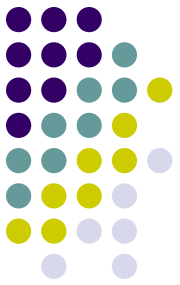


STRATEGIES AND STEPS TO REDUCE CREDIT OUTSTANDINGS



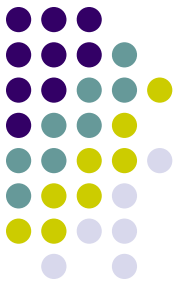
24 September 2008

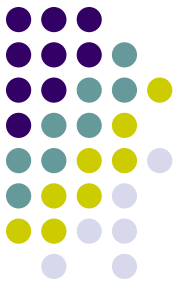
AMA

Dr. N. H. Atthreya

www.atthreya.com

“We are doing our very best”
and we are getting good
results





Is it good enough
for the occasion?

How much due?

As a % of sale? In amount?

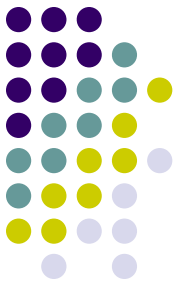
How much borrowing?

How much interest?

How cash starved?

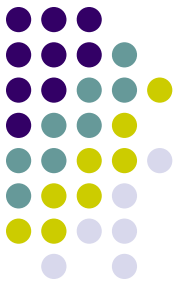


Is more, better, smoother
collection
desirable?
Feasible?
A wee-bit better?

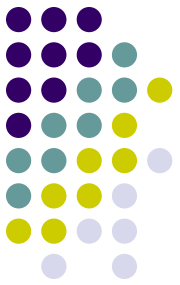


If so, how?

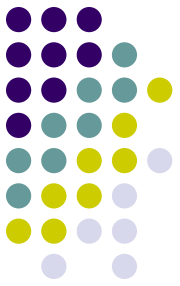
To effect the collection
a little better,
a little faster,
a little smoother:
that is the AIM.



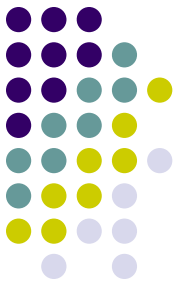
Economics of collection
Sociology of collection
Psychology of collection
Strategy of collection
Politics of collection
Mechanics of collection



“THREE KEY SECRETS
OF SUCCESS
OF A BUSINESS”



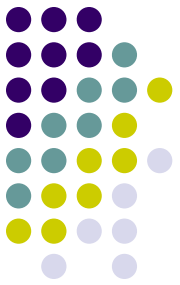
???



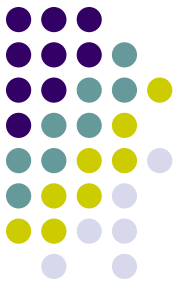
CASH

CASH

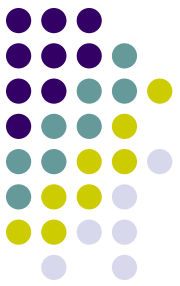
CASH!



CASH – OXYGEN OF BUSINESS



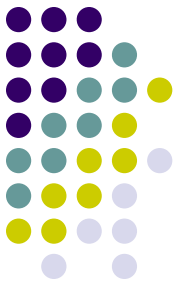
Cash
is one of the most
misunderstood
misidentified and wasted
commodities
in the business world



Accounts receivable
is often the second largest
tangible asset of any
business.

Collecting it therefore
is a major concern

And the collector
should be a major player

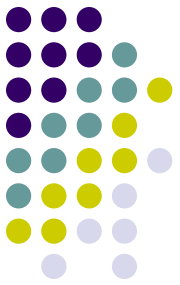


Examine current practices

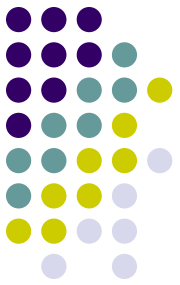
Some of them are bringing
the money in time

