Section 2

THE SUCCESSFUL COLLECTOR AND COLLECTION COMMUNICATION

Introduction
Quick action and systematic follow-up require an effective collector who knows which approaches to use for telephone and written contacts.

The Successful Collector
The following qualifications are important for the collector’s job:

a. **Good diction.** Since collection often involves phoning the debtor, the collector should be easy to understand. Poor diction may shift the focus of a conversation from when payment is coming to “What are you trying to say?”

b. **A voice that reflects strength.** An effective collector should speak with authority. However, there are excellent collectors whose meek voices disguise a dogged, unshakable personality.

c. **Good grammar.** Poor grammar may make the caller sound as if he or she is a low-level employee. Keep in mind that the language used is a reflection of your firm.

d. **Clear handwriting.** Handwritten notes on a customer’s file must be clear to anyone in your firm who checks that file. Handwritten notes and signatures that go on letters and memos to the debtor must be easy to read.

e. **At least minimal typing skills.** A collector should be able to type a letter on a typewriter or computer when correspondence must be sent immediately.
Successful Telephone Contacts
With Debtors

Phoning debtors is usually the best method for getting payment and is most effective early in the collections process. Often, it helps to reveal financial problems the customer is having or disputes over your bill, both of which you want to know about as early as possible in the collection process.

Anatomy of a successful call

Calls to debtors should have the following structure:

1. **A brief opening.** Identify yourself and concisely state the purpose of your call, preferably ending with a question.

2. **A strategic pause** (also called the pregnant pause). This shifts the burden of the conversation to the debtor and forces a response. Here is an example of a brief opening and strategic pause. "Hello, Mr. Jones, this is Alice Smith of H&H Company. Our records show that the correct balance in your account is $___________. [That was the brief opening and concise statement of purpose.] When will you be mailing the payment?" [Here's where you take the strategic pause which calls for an answer.]

3. **Specific request for payment and exactly when payment will be sent.** Example: "We need payment right away. When will you be sending it?" (Keep asking until you get a specific date.)

4. **Confirmation of the exact address to which the debtor will mail the check.** Example: "Please send your payment to Alice Smith, Accounts Receivable, H&H Company, 1 Main Street, Chicago, Illinois 60615. Maybe you could repeat that back to me to make sure I gave it to you right."

5. **Pleasant closing including confirmation of payment.** "Thanks so much for your business. I'll expect your check no later than Friday, May 17." (Mark that date on your calendar and if the check doesn't arrive, call that day.)

5A. **If you get a promise to pay.** Send a brief letter to the debtor confirming the promise to pay: "Dear Mr. Jones: I spoke to you today [date and time] and I just wanted to confirm that you will be sending
us a check for $_____ to: [your address].” Endorse a business-reply envelope to assure that payment is made to the correct address.

One study* shows the importance of written confirmation:

- 28% of a verbal message is forgotten after one day
- 48% of a verbal message is forgotten after one week
- 70% of a verbal message is forgotten after one month

* “133 Ways to Handle Customers’ Complaints,” by Blanding, Harps & Henry

**Timing Telephone Calls**

Before planning calls, make sure you know the debtor’s business hours (or at least the hours common to the debtor’s industry) and its time zone. Avoid calling executives just after they arrive at the office or are about to leave for lunch or for the day. Also avoid calling on Monday mornings when people may be swamped with mail or start-of-the-week emergencies, or Friday afternoons when they may have difficulty getting someone to write a check.

<table>
<thead>
<tr>
<th>Best (and Worst) Times to Make Collection Calls</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debtor’s Local Time</strong></td>
</tr>
<tr>
<td>10-11 a.m.</td>
</tr>
<tr>
<td>2:430 p.m.</td>
</tr>
</tbody>
</table>

**Successful telephone tactics**

To maximize your chance of success, observe the following guidelines:

- Make one phone contact to determine if the debtor is still in business and to see if there is a dispute about the bill. When a debtor has gone out of business, many steps in the collection process must be skipped or speeded up.
• Before placing the call, review the customer’s file for the following:
  
a. balance due  
b. when payment was due  
c. possible previous disputes about the bill  
d. special circumstances—whether your firm is willing to ac-
cept partial payment, or wants to offer a discount, and how
much that discount will be

• When calling a debtor, make sure you speak to someone with
authority to issue checks. Talking to a clerk may be useless if that
person must go to a company official; it’s that official you want to
reach.

How to get the right person when
you don’t know who it is

If you don’t know the name of someone with check-writing authority, ask the
receptionist for the name of the “chief financial officer” (CFO) or “general
manager” (GM). Write down the name and verify with the receptionist that
you are pronouncing it correctly. Call back in 15-30 minutes and ask by
name for the CFO, GM or other authority whose name you were given
earlier. If that person is not in, leave the following message: “Tell M. ______
to call [your name] at [your phone number] today before 4:45 p.m. Eastern
Standard Time. It’s important.”

By establishing urgency (“It’s important”) and leaving only your name and
number, you increase the chance of having your call returned. Note that you
do not volunteer your company name. If a debtor’s executive recognizes the
name of a firm it owes money, you are not likely to have your call returned.
However, if the receptionist asks what company you are from, give the
correct name, not an inaccurate or made-up one. Otherwise the person who
returns your call may never believe anything you say in the future. If your
call is not returned by the designated time—call again.

