

*Making the sign is sometimes easier than getting the check—here's how one shop put an end to that problem*

# Bill collecting: How to get the money

by Kathy Jenkins

My ex-husband spent a couple of years as a bill collector. He taught me that there's an art to getting people to pay up. There's also a vocabulary the collectors use as they take notes on each call they make. Collectors are always *dunning for PIF*. They usually get an *SOS* from the client (though sometimes they get a *HLS*) and the client often *hangs*. It is always the job of the collector to *create urgency*. These are lessons that sign painters and shop owners must learn, but what do those words mean?

## Dun for PIF

The dictionary defines "to dun" as to reinforce or persuade. PIF stands for *Payment in Full*. So the phrase means to persuade the client to pay the whole bill. At Reid Signs, we have had the most success calling late payers with a persuasive, calm, nice manner. As we all know, starting out being demanding or pushy only ends up alienating the client and jeopardizing future jobs and current checks. A typical first call to a late payer goes something like this:

**Me:** Hi, may I talk to someone in Accounts Payable, please?

**Them:** This is Susan.

**Me:** Hi, Susan. I'm Kathy from Reid Signs. I'm closing the

books for the month and noticed we've not received your payment. I'm wondering if you can tell me when I can expect your check.

At least half the time they don't seem to be aware that they have a bill owing. If so, at the point this becomes clear, I tell them I'll fax them a copy of the bill. They are willing to pay and are even embarrassed that they haven't paid. This is the ideal outcome. The other half of the time, it goes something like this:

**Them:** I'm only going to be able to send you \$300 this month.

**Me:** Oh. Is this the arrangement you made with our owner?

**Them:** Well, no, but that's all I'm sending.

**Me:** I'm confused because we're generally a COD shop, and my boss told me to expect full payment from you.

**Them:** Well, times have been tight, so I just can't do it.

**Me:** Boy, I know what you mean. You must be facing the end of the quarter taxes just like we are. I know that every little bit counts.

**Them:** That's my problem.

At this point, I just remain silent. I put the ball in their court, and they often play by giving some conditions, such as they can

pay half now and half in two weeks, or they are so swamped that they can write the check, but can't drive it over or something like that. If any of the conditions are ones I can fix or live with, I usually accept them. If I can't find any compromise, I end the conversation by telling them I need to refer this to our owner, and he'll talk directly with the salesperson involved.

## Hints concerning this first phase of bill collecting:

■ *Avoid this bill-collecting process all together.* Emphasize to new clients that you work with 50% down, with the remainder due upon installation. Or, present a finished copy of the bill upon installation and negotiate payment at that time.

■ *Once you get to bill collecting, stay nice and be understanding.* Keep the attitude that you know they're going to pay, and they know they're going to pay. It's just a matter of when they'll pay. Keeping this attitude reminds you to stay polite and act like this is a big mistake that you know they will want to correct. Our goals here are 1) get the money, and 2) keep the customer.

■ *Don't allow wiggle room.* It isn't enough to make a call to a late payer, leaving a message for them to call you back. Keep reeling in any rope they let loose. By this, I mean if the receptionist says the person you need to speak to is on the other line, hold. If the person is at the other store, get the number and call there. If they won't be back till 3:00, call back at 3:30. If the person says they don't have a copy of the bill, fax one over. If they say they need an original bill to pay from, mail it out today or drive one over. Counter any excuse they have in a polite, accommodating manner. After a couple of these attempts, most people cave in and just pay the bill to get it over with.

■ *Remember that all businesses pay at the last second.* If the bill says Net 30, you pay on the 25th day (or if you aren't doing this, you should!). Other businesses are doing this with your invoices, too. State your credit terms on your invoices. If you want Net 10 or Net

15, state this clearly on the invoice. If you want to charge interest for late payment, state terms on the invoice. You will be surprised at how many people are using your money to float other obligations. Once you have made your terms plain, your money will come in on time.

Last month I called a plumbing company that owed us for truck lettering. The bill payer confidently said he'd negotiated Net 30 with our owner. Greg was standing right there, so I asked him if this was his recollection. He said it wasn't. I conveyed this to the bill payer, who blustered through some explanation. Nonetheless, within the week, we got a check for half with a note containing a HLS (see below), and the other half appeared by the end of the second week.

