

Keep it simple

CICM Trainer, Barry Durman FCICM, outlines the fundamentals of credit and collections.

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Having previously held a variety of senior line management positions in customer services and credit control, his clients now include many household names and FTSE 250 companies in industries such as newspapers, hotels, builders' merchants, utilities, telecoms, manufacturing and retailing.

I have spent the last 20 years delivering training and working with businesses implementing best practice systems and procedures. It's great fun supporting and working with credit teams, ensuring they have the tools and techniques needed to develop and improve team performance.

Many friends of mine cannot believe that businesses get themselves into such a pickle. They say 'surely these businesses have got people to do their credit control? After all it's quite simple, all you do is send customers an invoice and if they don't pay promptly you phone them up a couple of times, send a couple of letters, put them on stop and if they still don't pay, sue them.'

Actually, they have a point. If credit managers are crystal clear about the company credit policy and keep it straightforward, the credit team can do the rest – providing they have received effective induction and training.

So, what are the fundamentals of good credit management?

- 1 Make sure you know who you are dealing with from the start. Ensure customers complete a one-page credit application form. Get them to sign that they want a credit account, that they agree to your terms and to you credit checking them. Then use an established Credit Reference Agency to check the details and suggest a credit limit. Their suggestion is not a rule, it is guidance, so be flexible to the business needs.
- 2 Don't have numerous different payment terms because it makes things complicated. Stick to seven or 30 days. I also like the 15th or 20th of the month following because each month's invoices go overdue on the same day each month.
- 3 Allocate a credit limit to each account but have a minimum – say £1,000. Be prepared to be flexible with limits where customers are paying promptly.
- 4 Start chasing for payment before invoices become overdue. Some say that

not many invoices are paid to terms, but CICM has shown that about 50 percent are. Don't just chase overdues, chase for payment while the debt is due so it can be paid on time.

- 5 Compile and publish a simple collection timetable showing when you will send reminders, when you will phone, when you will put customers on hold and when you refer the account for collection. Then stick to it.
- 6 Keep sales (and fee earners in practice) involved as things progress. The motto should be 'no surprises.' They need to be signatories to the credit policy.
- 7 Have a simple spreadsheet to record every single invoice query. In my experience, large numbers of invoices are not paid on time because of problems with either the product or the invoice. So, improve on resolving queries and issuing credit notes where appropriate.
- 8 Treat key accounts specially. We need them to pay to terms but standard policies cannot be applied to them. They normally have numerous invoices and more queries.

Credit managers are sometimes, unfairly, referred to as sales prevention officers. Sometimes we can be too inflexible and that title is appropriate, but more often than not we are extremely flexible. Our job is to find ways to do business which lower the risk of late or non-payment. We will almost never lose business by doing good, relatively strict credit control. Our customers like our products and services, they expect to pay us and expect to be chased if they don't.

And finally remember that the word credit is derived from the Latin word 'credo' meaning to trust. Our customers trust us to deliver, we trust them to pay. It usually works well with a bit of a push from us!

CICM CREDIT AND COLLECTIONS TRAINING

- Advanced Telephone Collection Skills
- Collecting with Confidence
- Consumer Credit Collections
- Essential Telephone Collection Techniques
- Getting started in Credit Control and Collections
- Negotiating and Influencing
- Psychology of Collections
- Psychology of Telephone Collections
- Consumer Telephone Collections
- Introduction to Credit Risk Assessment
- Tracing the Gone Away
- Consumer telephone collections and negotiations
 - Working with your customers –
 - How to conduct a customer visit
- Getting your message across –
 - confident communications for credit and finance
- International Collection Skills
- Interpersonal skills for credit and finance
- Working with Sales – Communicating with impact

Programmes can be tailored or bespoke to ensure they are relevant to current needs in support of business objectives.

CICM training programmes cover all levels and functions of credit management and collections including:

Credit Control and Collections | Credit Risk | Litigation | Financial | Export Management | General Business | Industry Specific

Expert trainers share their knowledge and experiences, tips, tools and techniques to help improve effectiveness of the team.

- Delivery is designed to meet the needs of all sectors, trade or consumer, using current best practice tools and techniques.
- Cost effective training to upskill, motivate and develop knowledge, skills and performance for a maximum of 15 delegates per day.
- CPD hours are attributed to all training programmes.

Contact Julie Dalton, In-company Training Adviser, to discuss your requirements. E: training@cicm.com, T: +44 (0)1780 722907.