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BCMA E~CREDIT NEWS

BCMA - It is All About You!

January 2019

1. 9 Point Checklist For Your Final Demand Letters

Both your letter and the process surrounding the use of your final demand letter are equally important.

This month's topics...

- 1) [9 Point Checklist For Your Final Demand Letters](#)
- 2) [Fifteen Ideas for Controlling Delinquencies](#)
- 3) [Accelerating Payments](#)



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Final Demand Letter Checklist		
PASS	FAIL	Component or process being checked
<input type="checkbox"/>	<input type="checkbox"/>	Make it brief. You can say how you regret taking the action, but will be forced to unless a check is sent within the stated time.
<input type="checkbox"/>	<input type="checkbox"/>	Clearly spell out your intended actions if they do not pay.
<input type="checkbox"/>	<input type="checkbox"/>	Require them to act within 7 to 10 days -- Some respondents allow a five-day grace period after that period.
<input type="checkbox"/>	<input type="checkbox"/>	Give the name of the attorney you intend to refer the case to. This tells the customer that you are not just "blowing smoke."
<input type="checkbox"/>	<input type="checkbox"/>	Send invoices and/or statements along with the final demand letter.
<input type="checkbox"/>	<input type="checkbox"/>	Do not use too often on the same customer. This may diminish their effectiveness.
<input type="checkbox"/>	<input type="checkbox"/>	Simultaneously send a letter to any guarantor of the account
<input type="checkbox"/>	<input type="checkbox"/>	Make sure you follow through with the actions outlined in the letter.
<input type="checkbox"/>	<input type="checkbox"/>	Send them certified mail, return receipt requested, or by overnight delivery service. Either way you have a receipt proving delivery.

Thanks, to Credit Today's Checklists.

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GOT AN IDEA?

Would you like to contribute to the BCMA Newsletter? The most important part is your idea. We can handle the polishing. Just write to us at BCMAEditor@CreditToday.net with your idea!

2. Fifteen Ideas for Controlling Delinquencies

If cash flow is the engine that drives businesses forward, delinquent accounts are the brakes that bring businesses to a screeching halt. We are all aware of the fact that the probability of collecting a delinquent account drops dramatically over time. For this reason, we need to make certain that their internal collection efforts are adequate to the task. Here are 15 ideas for controlling delinquencies and collecting past-due balances more effectively starting today:

1. Make sure each of your customers know your terms of sale.
2. Be sure your terms of sale appear on every document that is sent to customers, including invoices, monthly statements, collection letters, and dunning notices.
3. Flag accounts with irregular payments for closer scrutiny.
4. Eliminate so-called grace periods. Follow up immediately on past-due balances.
5. Establish a method of monitoring the financial performance and payment patterns of accounts identified as marginal credit risks based either (a) on their financial condition, or (b) on their payment history.
6. If DSO is creeping up, review and tighten your collection procedures as well as your credit-granting policies and procedures.
7. Control extended dating plans. Make certain that only you can approve any such plan. Be certain that your subordinates--and the sales department--understand that they have NO authority to offer or accept extended payment plans without your approval. If you accept a payment plan, make certain it is documented - preferably in the form of an interest bearing promissory note with a default acceleration clause, and accompanied by a personal guarantee.
8. Treat customers' payment proposals as invitations to negotiate rather than as non-negotiable ultimatums.
9. If a customer cannot pay you in full, require a substantial "good faith" payment, in addition to a specific written commitment to pay the remaining balance on a specific schedule.
10. Be prepared to hold orders sooner rather than later when accounts become delinquent.
11. Always deal with decision makers within your customers' hierarchies, never message takers.
12. If a customer is withholding a payment over a small dollar dispute, insist that the undisputed portion be paid immediately.
13. Recognize that at some point, it becomes more important to collect the past-due balance than it is to be concerned about future business and the risk of damaging goodwill between your company and the delinquent customer.
14. Many collection problems (and bad debts) result from poor or inadequate initial credit investigations. Make this your line in the sand. If you are not convinced customers are creditworthy, they should not get past the initial barrier to open account terms.
15. Use a professional third-party collection agency if you find that you are no longer making progress in collecting on a past-due balance. Remember: In debt collection, if you are not moving forward, you are moving backward--there is no neutral or middle ground!

3. Accelerating Payments

Big Sky Radar (Bozeman, MT) is located close to some of its government customers whose purchasing departments often request hurried deliveries. "We'd deliver shipments directly to them and send invoices later," says President David Pope. "It would sometimes take us four months to get paid, because it didn't immediately get into the process."

Pope decided to do something about this problem. His first step was to find out who the accounts payable clerk was. He then asked specific questions about how the department's system worked. In other words, what checks would be needed in order to get something approved. "Once we learned that, we could just print out a tracking report that shows that it went through the receiving department," he notes.

"Even when the engineers were in a hurry, we could walk it through the receiving department, and then have somebody sign it before the engineer could take it," he adds.

After that, BSR got back down to a normal cycle, which was about six to eight weeks. However, Pope was still not satisfied, so he next began faxing invoice copies directly to the accounts payable clerk, along with proofs of delivery. To encourage even quicker payments, he offered a 2% discount for fast pay (10 days), and net 30. "When we offered this, customers began taking advantage of the opportunity," he says.

Letting Nothing Slide

He also tells slow-pay customers, "If you don't pay on time, we'll raise prices enough to cover the slow pays." "We don't let things slide, no matter how big the account is," he emphasizes.

After taking all these measures, Pope found that it quadrupled his chances of getting paid on time.

"We've used the same procedures with the commercial industry," Pope continues. "At first, customers were arrogant, because we were the little guys who should be happy to get their business. However, now they are very receptive."

The key is not being afraid to say no. For example, one of the company's biggest accounts called one day to state that it would be putting everyone on net 60. Pope politely informed the customer that it had been wonderful doing business with them, but they would not do so any longer. Now, every account the customer has is on net 60 except for BSR, which remains on net 30. "You just have to be polite, but firm," he notes.

What are the best ways to keep customers consistently paying on time? Pope offers some recommendations:

- Strictly enforcing your credit terms.
- Being "up front."
- Not playing games.
- Not having any hidden costs.
- Documenting everything.
- Keeping everything in writing.
- Making it a habit to follow up with a letter of confirmation.
- Being consistent.
- Maintaining a personal relationship with the people who service your account.

3. Accelerating Payments *(continued)*

"You'll find that the buyer is your best contact and will work with the A/P clerks," he says. "The buyer is the channel through which the decision is made to obtain the product in the first place.

"When the A/P clerks decide to make their numbers look better by stretching everybody beyond terms, call the buyer. Do this rarely, though, so when you do need to do it they understand that it is serious. If you have a good product and service, then they don't want to lose you, because they make money off you."

"If you keep up your end of the bargain, then customers usually respond in the same way," Pope sums up. "BSR has never missed a delivery, and they ship via two-day FedEx at no charge. When you factor that all in, BSR has impeccable customer service. Therefore, buyers don't mind them being firm about collections."