And some of them are not

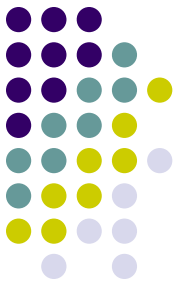
Let us review which is which
and why is what



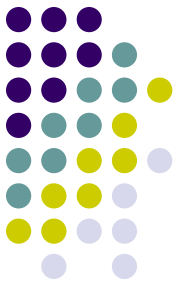
A FEW HELPFUL CONCEPTS



SEEMING SALE
AND
REAL SALE



SALES PIE

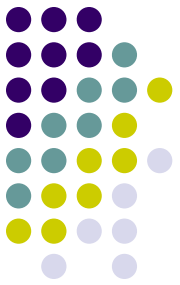


INCOME is not profits
cf College House

BILLING is not income
cf B'lore public sector co.

Cost of collection
is a double loss/outgo

We are in business
to be in business
to be solvent
to have surplus



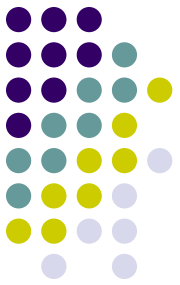
CASH FOR SURVIVAL AND GROWTH

is provided by
the last ? Percentage

Collecting 98%

is therefore not enough
if we wish to survive and
grow

HARD CHOICES



Small money
but sure money

vs

Big money
but if and when it comes
Calculated risk, yes,
but how calculated?

Examine present way
of keeping data

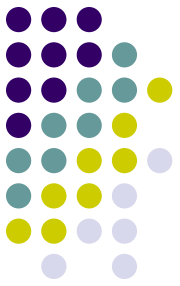
eg

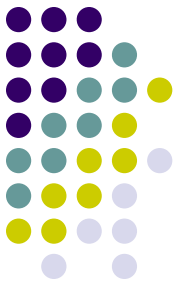
Over 180 days

90 days

60 days

They only “help” us to feel
bad

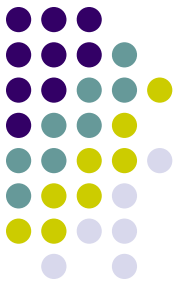




COLLECTION-ORIENTED data

Outstandings
by customers
by deals

How much lost already
on each transaction
and how much losing each day?



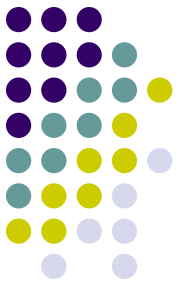
Have use-oriented data.

Who are the A type customers?

And who B type?

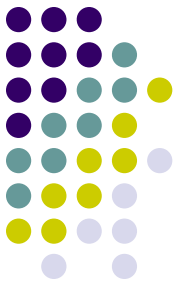
And who C type?

Basis: Not gross sales
but net payment in time

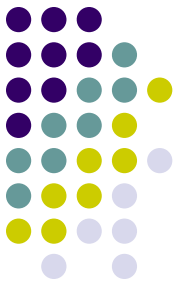


A-type customers
pay in time
and their percentage is 20?
B-type pay after due date
with much effort
from our side
and they are 70%
C-type does not pay
for a long, long time
and they “kill” us

AIM

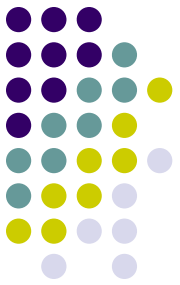


1. To progressively increase the size of A type
2. To upgrade the B to A type
3. To eliminate the C type



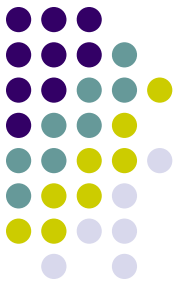
AIM

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



Using traditional wisdom and modern methods

TRADITIONAL WISDOM



*Day or night or holiday
Interest does not sleep or
stay*

Italian proverb

*You give by hand;
you collect by legs.*

Arabian

*Crying hoarse
will not collect money*

Japanese

Old debt is over debt!

Irish

Take even a fraction.

