

PROFIT

CREDIT CONTROL



VIDEO
TRANSCRIPT
THREE



COACHING ACADEMY SPECIALIST
Where Small Businesses Grow

Video Transcript Three

Credit Control

We're now going to talk about Credit Control and the important role it plays in the success of any business that extends a credit facility as part of the sales function.

Let's talk about when it all goes wrong and the business is owed substantial sums of money which is preventing growth. The company has a long sales ledger and a sad Ageing report.

I'll go to these companies and I will tell them that credit control has got to do with negotiation. And frequently, I come up with the response, "I can't see why we should negotiate."

And I'll tell you exactly why you have to negotiate.

You will almost certainly have provided a product or a service and having submitted an invoice, you're still waiting for payment. Your customer's have broken their promises. So whether you like it or not, you're in the negotiating business because the customers, the debtors are the ones with the checkbook and pen and you're there hoping for their cooperation.

Credit control is a tradeoff between getting what we want and getting along with people.

And for that there are six key elements to successful credit control, which are as follows.

1. Do not judge the morality of the debtor's actions.

I encourage you big time not to start forming an opinion about the customer's moral actions because of their failure to pay.

It will be easy to fall into the trap of considering their integrity or their honesty or whatever it is that you might think in your mind. And I will say that will obstruct you and cause you difficulty in coming to a successful conclusion down the line.

So it's hugely important, that you refrain from forming that negative view.

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2. Keep an open mind as we move to point number two.

Do not dare express a negative opinion about the debtor's character. It would be so easy, by your own high standards that you would never let somebody down or break your own word.

It might be in your mind, but you must remove it immediately, because it's going to obstruct you in your negotiations. There is a risk you're going to find yourself talking about your opinion versus his opinion, when in fact, the reality is we should focus on getting an unpaid invoice settled.

So it's terribly important, not at any time to express a negative opinion about the customer's character.

3. Number three, we must assume that the debtor is going to pay.

And while it is so easy in business for people to say, "You mustn't make any assumptions," it is reasonable in these circumstances that you must not only assume that he's going to pay, but that you let him know that that assumption is there.

Why? Because you've delivered a reliable product or service to a reliable person; and for that you'd expect it is reasonable that you can assume they're going to pay. And let them know you expect that to be the case.

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4. And number four is to solve problems standing in the way of collection.

And it is so easy for a hard-nosed debt collector or a credit controller to get stubborn and refuse to listen to the other person's point of view on the basis they've got a difficult job to do and they're trying to collect money and the guy is offering reasons not to pay or reasons why they haven't paid.

It is so easy to turn a blind eye and a deaf ear to all of that. We would say it is always important in these situations that you go out of your way to solve problems standing in the way of collection.

And by that I mean if a customer said the account is in dispute, it's important – rather than saying, "I don't believe you or I don't agree with you," it is far better that you pay attention and you encourage them and invite them to come forward. Because in doing so, you might find that, yes, there was an element of the account in dispute. And when you narrow it down further, when you find out how much of the element it is, you might find that 10% of the account is in dispute.

Well, if 10% of the account is in dispute that means 90% is agreed. And if that is so, why not in the interest of goodwill, you secure that 90% payment on account. And do that for certain while we then talk about the 10%.

It is so often I will see poor credit controllers dig their heels in saying, "This account is not in dispute" and they sit there waiting for the 100%, when in fact, they'd do better to bank the 90%.

5. Number five is to keep communication channels open.

From time to time, we'll see what we would call weak and unsuccessful credit controllers dig their heels in and say, "Unless you pay, then that's it." Well, do you know something? It's quite likely that the guy on the other phone might think, "I'll be quite happy with 'that's it'." That means you're suggesting "you won't be in touch with me again."

We would say successful credit control is about a tradeoff between getting what you want and getting along with people. You must have it in your heart to want to get along with this person. They have the money; they have the checkbook. So it's important you keep the communication channels open. You might find from time to time that the customer or the debtor on the other end of the phone is looking to create an argument so that maybe communication channels will be closed. That is not to your advantage. It's important that you sidestep those issues and that you go out of your way to keep those channels open so there's always an opportunity to get the account settled.

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6. Point number six is to use self-interest psychology.

What I'm talking about here is I'm talking about motivating the other guy to pay and not manipulating him.

And the difference being, I can manipulate somebody by getting them to do what I want; or I motivate them by getting them to do what's good for them.

Successful debt collection and credit control is all about motivating the other person. It's not about intimidating them.

What we're talking about here are reasons why it is in the customer's interest to get the account settled. "It'll help your credit-rating, it'll help your status with this company." It is far better to say, "When we opened this account, we had every reason to believe that you're a person or a company of integrity, we were convinced that you were honest and reliable, and that we want to maintain that reputation."

So it's important that you continue to give him a reason to live up to a good reputation rather than when you're talking about manipulation, when this comes across as a threat.

So those are the six key elements to successful Credit Control negotiation.

DON'T FORGET TO WATCH THE "CREDIT CONTROL" VIDEO.