
Workshop theme:

12+

Surefire Tips to collect our money surer,
smoother and sooner



N.H.Atthreya

Workshop theme:

How to collect our receivables
our outstanding dues.

,
sooner, surer, smoother

N.H.Atthreya

AIM

To get paid
in full
on time
at least cost
without
losing valued customers

SCOPE:

We will be discussing

the economics of collection

the psychology of collection

the sociology of collection

the politics of collection

the problems of collection

the blocks to collection

the opportunities of collection

A SUGGESTION

Collect action points -

A/R

loko binna ruchi

To the extent possible
sell against cash
Why sell all products
against credit?

Our organisation
wants
action/recommendation
and results
NOT
a long report

**DIFFICULT ANY DAY
DOUBLY DIFFICULT TODAY**

**DIFFICULT, YES
but NOT IMPOSSIBLE
OTHERS HAVE DONE IT
AND ARE DOING IT**

WE CAN LEARN TOO

AND

SYSTEMATICALLY

**THIS IS ONE
SUCH OPPORTUNITY**

Briefly, the story so far

Workshop

A common challenge
for all of us

To tackle it

We can learn from each other

SALES CAN HAPPEN

Collections
we have to
MAKE
happen

Many organisations take
collection for granted
Gravest error

This means
a policy
a strategy
a system
a discipline
and people to handle
the above

Currently,
We are doing a good job
of collection
we are doing our very best

To give ourselves
the benefit
of that little extra

There is fair scope

Not enough attention paid
Not enough understanding
Not enough personnel
Not enough skill

Sales can happen

Collections?

We have to make it
happen

TO COLLECT IN TIME

we need

a bill

a will

a skill

a kill

on the part of all concerned

TAKING STOCK (1)

Common

What steps are we taking currently?

Let us develop a checklist.

For example

Company 1:

45 days credit -Takes deposit
from dealers – 2% if cheque bounced
not received

Company 2:

45 days credit -3% bonus if paid in advance –
2% interest if not paid in next 10 days and
24% if not paid in next 21 days.

Company 3:

30 days credit – stop supply if payment

Sales is gross and uncertain
income –
10% or less?
Collection is net and certain
income

EVERY RUPEE MATTERS

TAKING STOCK (2)

Individual

Our dues as of today

What we've lost so far

What we're losing everyday

every calendar day

including Sunday



TAKING STOCK (3)

History

Party by party

Action by action

Just as it is incurred

bill by bill

Gross is okay for statistics

Detail needed for action,

for results

Party Contact details

Terms

Bill details

Follow up details

Overdue

loss per day

loss so far

*Interest does not observe
even
Independence Day!*

Some points
“obvious points’
worth stating
and restating

**WE ARE
IN BUSINESS
TO BE IN BUSINESS**

THIS IS SAYING
THE OBVIOUS
BUT THE OBVIOUS ALSO
HAS TO BE STATED
AND RESTATED

SURPLUS CREATION

THE NET PROFIT

IN **OUR** BANK ACCOUNT

SURPLUS THE SUBSTANCE OF BUSINESS

**BEWARE OF TOP LINE
OBSESSION**

**WHAT MATTERS IS THE
BOTTOMLINE**

Collection a problem
or an opportunity?

The way we approach it
the way we handle it
provides the answer

What is a completed sale?

Orders booked?

Goods delivered?

Bills submitted?

Money collected?

Net money realised?

Collection at optimum cost
completes a sale

BEWARE OF PAPER PROFIT

BEWARE OF CASHING DELAYS

–

BANKS MAKE MONEY

ON CHECK FLOAT

POSSIBLE TO MAKE

FOR INSTANT COLLECTION

THE REALITY OF ECONOMICS

THE PROFIT PIE

THE PAPER THIN SLICE

IF THE OUTGO
EXCEEDS THE INCOME
THE OUTCOME WILL BE
THE DOWNFALL

THE ECONOMICS OF COLLECTION

LOSS OF PROFIT
VISIBLE LOSS
INVISIBLE LOSS

PROFIT = INCOME - OUTGO
PRICE = COST + MARGIN

**IN A CREDIT SALES
SITUATION
PLANNED OUTGO IS CERTAIN
AND ALMOST FIXED**



PLANNED INCOME IS NOT ACTUAL INCOME

CAN BE LESS

IT IS NOT EVEN CERTAIN INCOME

MANY UNCERTAINTIES

**CALLS FOR ALERTNESS
ON THE PART OF ALL
CONCERNED**

**CONSIDER CASH BUSINESS
SMALL BUSINESS
BUT SURE BUSINESS**

CREDIT BUSINESS
IS *CALCULATED* CHANCE

OUTGO/EXPENDITURE/
COST
CERTAIN, ALMOST FIXED

INCOME/SALES
UNCERTAIN/VARIABLE

DELAYED INCOME =
REDUCED INCOME

AND UNCERTAIN INCOME
CREDIT ADDS TO
UNCERTAINTY

**BILLING – COST OF
COLLECTION =
NET INCOME**

**COST OF COLLECTION =
EFFORT COST AND INTEREST
COST**

SALES CAN HAPPEN
COLLECTION HAS TO BE
MADE TO HAPPEN
EARNING CALLS FOR EFFORT
NOT SO EXPENDITURE

**HOW MUCH ARE WE
NOT COLLECTING NOW
IN TIME
AND ITS IMPLICATIONS**

WHY LAST PIE COLLECTION
IN TIME
IS IMPORTANT
FOR THE SURVIVAL AND
SUCCESS
OF THE COMPANY

THE 3 PRINCIPLES OF BUSINESS SUCCESS AND SURVIVAL

CASH, CASH, CASH!