*Otherwise, you will only
enrich the lawyer*

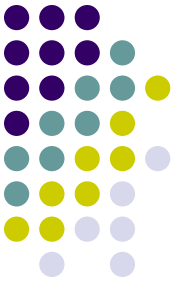
German

*pustakam vanita vittam
parahastam gatamgam*

Sanskrit

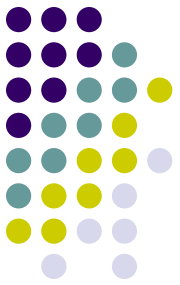
*kadan ketkamal kettadu
uravau paarkamal kettadu*

Tamil



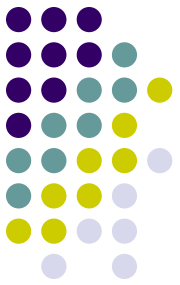


Dhande mein hain agey badna
hardum mere paas aana
lekin pehle de do mera -
paanch rupaiya bara aana

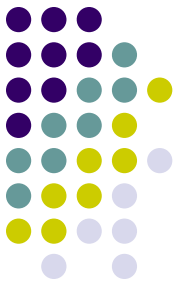


COLLECTION

An opportunity?
Or a problem?



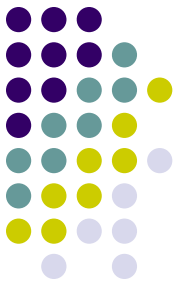
What makes it an opportunity?
What makes it a problem?



Problems created by customers

Problems created by us

How to prevent/correct/cope

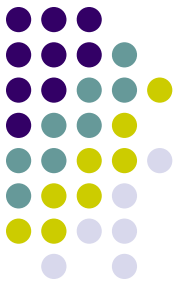


Accounts receivable
is often the second largest
tangible asset of any
business

Collecting it has to be
a major concern

And the collector
should be a major player

FACTORS AFFECTING TIMELY COLLECTION

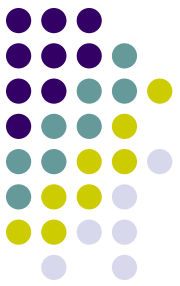


Controllable by us –
 controlled by us
and not controlled by us
Not controllable by us
 Accepting it
or struggling with it



Beware of killers - internal

Low priority unlike sales
Fear “if I ask for money”
Dumping -
Nobody’s baby



Beware of killers - external

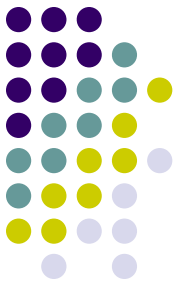
Over trading

Competing with competitors -

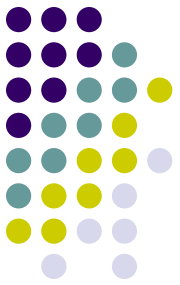
“they offer more credit!”

Cash crunch - cf elec board

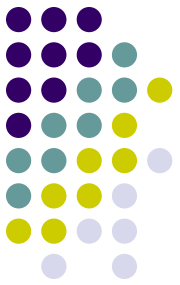
Come ‘tomorrow’ culture



Eternal vigilance
Focus on the nett



To save money
we have to spend money.
To get sale, we spend money
To get money, do we, enough?



PROACTIVE
and
REACTIVE
approaches
to collection management

WHAT IS
A COMPLETED SALE?

Orders booked?

Goods delivered?

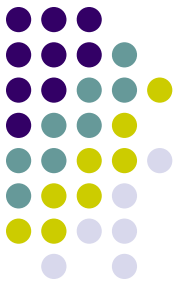
Bills submitted?

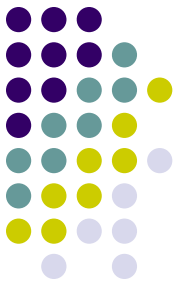
Money collected?

Partially? Completely?

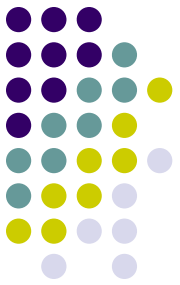
Nett money realised?

