



The Reluctant Collector

*How to be wildly successful
when your 'other duties as
required include 'receivables'*

By: Tim Paulsen

The Reluctant Collector

Allow me to present three *reluctant* collectors for your consideration:

New Responsibilities for Sally

"We're making some changes," Sally was informed when she sat down in the manager's office. She began to rise out of her chair, protesting, *"But my numbers..."* Peter, her sales manager held up both hands to stop her. *"Your numbers are great,"* he said. *"The changes are to the folks that worked in receivables."*

"Receivables," Sally said. *"You mean the collection department?"*

Peter nodded.

"What does collections have to do with me...I mean us, here in the sales department?"

"Starting on Monday, quite a lot. All the folks who worked in receivables are being reassigned. That department will only be sending out the invoices and answering basic queries from Customers. Any and all necessary contact to collect on a past due invoice will be our responsibility, more specifically yours – for your customers."

"You can't be serious," Sally said.

She knew that Peter was serious when he said nothing.

"But," she protested, *"my skills are in selling, it's what I've done since graduation. I don't know anything about collecting. It has never been the responsibility of sales."*

By the way

Kevin has just accepted the job offer as Account Executive for Nordic Frabistat. He was excited about the product and working for what everyone said was a progressive company with a cutting-edge product. His potential for additional earnings thru commission and profit sharing had his heart racing, but that same heart seemed to miss a beat when his new manager, while shaking his hand to welcome him aboard said, *"By the way, one of your responsibilities will be to follow up with your customers and ensure payment is received after you make the sale. That won't be a problem, will it?"*

With a bit of effort, Kevin managed to keep his smile in place and shake his head. He asked himself, *"Is he asking me to collect?"*

Lying in the bed you made

There was a serious change in the economy and the real estate market. Turn-around specialist, Kurt Nodd, was brought in to try and save Nerdey Trust. At the end of his first week, he fired 50% of the sales team for mortgages and now had the rest of them standing in a meeting room. (No chairs were provided.)

"You people were involved in hitting a lot of sales targets for mortgages over the last few months and years. Many of you bought second cars or paid off your own mortgage based on the commissions you

earned. Now, a lot of those approvals are coming back to bite us on the behind. There are a lot of factors involved, but I don't care.

Our job right now is to do everything we can to collect on the sales that were made. Nobody knows these customers more than you do. You can bring out your business cards right now and cross off sales representative, account manager or whatever you may have under your name and write in Collector, cause that's what you're going to be for the next six months – minimum.”

Objectives & Rewards:

Management by objectives was popularized by Peter Drucker back in 1954. The premise is deceptively simple and often effective. First, provide a clear target (objective). It should be something that can achieve, but it should be a stretch. Second, reward them for achieving the target.

The difficulty, the challenge, the rub if you will, for overall success is that in this case, the sales individual or department may achieve their objective in spite of and sometimes at the cost of the objectives for the receivables department. And of course, vice-versa.

People, as pointed out so well in Dr. Lebouf's book 'The Greatest Management Principle in the World', will do what you reward. Not what you want and not what you ask for – *but what you reward*. Write that down, memorize it. Whenever you see unusual behavior, not only in business but most areas of life, Lebouf's Principle comes into play. The results in almost any organization is a conflict between sales and the credit/collection function. Sometimes it's downright nasty and at other times it is healthy and out in the open, but it is *always* there. Some people in credit ask *Whose side are they on?* about the sales team. In turn, they have been known to refer to credit/collection as the *sales prevention department*.

All in the same boat? Well, yes, but on your winning hockey team you will have skilled defensemen and forwards. The goal is winning but they do have specific responsibilities. When push comes to shove, as it so often does in the game of hockey, you better have some two-way players if you want long term success.

There may be a lot of reasons what a sales representative is called upon to collect a past due invoice. However, there is one and only one action to be taken and that is to **complete the sale**.

