

7 Communication mistakes in debt collections you want to avoid

You need both diplomacy and expertise in collections to maintain your business relationships.

Many businesses view debt collections as a dilemma of disrupting their cash flow or ruining the relationships with their customers.

However, in many cases, your money is the main thing at stake. Avoiding collections can negatively affect your business and eventually hinder your business relationships.

Asking your customers to pay what they owe you is perfectly reasonable as long as you have tact, establish effective communication, and don't make the following mistakes.

1) Wait too long before talking to your customers about their debts

Time is without doubt a deciding factor in collections. We often see that the longer invoices remain outstanding, the more effort it takes to collect them and the less likely they are to be collected.

Besides, many businesses only make payments after being reminded. They count on their suppliers not caring about payment. So they can pay late to the suppliers that remind them, and pay nothing to the suppliers that keep silent.

That's why you should contact your customers right away when they default on payments. There shouldn't be any hesitation in requesting them to honour their commitments.

2) Not prepare for interactions with your customers

Your customers may or may not be aware that they haven't paid you. But because you're the one contacting them, it's expected of you to explain the situation and guide them to solutions.

You should prepare at least the following before making contact with each customer;

- The unpaid invoices' unique numbers and due dates. You can email your customer the invoices again to prevent them from making excuses, such as they didn't receive the invoices, lost them, or forgot about them.
- The customer's payment history. If they're new customers, inform them about your credit policy and collections if you haven't so that they know your stand on late payment. If they pay late for the first time, find out what caused the change so that you can correct it. If they've paid late multiple times, check how their previous debts were settled and whether their payment practice has changed over time.
- Your collections activity so far. Have you contacted the customer before? Has a new agreement been reached? Has the customer honored the agreement? Each of your collections attempts needs to reflect what has been done and what you want to be the next step. This does not only help you make progress, but also deter your customer from using the same stalling tactics again.

3) Ignore the reasons behind the late payments

There are always reasons that make your customers withhold payments. Usually they'll neither tell you nor pay the amount owed until you address those reasons.

To make sure that your customers state the real reasons behind their late payments, consider asking two types of questions;

- Questions about minor problems that can be solved quickly. For example: Is the invoice correct? Can you use the payment methods we offer? Do you have all the necessary information to pay us?
- Questions about major problems that require negotiations. For example: Are you happy with the goods or services provided? When and how do you want to make the payment? Are there any other problems that hinder you in paying us?

It's important to listen to your customers instead of making assumptions about them.

4) Become emotional or give in to your customers' emotions

Both reminding someone to pay and being reminded to pay can trigger strong emotions.

Your cash flow may be on the line, but your customers' businesses may also be at stake.

Despite the sensitive nature of the situation, it's best to adopt a friendly, yet firm and matter-of-fact tone of voice throughout your collections process.

If your customers become emotional, stay calm and wait until they've also calmed down before returning to the discussions. If that doesn't work, end the discussions and say that you'll contact them again when they've calmed down. This usually yields better results than dwelling on sentiments instead of collections.

5) Leave your customers' commitments to chance

Most of the time, your customers' commitment to pay the outstanding invoices depends on your commitment to collect them. Everything you do or don't do informs your customers about your attitude towards collecting the debts.

Throughout the collections process, you should make it crystal clear that paying late is unacceptable and that you are determined to recover the debts as soon as possible.

Have a written agreement for every next step. Whether it's setting a new payment deadline or arranging a payment plan, have your customers confirm that in writing.

These written agreements form the basis for all your collections activity afterwards.

- Set deadlines for everything. Once you both agree on what the next step is, you should also write down when it'll happen and when to follow up. This gives your customers fewer chances to stall.
- Contact your customers as soon as the deadlines pass or as they break any agreements. If you don't do this, each day you wait is another day your customers get away without paying you. While thinking that you don't have a problem with it.

6) Not planning one step ahead

Even when you reach new agreements on payment with your customers, there is no guarantee that they'll keep to the agreements. To avoid your customers stalling for time, you need to have an alternative Plan B for each agreement concluded with them.

For example, if a customer fails to meet a new deadline for payment, see if you can work out a payment plan with them. If they fail to follow the payment plan, see if you can engage a debt collections agency to put more pressure on them.

The way you present Plan B depends greatly on where you are in the collections process. If you've just entered into the first few agreements, it's better to not reveal your Plan B and use it for negotiation. If your customers have broken multiple agreements, it's better to let them know your Plan B to demonstrate your determination to collect the debts.

However, keep in mind that you'll need to carry out your Plan B if the situation arises in order for your customer to take it seriously.

7) Not using debt collections agencies

There are no shortcuts to debt collections. The time, effort, skills, and discipline required to successfully collect overdue invoices and retain good business relationships shouldn't be underestimated.

If it's too time-consuming for you to collect your outstanding invoices, you're short on staff, or your efforts haven't resulted in payment, consider getting external help.

An experienced and professional collections agency with the right approaches can encourage your customers to pay, while maintaining your business relationships.

With Atradius Collections, you can use the online service to:

- Know right away how much it costs to collect your outstanding invoices. [Get a free quote here.](#)
- Have a team of professional collectors around the world support you
- See real-time updates on the collections progress

Engaging a debt collections agency not only benefits your cash flow, but also saves you from most of the anxious and difficult moments of collecting debts from your customers. It's the reinforcement of accounts receivable you need to stay in business and make for healthy relationships with your customers.

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