



Decide with Confidence



Debt Recovery Service

Beat Bad Debt

How to tame the beast

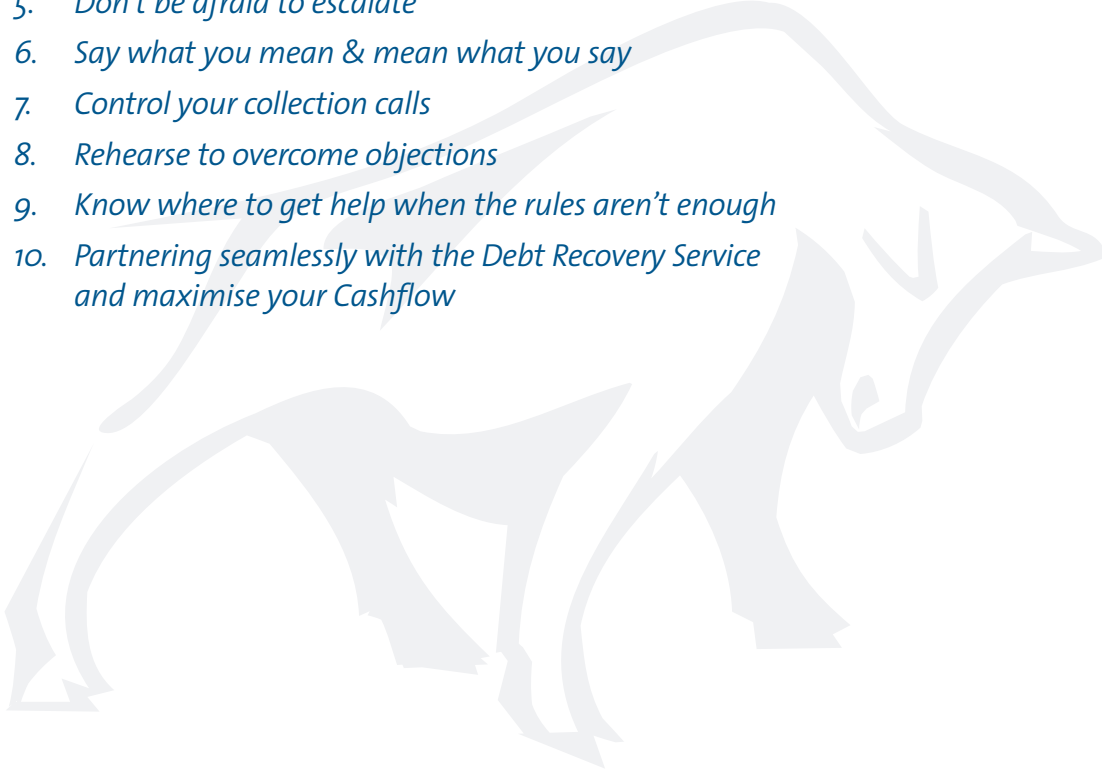
You don't want to wrestle with your accounts receivable.

You just want to tame them.

Exclusive
guide for
MYOB customers



Ten Rules for Minimising Bad Debts

1. *He who expects to get paid, gets paid*
 2. *Do something every twenty days*
 3. *Don't turn your back on them*
 4. *Don't show them any weakness*
 5. *Don't be afraid to escalate*
 6. *Say what you mean & mean what you say*
 7. *Control your collection calls*
 8. *Rehearse to overcome objections*
 9. *Know where to get help when the rules aren't enough*
 10. *Partnering seamlessly with the Debt Recovery Service and maximise your Cashflow*
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Let's begin this discussion of taming Accounts Receivable with an assertion: if you have to wrestle with receivables, you are not going to win.

If on the other hand, you take steps to manage them by applying the right sorts of pressure at the right times, the beast can be tamed.

There are ten rules described in the following pages. They are drawn from more than 160 years of experience with business of all size, all descriptions and all categories, in every part of the world.

We understand receivables. We know how dangerous they can be when they get out of control. But more important, we can show you how to keep that from happening.

