

FROM A SERIAL ENTREPRENEUR'S PLAYBOOK



**TIGER  
BY  
THE TAIL**

**99 SECRETS TO TAME  
AND MASTER YOUR  
BUSINESS**

**MARTY PARK**

SECRET 70

# COLLECTING A/R IS PSYCHOLOGICAL WARFARE

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In my first software business, we had long periods of time between big value sales transactions. During that time I learned a lot about collecting accounts receivable (A/R) by learning how to dodge payment commitments. There were months when the only cash we had went to pay our critical bills. We had no cash to spare for anything that wasn't essential. Suppliers called all the time to collect on their invoices, but we had no money to pay them. Those calls taught me a lot about the major pitfalls of most collection efforts.

Many of the calls would go like this: "Hi, this is Darla from ABC Corp. We have an outstanding invoice, number

10934 from June 12 and I was wondering when we can expect payment?”

I would respond with total honesty, but with complete vagueness: “Darla, we have that invoice in our payables and we’ll be processing it soon.”

Darla (and most of the other collections people) would typically respond: “Okay, that’s great, thank you.”

But what had I really told her? What had I really committed to? Nothing. I never gave a date or time. I never explained what I meant by “processing it.” I never clearly said I was paying it! Yet these calls and interactions went on for months. I could instantly buy myself another thirty days just by telling someone we were “looking into their invoice.” I could stretch a payment for up to 120 days before many people ever said, “Are you paying this invoice or not?!” By then, I could comfortably say yes, because I had already managed a four-month delay of payment.

Knowing what it’s like to be tight on cash and loose on excuses, here is how I collect on receivables. The key is to expect that the person needing to pay is going to be vague and noncommittal. Your job is to pin them down to a commitment. It goes something like this:

“Doug, hi, its Marty calling from ABC Corp. for invoice 10934. Have you sent payment for this invoice yet? You think so? Well, can you please check? I’ll hold. Oh, so you haven’t sent it out yet? Okay, when will you be making the payment? Next week? Okay, is that Monday or Friday next week? Okay, Friday. Will that be ready in the morning or the afternoon, because I’m going to send a courier to pick it up.” (This is a great lesson: Don’t leave it up to the postal system to collect your money. Control the delivery of your money by spending the \$10 to \$40 on a courier to go get it. Yes, it’s an extra cost, but it’s less than the cost of not having your money in hand). “Okay, so Friday afternoon? Terrific. Just to confirm, I’ll be sending a courier over on Friday at 1:30 p.m. to collect the payment. Thanks for your help.”

Now they have agreed. They’ve committed to a date and a time that we can hold them to. There’s something about knowing a courier is coming that makes people more accountable. I’ve overheard them say, “Well, what are we going to do now? They’re sending a courier!”

Your approach should always be friendly, yet persistent. A major pitfall for people trying to collect payment is to become personally upset and hostile. Once you sound angry, you’ll be avoided. The key is to always be so friendly and upbeat that people feel bad if they don’t return your call or talk to you. Call persistently, every

second day or even daily, until you get the answers you want. Be cordial and warm, firm and persistent.

It's your money. You performed the service or provided the product in good faith. Don't let customers suggest that it's somehow your fault they haven't paid. This is a classic ploy involving role reversal. The company or person owing the money gets upset in order to avoid having to commit to anything. In these cases I ask directly, "Is there a reason you're acting upset with me, about the bill that you're avoiding paying?" When you call them out, it's hard for them to maintain the angry charade.

Hold them to their end of the bargain, which is on-time payment. If a customer is a problem regularly, invite them to find another supplier with less self-respect and cash sense.

# TIGER BY THE TAIL

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