

## **Credit Management Wall Chart**

Build long-term customer relationship, whilst protecting your cash flow

"The best way to learn geography is on foot..."

# Clear your mind of can't Cooperate with your other colleagues

We are dealing

with people

& people are

different

#### You can:

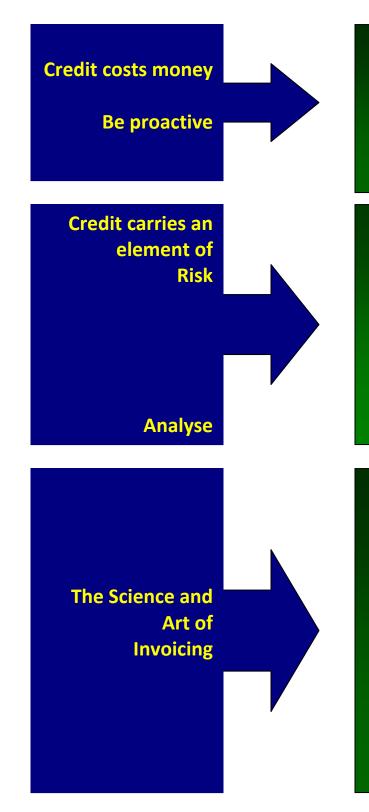
- 1. enhance customer service
- 2. build long-term customer relationship
- 3. maintain loyal customer base
- 4. increase 'profitable' sales
- 5. minimise the risk associated with credit
- 6. protect cash flow
- 7. ensure long-term profit
- 8. maintain synergy with other business units sales, distribution, finance...

#### Remember:

The sales people trigger and make the sale, and the credit practitioners complete the process by agreeing competitive credit terms with the customers

# Ensure: • You

- You listen to your customer
- You know your customers' credit needs and requests
- You visit your customer whenever possible. Face-to-face relationship lasts
- You are the first to know that your customer needs assistance



#### Always:

- Use a Credit Application Form signed appropriately
- Be sure of the status: Consumer; Sole Trader; Partnership; Limited Company
- Identify the customer ID Card Number / Company Registration Number
- Ask for the contact name/s & for who will be receiving the goods
- Explain and affirm clearly the stated credit terms and conditions of sale
- Send 'Welcome Letter' together with copy of the credit agreement to customer

#### Minimise the risk:

- Segment the market and target the potential 'profitable' customers
- Ask your potential customer to provide Bank and Trade References
- Ask your potential customer to provide recent receipts of utility bills
- Make use of the MACM Website wisely
- Interpret the information provided by MACM correctly
- If it is a Limited Company check for any other directors' involvements
- Use Financial Ratios & Credit Scoring Tools provided by MACM
- Request Graydon Credit Report through MACM if a foreign company

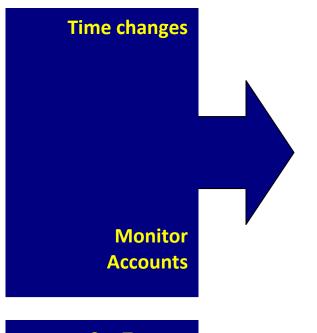
www.macm.org.mt

#### Invoices should be legal, showing:

- Date, Full Supplier's Name & Address, VAT number, Invoice Number
- Correct Customer Name & Address, VAT number
- Clear description of goods & delivery address if different from the above
- Accurate Quantities, Prices (Net & Gross) & any Discounts applicable
- Payment Terms and Payment Due Date
- Make reference to interest charging in case of late payment LN233 of 2005
- Include Caveat provided by MACM to get the necessary customer consent in accordance to the Data protection Act

#### **Relentlessly:**

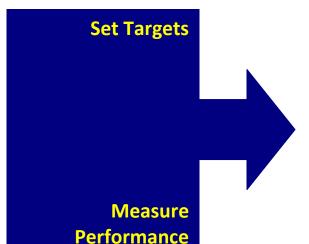
- Issue an invoice as soon as you deliver the goods or provide services
- All the customers' requests should appear on the invoice
- Deal with disputes immediately and resolve quickly
- Keep record of all disputes. Identify customers who log in disputes repetitively
- Use an efficient and effective accounting software



Be diligent by:

- Sending Monthly Statements to all customers
- Segmenting accounts according to the Credit Amounts forget about ABC
- Identifying the large accounts and establishing their total value €
- Establishing the major accounts accounting for 80% of the total value €
- Visiting large accounts frequently
- Monitoring every major account daily by using 'My Accounts' facility:
   MACM website
- Communicating with the sales team & discussing accounts with them
- Producing Debtors Reports showing accounts movements
- Calculating DSO (Days Sales Outstanding) in relation with the Turnover
- Taking proactive action when and as necessary

Always keep good relations with all customers – invest in loyal customer base



Establish

- The cost of the credit period;
- The cost of late payment;
- The cost of bad debt losses

Measure:

- Days Sales Outstanding (DSO) in relation with Revenue;
- Current Ratio;
- Quick Ratio;
- Operating Cash Flow Ratio

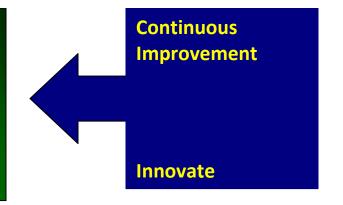
Calculate:

- The Average Payment Period for all accounts;
- Working Capital

Visit MACM website to calculate Financial Ratios: www.macm.org.mt

Be efficient and reduce costs: Improve systems, procedures and processes by:

- Flattening the organisational structure
- Sound internal communication: Horizontal and Vertical
- Employees' continuous development
- Customer-focus attitude and culture this should include 'internal customers'
- Team work: Synergy between the sales and the credit teams
- Setting deadlines and priorities
- Staff incentives to motivate employees



# **Collection of Dues Collection of Cash** is highly competitive The operational cost can only be paid by Cash

#### For effective collection, be:

- Polite but firm: never guilty of rudeness. The customer remains the focus of our business;
- Good communicator: find effective ways of getting the message over;
- Outgoing, but not over talkative: establish a brisk rapport but do listen to customers' needs;
- Persuasive: try to succeed at the first attempt;
- Persistent: do not be distracted, do not give up on obstacles;
- **Target-oriented:** find efficient ways to collect the totals required;
- Keen to beat deadlines: prioritise, arrange time effectively;
- Good listener & problem solver: help customers to gain their loyalty;
- **Confident:** Customers respect suppliers with a professional approach;
- Authoritative: rarely have to refer to others for decisions;
- Well-trained: knowledgeable in other key areas.

#### Visits Pay regular visits to major customers – maintain loyalty

### Phone Calls

Be prepared – Plan your call carefully

Be persistent - Don't be deflected

Be prompt – Ring when you intend to

Be urgent – Make the customer feel he must pay today

Be courteous – Build goodwill and enhance company's image

Be tactful - Acknowledge comments

Be businesslike – be friendly but firm

Be cooperative – Show you want to help

Be repetitive – Keep mentioning the amount required

#### Collection Letters

- Address it to a named individual
- Sign it personally
- Show the sender's job title as one with authority
- Show telephone & e-mail
- Make sure it is accurate
- Keep it simple and easy to read
- Keep it to one page
- The amount claimed should be prominent
- Show how the debt is made up
- Keep the sales person informed of the collection letter

We have all learnt a lesson from the International Credit Crunch: 'Cash is King'

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