

Credit where it's not due

PROBLEM:

OUR CREDIT CONTROL
IS POOR AND IT'S
AFFECTING OUR
BUSINESS



Effects

- You come under intense pressure from your bank and your creditors
- Time has to be spent managing the bank and the creditors which could be better spent growing the business
- You have less money to re-invest in the business
- Your profit is at much greater risk from bad debts
- Your reputation can be dented and take a long time to recover

Solutions

- Create a credit management policy and stick to it
- Consider paying commissions based on clients paying rather than sales made
- Ensure that both sales and finance staff are active in your credit management procedures
- Stop selling to client that won't pay in good time
- Prevent is better than cure so try only to sell to good credit risks and include payment terms in your terms & conditions
- Give a chance to clients that you think are having temporary problems and can be valuable in the future

Benefits

- You'll have more money in the bank and fewer things to worry about
- You control the bank and your suppliers, not the other way round
- Business planning becomes easier
- Investment funds for the future are available today
- Profits will be higher and less at risk

Michael Austin says

“ Good credit management is not just important in a recession; it is a basic foundation for most businesses to be successful. From time to time you have to be tough with clients, but changing your market to avoid bad payers in the first place will be disproportionately useful in the long run. ”