• Use a firm, but pleasant tone. Unless you are at the very end of the
  collections process, you are still dealing with a customer whom your
  firm may want to sell to again.
• Personalize each conversation by using the other party’s name at every opportunity (that’s why you verified that you were pronouncing it correctly).

• If there is a dispute, get the facts to the appropriate person in your company for prompt resolution. Most disputes are customer rather than collection problems. However, debtors often use any dispute as an excuse for not making payments.

• If there is a complicated problem, try to break it down into easily understood parts, then tackle the smaller, simpler parts first. Do not move to other parts of the problem before providing answers to the first part(s).

• When your receptionist tells you that the debtor is on the phone, respond pleasantly: “Good Morning. This is Don Kramer, how can I help you?” Since the subject of making payments can be very unpleasant, keep everything else as pleasant as possible: your manner, tone of voice and choice of words. At the same time, when the caller says, “I have a message here to call you,” get to the point immediately. “Your account shows an unpaid balance of $________. I called to see when we should expect payment.”

**Telephone “no-no’s”**

• Never interrupt, no matter how strong the urge, no matter how important your message. Wait until the debtor has finished talking before you speak. And don’t talk if people pause. They may be trying to figure out how to tell you the real reason why payment has not been made.

• Never belittle or attempt to make the debtor look foolish; it only creates arguments and cuts short communication. Even when you disagree, use a non-threatening approach: “I may be mistaken but according to our records. . . .”

• Never threaten or harass a debtor. It inhibits communication and prevents negotiation.

• Never curse at a debtor. Curse words may violate some state laws and the debtor may attempt to sue your firm for damages. Even if
cursing is not illegal, it gives the debtor an excuse to refuse payment.

- Never raise your voice in anger or attempt to outshout the debtor. If the other party is upset and starts to yell, speak more softly (not louder), and speak more slowly (not faster).

- Never hang up on a debtor. If you can’t agree on all points, end the conversation with a way for the debtor to call you back. For instance, if you disagreed on an unpaid balance or when it would be paid, you might say: “There’s no reason for us to argue about this. Why don’t you review your records and call me tomorrow between 2 and 4 p.m. to let me know how we can resolve this. I’ll have your account on my desk when you call.” Make it a friendly suggestion, not a veiled accusation that the other person caused the argument.

- Never place a collect call to a debtor without checking your customer’s state laws to see if this is permitted.

- Never discuss your debtor’s financial affairs with a third party, unless it is part of a legal exchange of credit information with a legitimate credit bureau. Many companies mistakenly think that if a current or prior customer gave their name as a credit reference, they can say anything they wish. The fact is, when credit information is negative, people can, and do, sue for defamation. Unless you have a customer’s written permission, it is advisable not to give out any credit information about it.

- Never make any ethnic jokes or remarks. If there is a legal dispute, your jokes or remarks may be read aloud in court in a monotone that will make them sound like malicious attacks. The safest policy is not to make any comments unrelated to the facts of the missing payment.

- Do not state the purpose of your call on voice mail or an answering machine unless you are certain it will be heard only by the person you want to reach. Embarrassing debtors gives them another excuse not to pay. Leave your name and phone number with extension, but consider omitting your firm name—if debtors know the purpose of your call, they may not return it.
Successful **Written** Contacts
With Debtors

The following guidelines should be observed for written contacts:

- A collection letter or note should be dated and include the address and phone number for the debtor to use. That’s why “stick-’em” notes should not be used; they rarely contain this information.

- The salutation should contain the name of the person you are contacting (Dear Mr. Smith). Using Dear Sir/Madam makes your correspondence look like a form letter.

- Signatures on all collection letters and memos should include your full name and be written clearly so that the debtor can easily see whom to contact.

- All correspondence should be brief, direct and grammatically correct.

- Letters and notes should be printed clearly. Faded or smudged print is hard to read and suggests that the message and person sending it are unimportant.

- Attachments should be left out unless they are absolutely essential. Anything that does not pertain to the primary message—send money now—may detract from it.

- A postage-paid business reply envelope (BRE) should be included in all collection correspondence to make it as easy as possible for the debtor to pay you, or at least to respond. See Section 1 for details.

**Timing Written Notices**

- When setting dates for written contacts, allow sufficient time both for the mail to arrive at the debtor’s office and for the debtor’s response to reach you through the mail. Keep in mind that a first-class letter from a distant city may take 7 to 10 days.

- Find out what time of the month the debtor firm normally pays its bills and plan for your letter to arrive before that time. Missing by
even one day may result in your bill being set aside until the next payment cycle.

• Retain a copy of written contacts and file them in a place where they are readily available.

For Both Written and Telephone Communication

• The same collector should handle the same account from start to finish except when a dispute requires the involvement of management. This helps nurture a relationship and avoids having different people in your firm offering the debtor different deals.

• Similarly, once you have the appropriate contact at the debtor’s firm, stick with that person to build up a good relationship. The better your relationship, the better your chances of getting payment promptly.