At D&B, we are specialists at helping you get paid on time, on your own terms. Whether you do business close to home or halfway around the world, D&B gives you a set of tools, practices and services that will help you manage your receivables as professionally as you handle every other part of your business.

It's not going too far to say that what you are about to read can help your business, because no matter where in the world you do business, the waters are dark and the dangers are real. This is some of the knowledge you need to survive.

1 He who expects to get paid, gets paid



Decide with Confidence

In the administration and control of receivables, attitude counts. We have discovered that if you expect to get paid and the other party knows it and knows you will take action if you are not paid, you will get paid.

It's simple, if you take it seriously, they will take it seriously. On the other hand, if you treat receivables lightly and allow your customers to take advantage of you, they will. What does "taking it seriously" mean?

It means:

- ▶ Establishing policies and procedures that will help you make decisions faster and easier.
- ▶ Making a commitment to properly train yourself and your employees in how to manage and collect receivables.
- ▶ Being certain your customers understand your terms & intentions.
- ▶ Understanding and using the tools and services that are available to you.

We invite you to take a closer look at how your company handles its receivables. Ask yourself if you are taking the task seriously enough or is an attitude adjustment required?

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2 Do something every twenty days



Decide with Confidence

Nothing is more effective than a systematic, controlled approach to collection. Step-by-step procedures are the key.

We have had a great results with a process we call the “Twenty Day Diary”. Here’s how it works:

- ▶ Day one, you make a sale, deliver the product and issue an invoice with terms set at Net 30 days.
- ▶ Twenty days later - ten days before the receivable is due - you call the customer. This is a pre-collection call that doubles as a service call.
- ▶ You ask if the order was received, if everything was satisfactory, if they have the invoice and if they understand the terms.
- ▶ If there is a problem, you have a chance to fix it before the due date and everybody is happy. If there is no problem, you know the customer is satisfied and is likely to pay on time and the customer knows you care.
- ▶ The next call (if necessary) is then scheduled for twenty days after that - 10 days after the date. If a genuine problem has risen, it’s early enough to deal with it efficiently. But if you are being stalled, you will know that too and you can act accordingly.

The secret is to be systematic and organised. We call it the “Twenty-Day Diary” because to make it work, you have to keep track. Write down what was said, when, by whom, every step of the way and you can’t go wrong.

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3 Don't turn your back on them



Decide with Confidence

Extending credit to another company involves risk. Of course, in most cases, the risk is part of the cost of doing business and it is acceptable... so long as it is managed properly.

Even if you were not able to apply any of the other rules to your business, we urge you to apply this one. Why? Because un-tended receivables can get out of control in the blink of an eye. And out of control is the first step towards being out of business. Here are some danger signals you can watch for:

- ▶ Slow payment or a change in payment habits
- ▶ Broken promises of payment
- ▶ Unreturned messages
- ▶ Post dated cheques
- ▶ Refinancing or changing banks
- ▶ Unauthorised return of merchandise
- ▶ Selling at unusually low prices
- ▶ Radical changes in buying patterns
- ▶ Too rapid growth

These are just a few of the things you should keep your eye on all the time. The Debt Recovery Service can advise you in these situations and can act on your behalf, so if you spot more than one of these signals coming from a company which owes you money, it's probably time to take action.

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4 Don't show them any weakness



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It's called "sticking to your guns". When you set terms, be determined to communicate them and stick to them, no matter what. Remember that a deal is a deal. You have fulfilled your obligations, now it's their turn.

You do it by stating your terms and intentions with clarity and firmness. If you are vague and easy-going about your terms, it's more likely that people you deal with will be vague and easy-going about paying you.

It's important to develop a set of reasonable terms and conditions and it's important to make them part of your sales contract.

A world of advice: If you don't actually tell them your terms, you cannot assume they understand or accept your terms. You cannot assume that the other person is a dead-beat just because the bill wasn't paid on time. The truth is that many disputes and late payment situations arise through simple misunderstandings.

Remember to explain your terms and conditions to your own employees. It's a common mistake to assume that your own people are well informed about how you conduct business.

