

How many customers paid you late last month?

Debtor management is an essential part of any business, just as sales, logistics and other functions command time and appropriate processes, so does accounts receivable.

Slow paying customers and bad debts continue to be a big problem for small business. Lack of time often means the onerous task of collecting money is left to the side rather than being a priority within the business.

Many businesses experience problems with debt collection mainly because they don't have the right processes and controls in place and also adopt a cautious approach to communication with their clients for payment.

Debtor Management Tips

- Have a clearly defined credit policy and debt collection strategy ;
- Communicate your credit policy and terms at the time of purchase;
- Before you offer credit make sure you know who you are dealing with;
- Separate the sales function from the collection process;
- Be consistent and diligent in your debtor process;
- Follow and execute your accounts receivable process week in week out so clients and customers know what to expect;
- Be timely and accurate with your invoicing;
- Don't be afraid to ask for your money;
- Record all debtor communication in account notes;
- Act swiftly when signs indicate doubtfulness of collection;
- Be willing to negotiate, taking into consideration the circumstance, to maximise recovery of the debt and preserve customer relations; and
- Utilise a third party, where appropriate, to assist with your debtor management process.

When you make a sale and deliver on your promise, you rightfully deserve to receive payment, unfortunately this can be the hardest part of the transaction.

How you manage your collections can make a big difference to your cash flow and overall operation of your business.

If you need help with your debtor management call Sean on 0411 646 177 or email sean@dscgroup.com.au to get the process started.