Collection at optimum cost
completes a sale



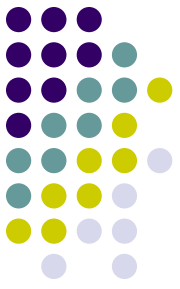


A key reality of cash



The Sale Pie

A few realities of money:



A day's delay means ...

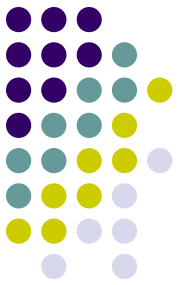
Interest does not take a
holiday

Banks make money
on cheque float

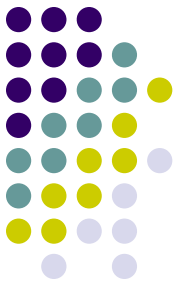
Explanations galore

Explanations # exchequer

Gross income tempting

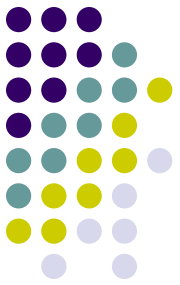


Top line - bottom line
Gross/net business
sales overplayed
collection underplayed
Paper profit/bank cash
The difference makes
the difference

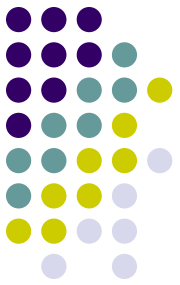


AIM

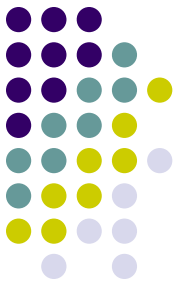
How to get more and more
of our money
faster and faster
and smoother and smoother



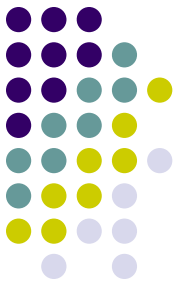
OUR MONEY
IN OUR POCKET
IN AGREED TIME



Do WE think
this is a reasonable stand?



How to get
more and faster,
more and easier?

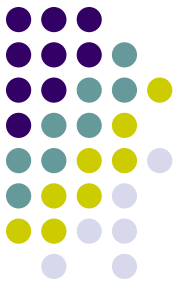


WE ARE NOW DOING
OUR VERY BEST



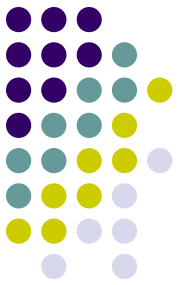
Do we all get a thrill
when the bill
becomes a BILL?

Can we work for that thrill?



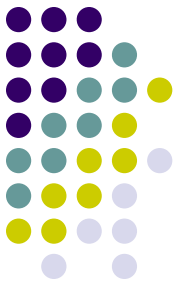
TWO STRATEGIES

??

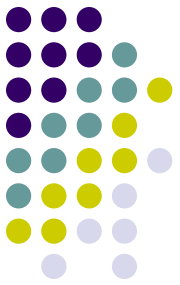


Collect your money first

Collect your money fast



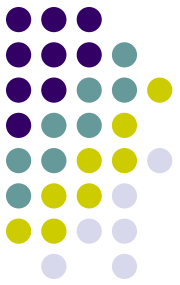
IS IT POSSIBLE
TO HAVE
GROWING BUSINESS
WITH LASTING GOODWILL?



