Tact: The Technique of Collecting—And Keeping

A Touch of Common Sense if Vital If You Wish to Collect Your Money and Still Retain Your Customers

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Tact is that ingredient put into collection efforts which helps to achieve results without alienating customers to the extent of losing them.

To enable you to use tact, it is necessary to first understand why a delinquent paying customer has not made prompt and full payment.

A slow payer may be the victim of unexpected misfortune, the victim of unwise money management, or the person who is completely irresponsible and does not care if financial obligations are met or not.

To know how to apply soft-sell collection techniques to best advantage, it is incumbent that we examine the aforementioned classes of delinquent customers.

The victim of misfortune usually has been the “good” customer, who up to now has made payment considered timely and satisfactory. What has happened is beyond his control. It may be that he had a set-back in his business through the bankruptcy of one of his larger contracts, or the loss of one of his best customers; he may have been the victim of a theft, accident, or other catastrophe for which there wasn’t adequate insurance coverage; or as the case might be, financial pressure is present because of having to meet unexpected cash flow problems or a payment problem with an owner or architect.

In our economy, particularly among certain ethnic groups and the newly marrieds, there is a tendency to buy now and pay later. This is perfectly alright if done in moderation and consistent with one’s ability to pay, for a great deal of the growth of American economy has been attributed to the installment system of selling.

However, the person who adds to installment obligations without proper budgeting of family money resources eventually finds that the payments become burdensome so additional monies have to be withdrawn from a residential contracting business which may be under capitalized or operating with inadequate cash reserves. Thus, one slight jar from a bad customer and the whole sequence starts for the contractor.

Of course, we also have the “deadbeats”—the customers who don’t give a damn whom or what amount they owe. They are the patently dishonest who lie, improperly backcharge, or make promises without intentions of keeping them and generally are of low moral character.

Knowing the reason why people don’t pay you is not enough. You have to realize that most people are actually embarrassed because they can’t pay their bills. It is an American tradition to feel proud of good paying habits and your company’s credit rating. Yet, it is just this feeling which causes you to lose customers. When an account becomes past-due, the customer feels ashamed to deal with you again for additional work made on credit.

Other customers will take on com-
pletely different characters. They will make promises, criticize your work or your company personnel and often adopt a belligerent attitude completely foreign to normal behavior. Here is the difficult situation, the one where tact is going to collect all or part of the past-due account without losing the customer.

First and foremost is the approach. Collection letters, no matter how cleverly written, are only a process which is a reflex-action office procedure. The customer expects to be touched. Thus, the letters can only become merged into the overall financial plight.

A better way is to use the oral approach. What can be said over the telephone is far more effective than a multitude of letters which are thrown away, put into files, or left unopened and ignored.

Granted that you are busy, but it will still pay you to collect for work already installed and for the potential of keeping pressure on the erring customer while his financial attitude changes for the better.

The busy owner-manager who truly cannot find the time should delegate only as a last resort the attempts at collection to an office worker, or to a wife, neither of whom has the same forceful impact in the success of the efforts at collection.

Either way, the suggested approach is to put gentle, but probing questions to the customer who is delinquent in his payments.

Ask the question: “Why haven’t I received your payment?” This will give the embarrassed debtor the opening for which he has been waiting. It will allow him to tell you of his setbacks and the reasons why he hasn’t been able to make payment. Also, it will allow for the airing of grievances—both real and imaginary.

In most cities you can arrange with a local credit checking bureau for a short-form credit report. The low-cost ($10?) report will tell you of pending lawsuits, judgements obtained and unsatisfied and other data which will tend to confirm or deny what was told to you.

These insights now allow you to have some knowledge of the customer’s true financial standing, his ability to pay in the future and an idea of general attitude. Most of all, you’ve gained his confidence in showing a genuine concern by asking why payment wasn’t made instead of when payment is going to be made.

The second step is to ask, “How can you make payments?” Asking about plans expresses an interest in his plight and allows the customers to tell you about the steps he is taking to clear up his delinquencies. He might talk about debt consolidation, refinancing or an arrangement for the establishment of a partial payment schedule based on each creditor’s granting an extension for time to pay.

Use this opportunity to offer your good offices to assure the plan’s success and offer to accept any reasonable part-payment plan which will help the customer to extradite himself from his predicament. You’ve got little if anything to lose. In some instances you can force full payment if you take a strong enough position, but adverse word will be bound to get around that you threatened to put a man out of business, or exercise lien rights—attach a man’s automobile (vital in some communities) or ‘took steps to attach his house (taking the shelter and roof away from his family).

Now, following a genuine measure of concern, is time to ask “When are you going to start making payments?” He knows by this time that you’re interested in his welfare, he gave you information about his financial condition you didn’t know before, and you gave your assurance of trying to help him overcome his present embarrassing position.

There is an opposing point of view which should be noted at this point. Does all of this amount to coddling? Shouldn’t the contractor be paid for the time and material he sold and not be “hung-up” for payment?

Surely, but our objective was not to lose the customer. We tried to salvage the goodwill and continuing relationship with the customer who is the victim of unexpected misfortune or perhaps the victim of poor cash management.

No attempt was made to coddle the dishonest or “dead-beat.” With these persons we should exercise full and even punitive collection procedures.

Ground rules may work for big business, but with small contracting businesses the prime consideration is the personal approach—handling each situation on its own particular set of merits. Elasticity is a key word here and allows for giving a little leeway where a little extra time shows merits of being able to solve the situation.

All of this has only produced what was due to you in the first place, but it has kept your customer’s confidence, allowed him a measure of self-respect and made him one of your loyal customers and boosters. There will be customers who will not respond to the aforementioned 1-2-3 approach and however unpleasant, the full resources of effecting collections should be utilized. This is necessary to keep your confidence in the ability of your business to support your family and provide a livelihood.