



Credit-to-cash briefing:

Efficient collection calls

Calling a customer to ask for an overdue payment does require some skill. It can also feel uncomfortable to chase outstanding invoices. However a simple, informal, phone call can often resolve issues quickly and painlessly.

Credit-to-cash briefing:

How to chase overdue payments by phone

Creating a direct connection with your customer by talking to them can be vital during times of economic uncertainty, such as during the COVID-19 pandemic.

For example, businesses at every stage of the supply chain have been impacted by the coronavirus. Perhaps your customer just needs a few more days to sort out their cash flow before they settle your invoice. If this is the case and you are able to support it, you will be saving yourself the trouble and costs involved with more aggressive collection tactics such as legal proceedings. Perhaps more importantly, you will also preserve your working relationship with your customer and future opportunities for growth.

There is no one single way to make successful telephone collection calls. Every debtor is different and what leads to a positive outcome in one case may fail in the next. However, this is exactly the reason why thorough preparation and a certain measure of flexibility will considerably increase your chances of success.



Areas to consider before calling a customer in arrears

Who should call the customer?

Not every employee is suited to make an invoice-chasing telephone call. Think about your business structure and how relationships are formed with your customers. Should one of your finance team call your customer's finance department? Or would it be more personal – and possibly more productive – if the customer's account manager calls their contact directly? Does the person tasked with making the call feel equipped to do so? Consider how to best support them through training, provision of information or even delegation to a colleague.

Create clear targets

When creating targets, it is a good idea to establish what you hope to achieve and what you can compromise on. For example, you may want to achieve payment in full, but you may be able to compromise on the payment date and give your customer extra time to pay.

If you are not able to give your customer extra time, perhaps you could work with a payment plan that means you receive part of your payment upfront with the remainder spread over a series of instalments.

Preparation

Before making a collection call, take some time to look into the background of the debt. For example, find out if the reason for the debt lies with your business. Perhaps your customer is in dispute over the level or quality of the goods or services, or maybe your sales team has made a promise concerning payment terms that you were unaware of.

Check if there's a problem that's prevented payment. Find out what you can do to resolve it. Your customer may have been withholding payment because there was something wrong with your invoice.

Before making the call check:

- Did the invoice include everything it should have?
- Was it addressed to the correct person or department?
- Was it received?
- Does your customer's accounts department need additional information before they can process your invoice?

Consider the different ways your customer could respond to your call. Will they make excuses, or will they

want to work with you to resolve the issue? Are they bigger than your company and used to taking advantage of smaller businesses?

It can be helpful to work out what common excuses are and how you wish to respond to them.

Create a customer file with information that includes:

- Name and contact details of who to call
- Payment record history
- Past experiences with reminder notices and collection calls, including any previous reasons for late payments

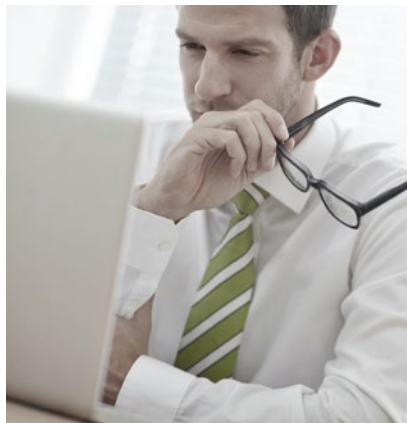
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Making an overdue invoice call

Call your contact's direct line or ask for them by name

- Be polite and upbeat, give the call a personal touch but remain focused, firm and assertive
- Get straight to the point and be clear and open about your wishes
- Be compassionate. Remember there may be many reasons your customer has not paid and some of them may be the fault of your business. A warm and strong relationship moving forward may also be more valuable to your business than one that ended over a misunderstanding or a dispute that could have been amicably solved
- If your customer has a history of late payments or refuses to pay what they owe it can help to tell them the next steps you are considering to take. These may include:
 - Charging interest on every day spent overdue
 - Withholding supply of current and future goods or services
 - Removing credit terms
 - Instructing a collections agency
 - Taking legal action
- Make notes throughout your call and summarise the key actions at the end of the call to confirm that both you and your customer understand and agree. Who will do what by which deadline?
- Follow-up your call immediately with an email that summarises the main points discussed and any agreed steps.



What to do after making a collections call

Documentation

Make sure your notes are stored on your customer's file. Documentation within the system is extremely important, as it allows a colleague, collections agency or legal representative to pursue the case in future.

Keep your word

If you settle on a due date, make sure that it is kept. Likewise if you agree on consequences for failure to pay by an agreed date, you will need to follow through.

Be persistent

You may need to contact your debtor more than once. Be prepared to do so. It can help to set up a schedule. For example, get in touch once your invoice becomes one or two days overdue. Do so again at regular intervals, say every five to seven days, until the debt is 30 days past the due date. At that point you may need to escalate – or at least threaten to escalate – to professional or legal action.

Reflect

Spending a bit of time assessing your actions will help you achieve a continuous improvement of your collection results. The following questions may help your reflection:

- Did I display a positive attitude in order to guarantee an optimal telephone call and did I strike the right tone?
- Did I always remain focused on the primary objective?
- Did I accept hopeless promises?
- Did I receive precise answers to my questions?
- Did I mention the positive aspects?
- Did I manage to limit the phone call to an adequate period?
- Am I happy with my line of argumentation or can something be improved?

What to do if your collections calls fail

If you have been unable to secure payment or an instalment plan for an outstanding invoice, you may benefit from some specialist advice. You may be able to negotiate a solution with a mediator, or you may need to make a court claim for the money. A professional collections agency can also be very helpful. Sometimes simply contact from a collections agency is all that is needed for a later payer to act. If your debtor is abroad, you may also benefit from an agency that has offices, languages and expertise in the same country as your debtor.

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