To collect in time
we need
a bill
a will
a skill
a kill

on the part of all concerned

TAKING STOCK

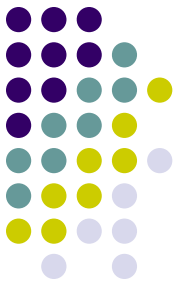


Beyond agreed limit

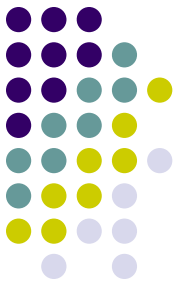
Loss incurred so far

Loss incurred per day

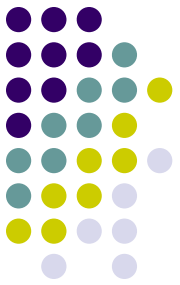
How to reduce it



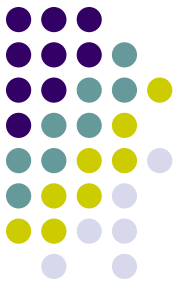
**WE ARE DOING
OUR VERY BEST**



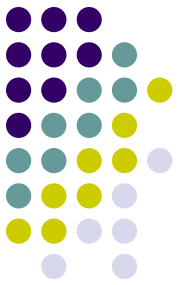
STEPS TAKEN THAT WORK
THAT DON' T WORK
NOT TAKEN YET
DON' T KNOW DON' T DO



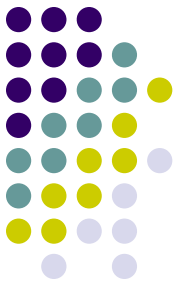
WHAT WORKS FOR ONE
MAY NOT WORK
FOR ANOTHER



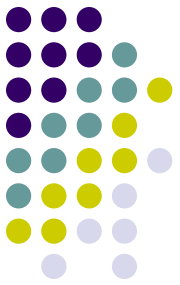
STILL WE CAN LEARN
FROM EACH OTHER



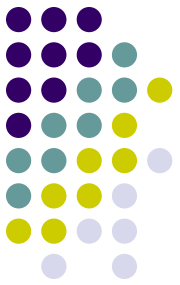
STATIC MANAGEMENT and DYNAMIC MANAGEMENT



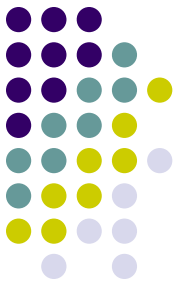
If we continue to do
(and not do)
what we have been doing
(and not doing)
we will continue to get
what we have been getting
and ...



LAW OF EQUILIBRIUM

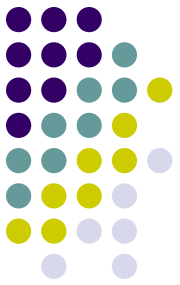


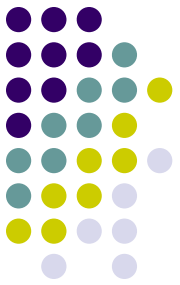
Disturb the equilibrium
consciously
and systematically



Collection/payment
happens automatically
only 10–20% of the time
The rest
we have to MAKE happen

If the creditor
does not show
interest/anxiety
the debtor
will not





THE NEEDED STAND

OUR MONEY
IN OUR POCKET
IN AGREED TIME

SOME GUIDELINES

Be selective

Have a clear contract

Do your part

Make your paperwork pucca

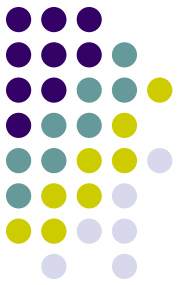
Remind in time

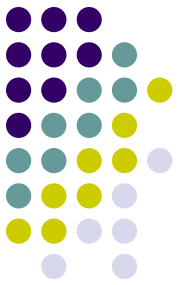
Facilitate payment

Act in psychological time

Renegotiate if needed

Monitor



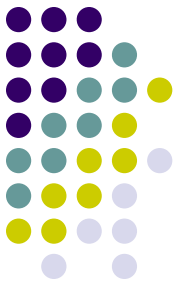


Exercise your rights

Be pleasant but persistent

Prevent. Cope. Fight

Collect the last pie - in time

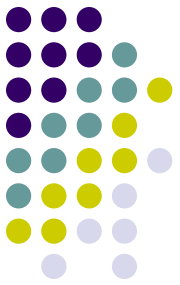


Collection

is everybody's business

ALL of our colleagues should
have been here.

Every one affects
the performance in this area.



Collection is
the crux of sale,
collecting in time that is

An action plan

1. Declare an emergency
2. Appoint a high power balanced team
3. Equip them with needed powers and budget
4. Organize companywide support
5. Report progress
6. Celebrate achievements
7. Effect the learnings