• Be persistent. Never feel that you are a nuisance. It is the slow payer who creates the nuisance, not the collector.

• Don’t threaten any action, at any step in the collections process, that you are not prepared and authorized to take.

Documenting All Contacts

Every collector should maintain a collection history. A simple way to keep track of the results of each contact is to use a separate, 8” x 10” card for each delinquent account. An example of one practical format is shown on the following page.

After each collection call, letter or memo, make appropriate notations in each column. Check the list of Abbreviations Used in Collections at the end of the manual. Using them on the Collections History (sample on page 29) helps you get a lot of information in a very small space.

If you use a computer, you should have a field for collection notes.
<table>
<thead>
<tr>
<th>Date</th>
<th>Type of contact Telephone/ Personal</th>
<th>Party contacted (name and title)</th>
<th>Results of contact</th>
<th>Disputes (or other reasons for non-payment)</th>
<th>Follow-up</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</table>
QUIZ 1  THE SUCCESSFUL COLLECTOR AND COLLECTION COMMUNICATION

Problem I.

Fill in the blanks.

1. List the five qualifications required for a successful collector.

2. On all written contacts with debtors, your letter or note should include the __________ and your firm’s __________ and __________.

3. The format and style of all written contacts should be __________, __________ and __________.

4. Never threaten any action at any step in the collection process that you are not __________ and __________ to take.

5. List the 5 basic steps in a telephone contact.

6. After a telephone contact, it’s essential to confirm debtor’s promise to send payment to the correct address because studies reveal that __________% of a verbal message is forgotten after one day, __________% is forgotten after one week and __________% is forgotten after one month.

7. The two time periods when you should not call a debtor are __________, __________ and __________.

8. When calling a debtor, make sure you speak to someone who has the authority to issue __________.
Problem II.

Multiple choice. Circle the correct answer.

1. Among the reasons for making at least one telephone contact in the collections process, the most important one is to:
   a. let the debtor know who you are and that you are serious about getting paid
   b. find out that the debtor is still in business and that there is no dispute about the bill
   c. find out if the debtor is aware of the payment and acknowledges the debt
   d. find out if the debtor intends to pay you and will send money soon

2. Before you call a debtor, you should review its file to check:
   a. balance due
   b. how late the payment is
   c. if there is a dispute about the bill
   d. all of the above

3. If you must leave a message, ask for the specific person in authority to call back and:
   a. leave your name, phone number and time to call back
   b. leave your name, phone number, company name and time to call back
   c. leave your name and phone number
   d. leave your name, phone number and reason for the call

4. If a customer disputes the bill, you should:
   a. demand payment and let the person know you’re not fooled
   b. say you will look into the facts if they will set a payment date
   c. say you will look into the facts and consult management immediately
   d. say that you want payment and will be glad to settle the dispute afterward
Problem III.
Mark each question True or False.

1. Although it is effective to keep calling the debtor, you should avoid making yourself a nuisance, since this may delay payment.
   a. True   b. False

2. To keep a debtor off guard, you should have different people from your firm make contacts at different times.
   a. True   b. False

3. Once you have found someone in authority at the debtor’s firm, you should try to deal with that person throughout the collections process.
   a. True   b. False

4. Generally, it’s more effective to telephone than to write a debtor.
   a. True   b. False

5. It’s all right to discuss a debtor’s financial affairs with a legitimate credit bureau or someone who claims they have a business relationship with your customer.
   a. True   b. False

6. Before making a collection call you should check your company’s policy on accepting partial payments or offering a discount.
   a. True   b. False
Problem 1.


2. date, address, phone number

3. brief, direct, grammatically correct

4. prepared, authorized

5. (1) Brief opening (to identify yourself and concisely state the purpose of your call).

   (2) Strategic pause (to shift the burden of the conversation to the debtor and force a response).

   (3) Specific request for payment and exactly when payment will be sent.

   (4) Confirmation of the exact address to which the debtor will mail the check.

   (5) Pleasant closing.

6. 28%, 48%, 70%

7. Monday morning, Friday afternoon (also just after opening or before lunch)

8. checks
Problem II.

1. b

2. d
   You may also want to see whether you will accept partial payment at this time or offer a discount and how much that discount will be.

3. a
   Although you want to leave your name, phone number and time to call back, it is better not to leave your company name, since anyone who recognizes that the message is from a creditor is unlikely to call back.

4. c

Problem III.

1. False
   Never feel that you are a nuisance. It is the slow payer who creates the nuisance, not the collector.

2. False
   The same collector should handle an account from start to finish (except when a dispute may require management to handle it). This helps nurture a relationship that increases your chances of getting paid and avoids having different people in your firm offering the debtor different deals.

3. True
   To repeat the point made in the previous question, the stronger your relationship with a person in authority at the debtor’s firm, the better your chance of getting paid.

4. True
5. False
Although you may reveal information to a legitimate credit bureau you should not give out credit information to anyone else unless you have the customer’s (or former customer’s) written permission.

6. True
QUIZ 2  THE SUCCESSFUL COLLECTOR AND COLLECTION COMMUNICATION

NOT SHOWN