So

collect your money first

if that is not possible

collect your money fast

PAPER THIN PROFITS
CAN BE AS LOW AS 2%
CAN BE **WIPED OUT**
BY TWO MONTHS DELAY

Also

IF NO FUNDS

WE FOREGO OPPORTUNITIES

AND CAN BE WORSE
SURVIVAL
OXYGEN?

**AND WE HAVE TO BORROW
AND THAT MEANS
ADDITIONAL COST**

INVISIBLE LOSSES

PAPER THIN SLICE
PRECARIOUS SLICE

Top line

Bottom line

Bottom of the bottom line

Net income

**SO MANY SCREWS
EVEN IF ONE IS LOOSE
IT WILL LET US DOWN**



WHAT ALL ACTIONS/INACTIONS CAN LET US DOWN?

ETERNAL VIGILANCE

Sociology of collection

Paying in time
a commitment?
a duty?

or a favour?

Customers think
and act differently

Some customers think

we are in a charity business
we are suffering from excess!
If we do not ask for our money,
they assume we don't need it
and they can delay
indefinitely

THE SOCIOLOGY OF COLLECTION

THE PSYCHOLOGY OF COLLECTION

A STRATEGY

FOR COLLECTION

WHAT IS THE PRESENT ONE

WHAT IS GOOD ABOUT IT

WHAT IS IT GOOD
THAT WE ARE DOING NOW
TO GET THIS GOOD STATE

WHAT IS INADEQUATE

THE LAST X%

DETERMINES THE HEALTH OF
THE CO.

WHERE ARE WE NOW?

IT IS GOOD

IS IT GOOD ENOUGH?

**WHAT IS THE PRESENT
HOW MUCH COLLECTED
WHAT PER CENTAGE**

THIS IS INDEED GOOD

IS IT GOOD ENOUGH?

WHAT IS DESIRABLE?

WHAT IS WORKABLE?

HOW TO ACHIEVE THE POSSIBLE?

**WHAT ARE WE DOING NOW
THAT IS HELPING**

**WHAT IS IT WE ARE DOING
THAT IS HURTING**

A GRID

Controllable controlling

Controllable not controlling

Not controllable attempting

Not controllable not
attempting

TO FACILITATE IN-TIME COLLECTION

What are we doing now?

What else/more can we do?

What is it we are not doing?

What futile steps we are taking?

What are we waiting for?

**HAVE WE A POLICY?
WHEN DID WE FRAME IT?
IS IT RELEVANT?
IS IT UPDATED?
IS IT OBSERVED?
IN LETTER AND SPIRIT?**

**HAVE WE CONSIDERED
A CASH AND CARRY POLICY?**

DO ALL CONCERNED KNOW IT?
DO WE COMMUNICATE
SUITABLY
TO THE CREDIT CUSTOMERS?

Do we give credit for
everyone?

On a mamooli basis?

Are we having
a flexible policy –
cash for some products/people
and credit for others?

**CASH TODAY
CREDIT TOMORROW!**

ARE WE HAPPY WITH
THE WAY WE FIND
THE CREDIT WORTHINESS OF
OUR POTENTIAL CUSTOMERS?

DO WE MAKE “COMPLETE
SALE”

THE JOB OF THE SALESMEN?

DO WE SEND REMINDERS?
AND WHEN DO WE DO IT?
CAN WE DO IT DIFFERENTLY?
MORE MEANINGFULLY?
IN TIME?
WHAT DOES “IN-TIME” MEAN?

**DO WE HONOUR THOSE
WHO PAY BEFORE TIME?**

WHEN WE SAY CASH
DISCOUNT

DO WE MEAN CASH DISCOUNT?

**DO WE RECOGNISE THOSE
WHO PAY IN TIME?**

**DO WE NEGOTIATE WITH
THOSE
WHO PAY IN TIME?**

**DO WE DERECOGNISE THOSE
WHO DO NOT PAY IN TIME?
FOR PURPOSES OF CREDIT,
THAT IS.**

Just as we give sales
commission
do we give a collection one?

Just as we have sales people
do we have collection people?
Or do we imagine
collection will happen!?

BEWARE OF KILLERS

(internal)

Low priority

Fear of asking

Dumping

.....

.....

BEWARE OF KILLERS

(external)

Over trading

Competing – “they offer more credit”

Short of cashwallas

(e.g. electricity board)

“Come tomorrowwallas”

GUIDELINES

- Be selective
- Have a clear contract
- Do your part
- Make your paperwork pucca

GUIDELINES

- Watch & Remind in time
- Facilitate payment
- Act in psychological time
- Renegotiate if needed

GUIDELINES

- Monitor
- Exercise your rights
- Be pleasant but persistent
- 12 C is everybody's business

REMEMBER: No collection, no business!

Remember:

No Collection

.....No Business