### **SOS and HLS**

SOS (Same Old Story) and HLS (Hard Luck Story) are two versions of excuses that are part of all non-payment stories. Unless it's a mistake or oversight and the client intends to rectify the situation, they will spin out some reason for why they can't pay right now. For our purposes, the reason for their non-payment doesn't much matter, unless the reason involves dissatisfaction with your sign or the installation. Obviously, if you turn up a problem that relates to your shop, you must negotiate a solution as quickly as possible. For SOS or HLS that don't pertain to you, you can empathize with their predicament, but at the end of the day, you need the cash. It's important to let them run their story out so they feel heard. Often imbedded in that story are negotiation points.

A case in point: we had dealt with a difficult client for a job that took far too long because she couldn't make up her mind. We worried throughout the job that she'd be hard to collect from because price factored into each design decision. For this reason, Greg asked for 50% down before the production began. When the sign was installed, it was about two weeks away from quarterly taxes being due. We presented her with her bill. She didn't have her

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checkbook (she said) but would put a check in the mail. We waited a week, but it didn't come. (It was our mistake to wait so long.) I called. She said she was moving, and her checkbook was buried. She promised a check the following week. This went on for about two more weeks. Each reason was legitimate and so it took a while to realize she just wasn't paying. After about the fourth call, she got exasperated with me and admitted that she was short of cash due to the end of the quarter taxes. I laughed and said I was bugging her for the very same reason. This softened her, and she said she could write a check but couldn't get it in the mail for a couple of days. I agreed to run over and pick it up, and we had a deal. This shouldn't have been necessary, but since my goal was to get the money, I was willing to go the extra mile.

To avoid this situation, have the talk about payment schedules before the work is started. Opening the subject (for example, "We are a COD shop" or "Our minimum charge is \$100") will allow you to test whether money will or won't be an issue for this client. If they base design decisions on cost, if they resist giving you 50% down, or if they've just gotten to town and their check numbers are low, probe a little to see if you think payment will be a problem. If you think it is likely to be a problem, you can take appropriate steps like getting more down, getting full payment prior to beginning, getting payment for the sign now and letting them pay for installation later (as installation will be less than the sign costs). Once you tell them your terms and that you have to charge interest for nonpayment, you will see if they have the money and intention to pay.

### **You can avoid a lot of headaches by talking about payment schedules before the work is started.**

#### **Client hangs**

This means the client gets so angry that they hang up on you. This is the place you *don't* want to get to. Here's how you might find yourself slipping into this bad situation:

I billed an attorney for \$100 for lettering his name on his glass door. He promptly sent the payment, but didn't pay the tax. About a week later, I sent him an adjusted bill with a nice, little note pointing out he hadn't paid his tax. Nothing happened. I waited a couple of weeks and re-mailed the invoice and another equally nice note. Nothing. I began to take this as a personal challenge, so I called him. They didn't want to put me through, but I didn't allow for wiggle room, so I finally spoke to him—after spending about 20 minutes on hold. He was curt, but said he'd send the money. Nothing. I called again. I was placed on hold again. I finally got through to him and got mildly annoyed as I again explained the problem. He reacted quite badly, saying I should sue him for the tax and hung up on me.

I plotted revenge and called his firm, hoping there was an office manager I could tell who would force him to pay. There wasn't a manager. I was stumped. I pushed the invoice aside, and it sat for about two months. Then I got an idea. I waited until the end of the

quarter, re-sent the invoice, and in this nice, little note, I apologized for my tone and asked him for his help, since it was the end of the quarter, and I was tying up loose ends. The check for \$8.20 arrived the next week.

#### **Some tips on avoiding this impasse:**

■ *Don't lose your patience.* If you find yourself getting exasperated, politely terminate the call before you push the person into a corner. You don't want them to not pay you on principle.

■ *Offer alternatives and negotiations.* If you have until Friday before you really need the money (and it looks like your client is really unwilling to pay), offer that. Sometimes a sincere gesture is enough to push the client into paying.

