the recent downturn is a rise in their accounts receivable. They have found that many more customers are either not paying their advertising invoices or are paying them much more slowly than in the past. Uncollectibles is a serious challenge and can potentially swallow up the profits of your paper, so this month's Link & Learn is dedicated to this important subject.

The problem

“Slow pay” or “No pay” ads cost your company far more than an ad that is paid on time. Both ads require the same paper, ink and labor to produce, but the unpaid ad continues to be an expense long after it is published. Even if you are able to eventually get the client to pay, the administrative and collection costs eat up any profit from the ad.

Uncollectibles are a fact of life. Financial industry research has shown that out of any 10 customers sold a product on credit, six will pay on time, 2 will pay in 60 to 90 days, and 2 will become collection problems. These statistics hold true in even the best of times. The recession has only exacerbated this problem. Bad debt may be a cost of doing business, but we can reduce its impact on our bottom line by carefully managing the collection process.

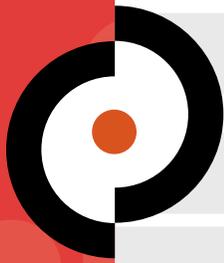
Who should collect past due accounts?

Many financial experts recommend that every company dedicate one person to managing a firm's receivables. This person's main mission is to collect past due accounts or write them off the books. I personally disagree with this. I think that sales people should take the point on collecting bad debt. Like most salespeople, I would rather sign up for a recreational root canal than go on a collection call, but we're, without a doubt, the right people for the job.

Here's why:

1. Sales people know the customer; they know how to find them and how they think. A “collections person” needs to start from scratch.
2. Collections require a skill set similar to sales. We need to persuade the customer to do something, i.e. write a check.
3. The person that made the sale can readily dispute any problems with the program in question.

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4. A collections specialist is only interested in collecting the money. A sales person wants to collect the money and maintain a positive relationship with the customer, leaving the door open for future sales. We don't want to win the argument and lose a customer if we can avoid it.

It all starts with the right attitude

Collections, like sales, starts with the right attitude. Over the years I have worked with many sales people who seemed a bit ashamed of charging for their product. They would enthusiastically describe the features and benefits of their product, but would become hesitant when stating the price of the program. If you fully believe in the value your product provides for the advertiser, you should expect to be paid. The customer is not giving us their money; they are exchanging it in a fair trade for access to our products and our readers. I never lower my voice or hesitate when quoting a price. I believe some sales people have a problem collecting because deep down they believe they are pulling something over on the customer.

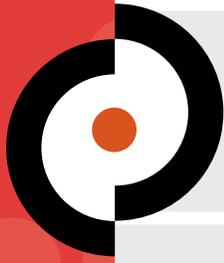
Collections start when you close the sale

An explanation of the terms of the sale should be a part of every sales close. You should clearly explain the commitment and investment required. You should also ask the customer to sign off on that commitment. A verbal agreement is not worth the paper it's not printed on. If you have to take legal action to get your money, the first question you will be asked is, "Do you have a signature?" I would be very suspicious of a customer who does not want to sign his name to the terms you've mutually agreed to for the advertising. I've seen reps so happy to make a sale that they miss the obvious signs that a customer is a little shady. If your gut tells you that something isn't right, chances are they aren't.

No sale is complete until the check clears

A few months ago I was out with a rep who had just closed a sale with a new advertiser. The customer said, "Do you want a check now for that?" When the rep didn't respond, I turned to the customer and said "I can see you're a successful business person, so you know there is only one right answer to that question!" The customer wrote us a check and we were on our way. The rep had hesitated because our policy allowed the account 30 days to pay. My advice to the rep was to always ask for payment in advance. This eliminates any potential problems with collections. Like anything else in sales, the worst they can say is "No." Sometimes a customer will ask, "What if something is wrong with my ad." My response, "Mr. /Ms. Customer, You know my company; we've been in business for years. If something is wrong we will make it right or offer you a refund."

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Check up on them

If you must extend credit, have the prospect sign a credit request form. Be sure to research their credit history and check their references. Remember the more they argue that their “Credit is good”, the less likely that it is. People with good credit never have a problem giving you their credit info.

The early bird gets the check

If you do extend credit on an ad, get the invoice into the customer’s hands as soon as possible; ideally you should deliver it when you take them a copy of their ad. The further you get from the date the ad was published, the less likely you are to be paid. Present them with their ad and confirm that everything is correct. If they have any questions about the program, resolve them and then ask for payment.

If you do discover a problem with the ad, discuss an appropriate adjustment with the customer. Do not write off the ad or deeply discount it for a minor problem. If you “give away the store” over a minor problem, you will train the customer to expect this treatment. Remember, payment is not based on the results of an ad. If the ad ran as promised, “I didn’t get any calls” is not a reason to skip payment.

Have a plan

You should establish a set procedure for collections and follow it. The plan should be activated as soon as an account goes outside the terms agreed upon. A typical plan will start with a call when payment is not received, followed by a gentle reminder letter with a schedule of more strident calls and letters as they become increasingly delinquent. At some point you must decide to either write off the account, take legal action or turn them over to a collection agency.

The collections call

When contacting an account to collect a past due, you must be friendly, but firmly and clearly communicate what you need the customer to do. You should have the details at hand and be able to tell the customer the exact amount owed. Do not try to soften the call with phrases like “could you please” or “would it be possible to”. Use strong language like “I need you to”, “I will stop in tomorrow to pick up the balance.” Avoid asking the customer “is there a problem”; they may see this as an out and suddenly “find” something wrong with the program. You do not need to ask why they haven’t paid; you are not looking for excuses, just payment.

Keep good notes of your conversations with the customer. Remind the customer of their commitment. Be as specific as possible, “Mr. Customer when we spoke on the afternoon of the 15th, you told me you would get a check to me by the

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20th; I have not received that payment.” As in sales, try to speak directly to the decision maker. Talk to the owner or general manager whenever possible. If they try to put it off to their “accountant” or “bookkeeper” ask to talk directly to them.

If a customer has a legitimate problem, health problems, unexpected business reverses etc. empathize with them but remain firm. Set up a payment plan and work with them until they get back on their feet. Leverage your personal relationship with the customer. Customers, who feel no compunction about cheating your company, may feel obligated to make sure you get paid. If a customer wants to continue advertising; consider allowing them to do so if they are able to pay for all new ads in advance and also give you something toward their outstanding balance.

Know when to throw in the towel

At some point, chasing a past due amount becomes an exercise in futility. After 90 days you have a very small chance of collecting on an invoice. If you have done everything possible to resolve a customer’s issue and have made numerous attempts to collect the balance it is time to move on. Your time is better spent servicing your good accounts or generating new business.

It’s your money

Over the years I met a lot of sales people who simply hate to collect money. While few of us like chasing down customers to get payment, doing this is an important part of the job. Sales people work hard for their money and to develop ads for their clients. They deserve to be paid for this, so don’t feel guilty about “bugging” your customers for payment. If you did what you promised to do, it is only fair that they live up to their word. Just look them straight in the eye and say, “Show me the money!”

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