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5 Don't be afraid to escalate



Decide with Confidence

If you find yourself with a collection problem on your hands, the important thing is to get control as fast as possible and keep pushing for results.

The key is to recognise when the process is stalled and to be prepared to use a stronger approach each time you make contact. If you are using the Twenty-Day Diary (see Rule 2), you should know after the first or second call whether or not you have a problem. At that point, the receivable is still just a few days overdue and you already know your customer's intentions.

If you believe they intend to pay, you can make an arrangement that will satisfy both parties (remember to confirm it in writing).

If you believe they will not pay, escalate - without hesitation.

There are many things you can do to apply increasing levels of pressure. The Debt Recovery Service offer a series of services ranging from letters and demand notices to full-scale personalised collections and ultimately, legal action.

As you go through the process remember this: It's your money. And sometimes you don't get paid if you don't push.

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Say what you mean & mean what you say



Decide with Confidence

We have already said that in order to prevent problems, it's important to set terms and stick to them (Rule 4). The 6th rule extends that thinking to situations where a problem already exists and you are trying to collect.

During the process of making a collection, you should do what the Debt Recovery Service does. Every time you make a contact with the debtor, you must call to:

- ▶ Push for a resolution (you get paid) or
- ▶ Establish the next steps to be taken (call back, send a courier to get a cheque, re-possession, legal action, etc.)

To keep control, you must keep your word. If you say you are going to call back for an answer or a response at 2.00pm on Tuesday, do it. If you tell a debtor you are going to cut off his credit, do it. If you tell him that the matter is going to a professional collector, send it.

If you keep your word and do exactly as you promise you will always have the upper hand and you will have a better chance of collecting.

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7 Control your collection calls



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One of the most difficult and time-consuming collection activities is making telephone calls. D&B recommends the following guidelines to help you make the most of your efforts:

- 1) Greet and identify the debtor
- 2) Identify yourself using your full name and company name
- 3) Get or confirm the name of the person in charge of paying invoices
- 4) Find out the best time to reach the person you are calling - if not available
 - ▶ Leave your complete name, company name, phone number and a request for a call back. Ask the person taking the message to repeat your name and telephone number for confirmation.
 - ▶ Get the name of the person taking the message
 - ▶ Ask the person taking the message when the responsible party can be reached
- 5) State the reason for the call
- 6) Always ask for full payment - Do not make a demand for payment if the individual you are speaking with is not responsible for Accounts Payable. If asked the purpose of your call, state that it is in reference to an “open invoice”

- If the debtor is rebuttal

- ▶ Remain focused
 - ▶ Isolate disputes
 - ▶ Escalate process if required
- 7) Create a sense of urgency - Vary your tone & speak clearly
 - 8) Always be courteous and avoid “jargon”
 - 9) Use voice mail effectively if available. Leave a detailed, complete message and be sure to speak clearly
 - 10) Always obtain commitment for next steps

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Rehearse to overcome objections



Decide with Confidence

It is understandable that some people are reluctant to make collection calls. After all, discussions of money can be uncomfortable and nerve-racking.

