



INFORMATION SHEET

CONTROL THOSE DEBTORS!

From time to time we come across businesses which have quite serious Debtors problems and the owners of the business are frequently at their wits' end trying to bully and cajole money out of people.

By the time they present to their Lawyer in desperation, they are almost always in a situation where they have all but given up and their lawyer is essentially their last hope.

From lessons learned over the years and gleaned from many highly capable operators, the following comments may well be of interest:

1. The time to start your collection process is the very first time you deal with a new customer. The reason is that this is the time of their greatest need and we are generally speaking too "soft" in NZ in being somehow afraid to line people up and to tell them what we expect of them (rest assured, they are more than happy to line you up for prompt efficient work, a generous discount or whatever!).
2. Every business should have standard terms of trade and ensure that every customer not only gets a copy, but has it explained to them and is asked to sign a copy. Don't forget that you are in business primarily to make money and that you have a duty to do so, so that you will be there to service the needs of your customers tomorrow and beyond.
3. Being in business means necessarily that you are there to make a profit. If people are unreasonable in their expectations or refuse to sign your standard terms of trade, have no hesitation in politely telling them to go elsewhere so that you can concentrate on looking after those customers who are happy to deal with you because you are up front and professional in your approach. Better to waste a little time in weeding out the undesirables at the start than do work for them or sell them stock for which you end up not being paid for. This enables you to concentrate on your productive customers who will support you when the going gets tough.
4. Remember the Pareto principle – i.e. 80% of your work comes from just 20% of your customers. Conversely, 80% of your business aggravation comes from just 20% of your customers. Do yourself a favour and make a fresh business resolution to ask them to take their business elsewhere when they start dishing out the hassles and complaints – let your competition

deal with them whilst you get on with dealing with your good customers.

5. Most Kiwis have been brought up to believe that any customer is a good customer and the way to build a business is to accumulate as many customers as you can in the shortest time possible. Along with this, we are told that the customer is always right and you must always bend over backwards to assist the customer at all costs. Whilst this latter concept is often essential, I question that first assumption – caution at the outset will often alleviate many difficulties later on. Be aware that there are whole sections of the community out there who do little else other than exploit basic business goodwill. Be prepared to stand firm – you are not alone.
6. Draw up a set of basic business principles, make sure your customers know what they are and stick to them. You will be rewarded for it in the long run.

All businesses have cash flow problems from time to time and being organized and having a comprehensive approach to your debt collection and credit policy really does pay dividends. Be prepared to ask for help from your professional advisers and business mentors – this may avoid considerable heartache in the long run.