Closers wanted and needed:

There are sales representatives who believe the sale is complete when they bring the signed order back to their office. Many a credit manager says, *'the sale is not complete until the payment has been received.'* However, when you truly operate as though it were your company: ***The sale is complete when the money has been received AND the Customer returns to purchase again, on credit, paying on time in the future.***

This means that everyone in the firm, *everyone*, is involved in sales or they support the people who sell. The selling may be at the early 'bring in the order' stage or later, completing the sale with a satisfied and up to date customer.

'Sales people overcome objections to making the sale. accounts receivable people overcome objections to payment not being made, isn't it the same thing?' The answer to that question is a loud and resounding, *sort of*. One does need to be assertive in receivables just as with sales. One also needs to be

able to overcome objections. But, the real difference is in how the customer may see you and how you see yourself.

In sales, you may have many Customers who welcome your visit and your calls. Nobody, I don't care how good you are, is happy to get a call from a collector. Let's face it, in the past, one may not have stressed the payment terms but now must ensure they are not only understood, but followed thru as agreed. Then, when paid, you want the Customer to be happy enough that they will still want to buy your product and service. Talk about being pulled in different directions? Remember we mentioned 'push coming to shove'?

It is quite the challenge, but achievable, we believe, when you know and follow SIX GUIDELINES:

1) Wear one hat:

In the minds of the customers, ever since the separation of departments and responsibilities, there were the 'good guys' in sales who wore the white hats. And sure enough (sometimes even encouraged by receivables) the 'bad buys' in receivables wore black.

There can be some value in a good cop/bad cop technique in collections, but the professional 'closer' does not change hats when they speak to a customer. That only leads to conflict and misunderstandings. The hat we want to wear is **camouflaged** and that means you can't see where one responsibility ends, and another begins. It is all part of the same process – all completion of the sale.

The message delivered to the clients at all stages is 'we're here to ensure you will receive and enjoy the benefits of our products and services – that includes ensuring no misunderstanding about terms and service, resolving any delivery of information on our part – keeping your account fully open for future orders.

2) Ask for the Money:

If you have been in sales for a period or enjoyed a good training program or book on the subject, you already know the value of asking the customer for the order. This is a key pillar for receivables, asking for the payment, clearly and early.

Early:

This means before an order for your product or service is placed. When setting up the account for the customer, point out the terms of payment and ensure they understand and agree. *"Bill, your terms of payment will be Net 30 days. Is there any difficulty with that or anything we should know?"*

Don't talk about 'our terms', nobody cares. You want to get in the mind of the customer, early, you are talking about 'their' terms. In later months, you may be speaking to the customer along the lines of, *"Bill, the terms you agreed to were..."*.

Send a letter or confirm by email. There is a lot of information you may want to get across to your customer (remember your camouflage hat), *"Great to have you on board, we're honored to have*

your business. If you encounter any problems here are some names and contact email and telephone numbers...the credit line set for your account is, but if you need more in general or on a temporary basis...allow me to confirm the terms you agreed to were.... “

Make it easy and simple for a customer to order more without hesitation and eliminate any excuse later for someone saying, *“we didn’t know the terms”*.

For a new Customer, early also means soon after delivery of the first product or service order. Even before payment may be due. It ‘truly’ is a service call. Ensure all received, delivered to the right department with invoice. Anything we should know?

In receivables, the squeaky wheel gets the grease, so early for all your customers, new or established, means early in delinquency stages. Firms and individuals will practice cash management with your money. If they are past due with your firm, they are past due with others. Who gets paid first? Often the one who presses for the payment. If payment should have been received by the 10th, then you should be on the telephone or visiting your customer by the 12th or 13th. For a high balance or a customer who has been, how shall we say, ‘flexible’ in keeping their promises of payment in the past, you might call on the 10th or even the day before. *“Just a quick courtesy call to ensure your payment will be sent tomorrow as promised”*.