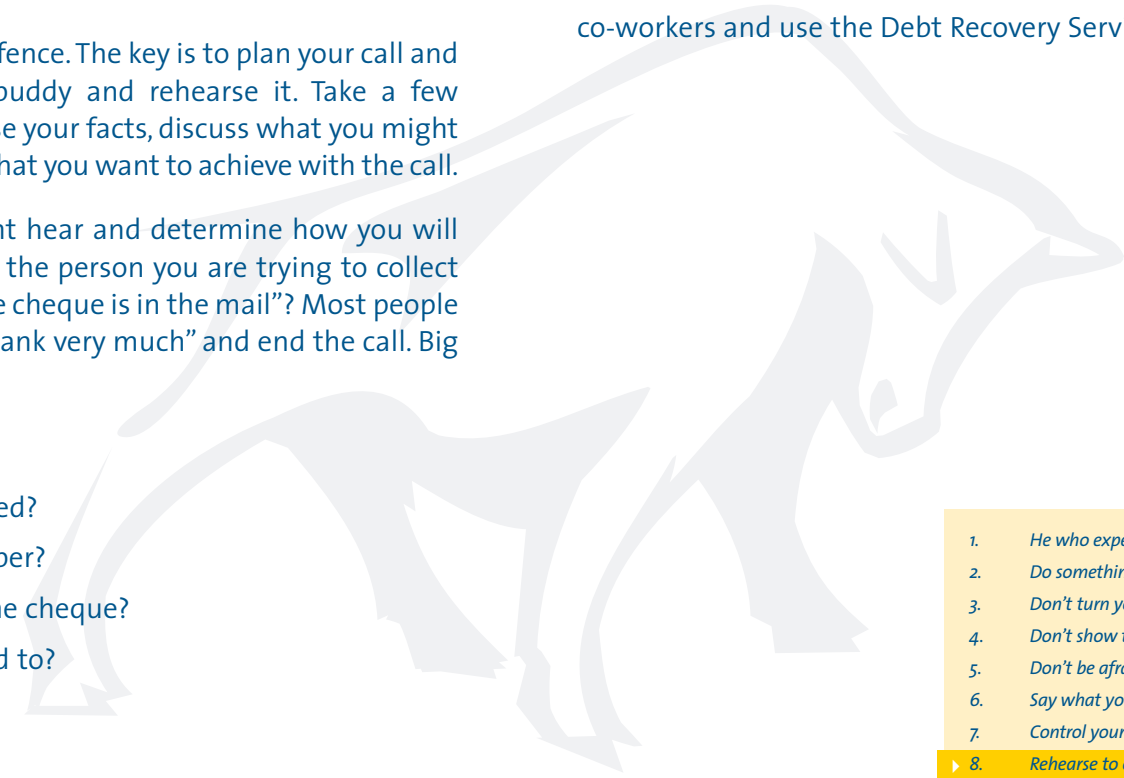
The “buddy-system” is your best defence. The key is to plan your call and then if you are nervous, find a buddy and rehearse it. Take a few moments with a co-worker, organise your facts, discuss what you might say and most importantly, decide what you want to achieve with the call.

Make a list of objections you might hear and determine how you will handle them. For example, what if the person you are trying to collect from responds with classic line, “the cheque is in the mail”? Most people will feel relieved and say “Great! Thank very much” and end the call. Big mistake.

Your response should be:

- ▶ When was the cheque mailed?
- ▶ What was the cheque number?
- ▶ What was the amount of the cheque?
- ▶ Who was the cheque mailed to?

Keep in mind that your collection won't succeed if you allow yourself to get stalled. So when it happens, call in reinforcements. Use the resources available to you. Use your co-workers and use the Debt Recovery Service.



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9 Know where to get help when the rules aren't enough



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In the end, knowledge is your best defence against bad debt. You have to know what to do before, during and immediately after the sale. And you have to know who to call on for help when someone fails to pay you on time.