■ *Offer to talk to your boss and see if there's any negotiation to be made.* You already know the answer to this is "No", but it shows the client you're trying to find a way. You can talk to the owner and see if there is any negotiation possible, then call the client back with new suggestions. For example: "We won't be able to start on your other sign until we receive payment for this one." Or, "If you are able to pay, I will throw in those little magnetic signs you were looking for." Some would say that doing extra for those non-payers is throwing good money after bad. Still, if the true choice is between not getting paid \$1,000 for a sign versus kicking in \$20 worth of material and shop time to clinch the deal, I'd kick in the extra money.

#### **Create urgency**

At my ex-husband's bill collection agency, they gave cash bonuses to anyone who could be persuasive enough to get the client to drive their check to the office. This is your goal. You don't want peo-

ple to *think* about paying you; you want them to write that check. I've had my best success getting them to write the check by remembering the following:

- *Don't allow wiggle room.* Make sure they have no reason to further delay payment.
- *Ask them to write the check.* It isn't enough to hint that you need the money. You have to devise real sentences that sound natural to you that you're willing to deliver. Think through these in advance. Some sentences that work for me are:
  - At the end of the month: "I'm retiring the invoices for April and wanted to be able to close the books on your file."
  - "I was wondering if you could look in your records and tell me when you have my invoice scheduled for payment."
  - If this is true: "I know your firm always pays so promptly, so I wanted to call you to see if we had some mix-up over my Invoice #xxx."
  - "When do you think you'll be able to write this check?"
  - "When do you think I should call back to see if your supervisor approved payment of this invoice?"
  - "I happen to have a person in your area doing another job. Can I send him over to pick up this check?"

### **It pays off**

In 1995, we had over \$2,000 in bad debts. In 1996, we had \$0. Were we lucky? Yes. Had we gotten smarter? Yes. Each year that Greg is in business, his skill at reading the client's ability to pay is honed. He can often spot problem clients and can take steps up front to ensure payment. Also, as his reputation grows, he is in a position to choose clients who are more desirable, have more inventive jobs, and bigger budgets with which to work. Finally, our collec-

### **Tips to make collections easier**

- *People can't pay if they don't have the invoice.* Get in the habit of presenting an invoice upon completion of the job.
- *Keep track of your Accounts Receivable.* Don't let unpaid bills drag on without addressing the issue. You should know who owes you money. If you've told them you expect COD, and you didn't get COD, then you have a situation that needs attention. You are free to make new payment arrangements, but letting the situation go and hoping payment comes in is the least effective method of solving the problem.
- *Know when your biggest accounts pay their bills.* Some big firms pay each week, some twice a month. Knowing the habits of your big clients will allow you to present your invoice in time for the next round of payments.
- *Call if the check hasn't arrived.* After a decent amount of time has passed (like a week for them to put a check in the mail and a couple of days for it to get to you), call and ask when you can expect payment. This exploratory call will alert you to any brewing problems.
- *It really helps if the person collecting the bill is not the person who sold the job.* At Reid Signs, we've found that I am able to wade into situations that Greg, who sold the job, isn't able to. He has to worry about jeopardizing his relationship with the customer. As the billing person, I just have to worry about not making my counterpart at the other firm mad at me. If you sell and bill yourself, this part of collections is a little harder because you can't press as hard. I'd suggest you spend a little more time on the front end to catch problems before they occur.—K.J.

tion methods have improved. We find problems earlier because we begin calling for non-payment earlier, and we negotiate virtually all problem situations to the satisfaction of the customer—generally by offering more service rather than being willing to take less money.

Yesterday, I made routine first calls on three bills. All were good paying customers and all were to huge firms. All installations had happened in the past two weeks. All three companies had received an invoice upon installation. Yet none of the three Accounts Payable clerks had received the invoice. None was scheduling our payment. All required a new invoice faxed to them.

As shocking as this was to me, it pointed up the good lesson that miscommunications happen. Balls get dropped. If you don't start looking for your check until six weeks go by, you won't be getting payment for a couple of months.

That means you're giving free interest loans to customers out of your pocket. As your business is sign making and not banking, avoid this situation. Assertively pursue your money—making sure a velvet glove covers that huge hammer. Inquire nicely about payment. Offer to send new invoices and be willing to negotiate problems that arise. When it's all said and done, remember: create urgency if you can, but always dun for PIF!□



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