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Avegna's 5 steps to help improve your debtor management

Cash is king. With the Australian economy looking a little uncertain on the back of the global crisis, the time is right to review your business receivables management. The following are simple but effective steps successful businesses follow:

1. Review your customer credit agreements

Does your customer credit account agreement require the Customer to sign off agreeing to your payment terms before you start working together?

Do you get your Customers to sign off before you start work?

Do your Customer agreements detail what you can and will do if the Customer does not pay on time?

What is your process for deciding individual customer credit limits?

2. Review your payment terms

What payment terms do you offer? COD? Weekly? Monthly?

What payment terms do your competitors offer?

What payment terms do your main suppliers require?

What is your payroll cycle? Weekly, fortnightly, monthly?

3. Define, document, implement and stick to a collections cycle process

Do you issue friendly reminders?

Do you issue customer statements?

Do you make follow up calls to delinquent customers?

Do you initiate collections action to the letter of your Customer agreement?

Do you charge interest on overdue accounts? Can you?

4. Offer as many ways for customers to pay as you can but avoid risk where possible.

Cash, EFT and Credit Cards or better yet payment in advance. Offer discounts for advance payment. Payment arrangements, whilst not ideal, should be used where necessary. Better to receive the money in smaller regular amounts than not get any money in one large amount!

5. Regularly review your aged receivables report.

This should be aged in your payment terms blocks (e.g. if you offer 14 day terms then you should have a report with Current, 1-14 days overdue, 15-28 days overdue and older than 29 days.

You should always know who are the overdue customers are. You should always know which of your customers are over their credit limits.



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Credit Stop any customer over their credit limit.

Credit stop any customer older than two credit term periods (e.g. if 14 day terms than anyone older than 28 days overdue is on hold.

Don't be afraid to make a phone call or send an email as a reminder about non payment. Those who have genuinely forgotten will normally pay soon after the reminder. Be firm but fair. The main complaints will be from customers who can't or won't pay and you need to know who they are to avoid them as customers in future!

Thank the good paying customers for their prompt payment via email or phone.

Avegna will assist with your debtor management. We have had excellent results when managing our clients internal finance functions. In some cases we have improved receivables turn ratios from 5 to 48 times per year! For a no obligation consultation please contact us.