Cash is King; How to Accelerate Collections

Some companies fail because they lose money. But your company can also fail despite growing sales and increasing profits. How? Why? Many companies fail because they run out of cash, and this is where the credit and collection department comes in. There are any number of ways to accelerate cash inflows. Here are ten ways to do so starting today:

1) Offer a cash discount, or a larger cash discount.
2) Shorten grace periods before charging back unearned cash discounts.
3) Use credit holds to encourage your customers to pay delinquent balances more quickly.
4) Use credit holds more frequently and sooner.
5) Don't negotiate with intermediaries; instead deal directly with the decision maker in the debtor company.
6) Require delinquent customers to send payments by overnight delivery, or arrange for them to be picked up, or arrange for payments to be wire transferred.
7) If you decide to hold orders, make sure you give the customer affected advanced notice and an opportunity to make a decision to issue payment immediately as an alternative.
8) Take time to confirm payment commitments from delinquent debtors in writing, or ask them to do so. Also, make sure that you have a way to follow up to ensure that payment commitments are kept.
9) Do your best to avoid having to leave voice mail messages rather than actually speaking to your delinquent customers.
10) Always keep a record of the full name and the phone number or extension of the person you are negotiating with at the debtor company.

Companies that cannot accelerate cash inflows must be able to borrow money from their bank, or they must consider delaying cash outflows [payments]. When all else fails, make sure your company is managing cash outflows and inflows so that your organization does not run out of cash.

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