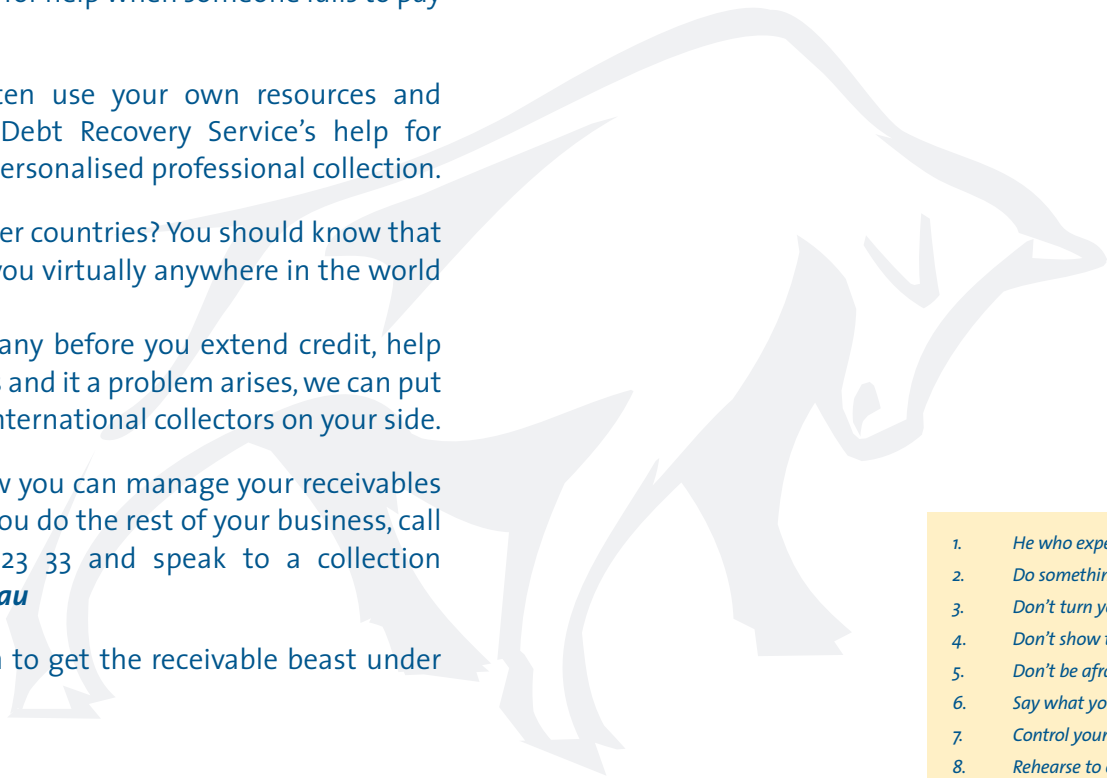
For local transactions you can often use your own resources and contacts or you can call on the Debt Recovery Service's help for everything from demand letters to personalised professional collection.

But what about your business in other countries? You should know that the Debt Recovery Service can help you virtually anywhere in the world you do business.

We can help you check out a company before you extend credit, help you keep watch over your receivables and if a problem arises, we can put some of the world's most effective international collectors on your side.

If you have any questions about how you can manage your receivables as professionally and effectively as you do the rest of your business, call the Debt Recovery Service on 13 23 33 and speak to a collection consultant or visit www.myob.com.au

We will help you in any way we can to get the receivable beast under complete control.



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Partnering seamlessly with the Debt Recovery Service and maximise your cashflow



Decide with Confidence

There will always be late payers. It may be the one-off defaulter who's just stopped returning your calls. It may be the repeat offender who regularly evades even the best internal controls. It may be the band of smaller clients who know you won't have time to chase them until they've taken 60 days' credit, persistently adding to your Days Sales Outstanding and posing a long-term threat to the financial health of your business.

Cashflow is the lifeblood of business and the performance of your receivables cycle holds the key to maximising your cashflow. Research shows every minute you wait before escalating the pressure on your debtors, the risk of loss increases.

Whether you have a high volume of consumer debt or large commercial debts slowing the flow of cash back to you, use the strength of our experience to help you optimise your receivables performance.

Backed by the D&B name, our collection experts and an international network of legal professionals, we have the experience and reputation to meet and exceed your collections goals.

In most cases, we'll be able to collect monies owed, working quickly and discreetly to settle the account without jeopardising customer relations.

D&B have been collecting overdue accounts for 160 years and offer a range of unique services to help you recover your outstanding monies.

The key to a successful collection process is to escalate the pressure on your debtors in a controlled way. We work within your existing collections process as an extension of your own credit department to ensure that debtors are being contacted in a systematic, efficient way, leveraging the fact there will be a consequence for not paying you. By escalating the pressure on your debtors, we work to ensure that your account gets paid before your client's other overdue accounts, therefore maximising your cashflow.

We understand the importance of protecting your brand whilst working with your existing clients, which is why a 'partnership approach' to collecting your accounts proves to be the most effective for our existing clients.

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