

Using the Telephone

With the Proper Techniques the Telephone Can Be Useful as a Primary Collection Tool

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There may be some very valid reasons why a customer doesn't pay on time . . . reasons that a dunning notice or form letter won't pick up. On top of that, sending an impersonal reminder to a very good customer simply isn't good public relations.

That is why the personal touch, a phone call at the right time within a few days after your terms have been stretched could do much in setting up a sound payment plan.

You benefit by getting your money in a given period of time, you keep your customers happy, and you don't have to work twice as hard and spend additional money to replace old customers with new ones. Therefore, it is important to bring in telephone contact with a customer before the ac-

count becomes overdue so you can work out a mutually beneficial program.

A telephone program can be effective because it brings credit personnel into direct contact with a customer.

Standard notices or form letters would very easily wind up in the "out" basket underneath a customer's desk.

Also, courts, legislatures and the F.C.C. have outlawed harassment in consumer situations and the trend today is to apply the same thinking in business-to-business dealings, too. And, you have to be in full compliance with the Fair Debt Collection Practices Act.

Impersonal reminders would never pick up the fact that a customer has

just had a fire and is waiting to collect insurance money.

A dunning letter after 90 days would never be able to see that a customer had a problem with a shipment and is holding up payment until it's straightened out with another department.

Before continuing with the use of the telephone to collect overdue accounts, let's accept the premise that the place to begin looking for possible causes of collection difficulty is not in your collection setup but rather in your company policies and procedures. There is a saying that an account properly opened is an account half collected. Poor collections may be due to inefficiencies that occur in the job acceptance part of your operation before your collecting activity even starts. Hence it is desirable to check the following important factors in your company to discover whether there are any weaknesses.

1-Are you selecting your new customers carefully after thorough credit investigation? If you are starting work with a customer who is known to others as slow-pay or won't pay, how can you expect anything but poor collections and bad debt losses? When you have poor credit investigation you are putting poor accounts

Although the telephone can be a very valuable tool in collecting from an overdue account, the following practices must be avoided:

1. Calling at odd hours of the day or night. (Outside of normal working hours.)
2. Repeated calling. (Generally no more than one call per week.)
3. Calls to third parties. (Except to locate the person you are trying to reach.)
4. Threatening calls.
5. Calls *falsely* asserting credit rating will be affected or that legal action will be taken.

on your books, those that were risky at the time of the first progress payment.

2-Are you making sure that each customer clearly understands your credit terms? You have to spell out clearly the terms under which you take

a job, leaving nothing untold. You can't expect good collections from a customer who doesn't really know the terms of sale.

3-Are you controlling the credit limits set for various customers? You have to establish some sort of guide-

lines for the estimated ability of a customer to pay. Before taking a job, a check should be made with your bookkeeper to determine the status of the account.

4-Are you sending bills and statements promptly? If it is your custom to bill promptly, it is incumbent that you follow up on your own office efforts. The earlier that your statements are sent in accordance with billing dates, the better your chances for collection.

5-Whether formal or informal, do you have a check system of credit? Your firm should establish some policy as to collections, a system as to collection procedures and methods, especially on liens.

The adoption of a definite collection policy does not imply the establishment of absolutely rigid provisions from which no exceptions can be made in cases where there are extenuating circumstances.

Earlier we mentioned the possible advantages of using the telephone as a collection tool. Experience shows that the phone lets you be flexible. By knowing a customer's problem, you can be adaptable to meet any and all situations. You can change to meet any new circumstances. But, in changing, your primary concern should still be to bring an account up-to-date. Your customers will appreciate the fact you are helping keep their account current.

And, the phone lets you be thoroughly familiar with every aspect of an overdue account's business by direct personal contact. Especially for local collections the best and most economical way of doing this is with the telephone. For ultimate success, prepare your call in advance by asking the right questions, being aware of a customer's past problems, current problems, and whether it is possible that it is your company that is at fault. (shipping wrong merchandise, improper packing, etc.)

It is important to remember that whenever an "overdue account" is on the other end of the phone, there is a person there, too. Over the phone, credit personnel can show an overdue account that they can overcome the difficulties in bringing payments up-to-date. Using voice, tact, and a pleasing personality can build a positive image of your company.