We know what you may be thinking. You don’t know our customers! Some of them, maybe the majority, are going to push back if we ask them these types of questions. You are right. We don’t know your customers, but we have had enough experience with our own customers to know that there may be some pushback with the questions and the assertive attitude necessary. Good. That leads us to the next technique that needs to be understood and mastered.

3) No more Mr. Nice Guy:

Your organization has a good product or service, right? O.K., maybe even exceptional and a deal is a deal. You *deserve* to be paid on time, as agreed. You did not provide them a product of less value, expecting them to pay the same amount. Same applies to late payments which decrease the value of the sale.

It may not truly mean, “no more Mr. Nice Guy”, but it should be a little less. If your customers have not paid on time as agreed, you are going to contact, ask questions and resolve the reason for the delay. As mentioned, some of them may not ‘like’ the fact that you ask them to pay but you do want them to think in the future when your invoice comes across their desk, *“If I don’t pay this one, then I know Kevin is going to be calling, better get it out of the way.”* Squeak, squeak!

Be a good scout:

In sales, you had to deal with, “*Why should I buy from you, rather than from somebody else?*” Your success was determined by how well you overcame objections from your customer. They may have said



your price was too high, they were satisfied with the present supplier, maybe the timing wasn't right or perhaps personal politics were involved. You made the sale by being a good Scout, where the motto is “Always Be Prepared”. You identified the objectives ahead of time, developed ways and means to go around, under or through and make the sale.

The same technique can be successfully applied to earning your DMB (Delinquency Merit Badge) with a customer who is overdue. In most firms, there are about ten excuses that you will hear almost 100% of the time. Some of them may include:

- Needs to be approved
- Invoice not received
- Cheque/check needs to be signed
- Accounts payable clerk sick, on vacation
- Check/Cheque in the mail
- Something wrong with product or service

Some of these excuses will be valid, the cheque may very well be in the mail, others may be a stall tactic on the part of your customer. It is often best to take their word, but that doesn't mean letting them off the hook. You can develop your own Excuse Terminator, *before* you place your calls.

For each expected excuse, prepare questions based on the five W's of investigative journalism: Who, What, Where, When and Why

Here is an example for the Check is in the mail:

- Who mailed the check? Can you confirm with them?
- What invoices were being paid with that cheque?
- What was the cheque number?
- What address was it mailed to?
- When was it mailed (maybe what was the date on the cheque)
- Why was it mailed so late? (If payment just mailed that morning, but it should have been paid several weeks before, it may be time to 'squeak' to better ensure future payments are made sooner.

4) Go to Carnegie Hall

Maybe you heard this old joke before. Someone in New York stops a distinguished looking man and asks if he can tell him how to get to Carnegie Hall. He is told, “Practice, practice, practice”.

It is a very important thing to know the expected excuse and the right questions to ask. But we know it isn't always what you ask, but how you ask it? You need to be comfortable and have these questions fit your style and in many cases almost appear as though they are just 'off the top of your head'. But, practice your ad-lib lines. Make them part of your repertoire.

There are some folks who may say they need to be spontaneous and don't need to practice. Do you want to your livelihood and that of your organization to be based on how well you feel that day? Do not underestimate the value of role playing. There is no successful sports team that does not role play on the practice field.

5) Invest in Your Education:

One day. Attend a good receivables and negotiation seminar. Do some homework and be selective. It is better to attend in person if you can, but an on-line or tele-program is another option. Pick up a book or two on the subject.

You will find that not only will your knowledge and technique improve for receivables, it will benefit you in sales too.

The *successful* closer has learned the commitment of working in sales *and* receivables is not for the faint of heart. The hat that adorns their head may be in many different styles ranging from a fedora, to a Stetson or even a baseball cap, but through persistence and dedication to overcome obstacles, operating as if it truly is your company, it is always camouflage - nobody can see where your responsibilities begin or end because you are the company!



Tim Paulsen, author, trainer, public speaker and proud wearer of the camouflage fedora!

I would love to work with your team, including and perhaps especially those who may be reluctant, to improve our bottom line.

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