



# Credit Management Wall Chart

Build long-term customer relationship, whilst protecting your cash flow

*"The best way to learn geography is on foot..."*

**Be positive**

**Clear your mind of  
can't**

**Cooperate with  
your other  
colleagues**

**We are dealing  
with people  
& people are  
different**

You can:

1. enhance customer service
2. build long-term customer relationship
3. maintain loyal customer base
4. increase 'profitable' sales
5. minimise the risk associated with credit
6. protect cash flow
7. ensure long-term profit
8. maintain synergy with other business units – sales, distribution, finance...

Remember:

The sales people trigger and make the sale, and the credit practitioners complete the process by agreeing competitive credit terms with the customers

Ensure:

- You listen to your customer
- You know your customers' credit needs and requests
- You visit your customer whenever possible. Face-to-face relationship lasts
- You are the first to know that your customer needs assistance

**Credit costs money**

**Be proactive**

**Always:**

- Use a Credit Application Form – *signed appropriately*
- Be sure of the status: *Consumer; Sole Trader; Partnership; Limited Company*
- Identify the customer – ID Card Number / Company Registration Number
- Ask for the contact name/s & for who will be receiving the goods
- Explain and affirm clearly the stated credit terms and conditions of sale
- Send 'Welcome Letter' together with copy of the credit agreement to customer

**Credit carries an  
element of  
Risk**

**Analyse**

**Minimise the risk:**

- Segment the market and target the potential 'profitable' customers
- Ask your potential customer to provide Bank and Trade References
- Ask your potential customer to provide recent receipts of utility bills
- Make use of the MACM Website wisely
- Interpret the information provided by MACM correctly
- If it is a Limited Company check for any other directors' involvements
- Use Financial Ratios & Credit Scoring Tools provided by MACM
- Request Graydon Credit Report through MACM if a foreign company

[www.macm.org.mt](http://www.macm.org.mt)

**The Science and  
Art of  
Invoicing**

**Invoices should be legal, showing:**

- Date, Full Supplier's Name & Address, VAT number, Invoice Number
- Correct Customer Name & Address, VAT number
- Clear description of goods & delivery address if different from the above
- Accurate Quantities, Prices (Net & Gross) & any Discounts applicable
- Payment Terms and Payment Due Date
- Make reference to interest charging in case of late payment - LN233 of 2005
- Include Caveat provided by MACM to get the necessary customer consent in accordance to the Data protection Act

**Relentlessly:**

- Issue an invoice as soon as you deliver the goods or provide services
- All the customers' requests should appear on the invoice
- Deal with disputes immediately and resolve quickly
- Keep record of all disputes. Identify customers who log in disputes repetitively
- Use an efficient and effective accounting software

**Time changes**

**Monitor  
Accounts**

Be diligent by:

- Sending Monthly Statements to all customers
- Segmenting accounts according to the Credit Amounts – forget about ABC
- Identifying the large accounts and establishing their total value - €
- Establishing the major accounts accounting for 80% of the total value €
- Visiting large accounts frequently
- Monitoring every major account daily by using 'My Accounts' facility: MACM website
- Communicating with the sales team & discussing accounts with them
- Producing Debtors Reports showing accounts movements
- Calculating DSO (*Days Sales Outstanding*) in relation with the Turnover
- Taking proactive action when and as necessary

Always keep good relations with all customers – invest in loyal customer base

**Set Targets**

**Measure  
Performance**

Establish

- The cost of the credit period;
- The cost of late payment;
- The cost of bad debt losses

Measure:

- Days Sales Outstanding (DSO) in relation with Revenue;
- Current Ratio;
- Quick Ratio;
- Operating Cash Flow Ratio

Calculate:

- The Average Payment Period for all accounts;
- Working Capital

Visit MACM website to calculate Financial Ratios: [www.macm.org.mt](http://www.macm.org.mt)

Be efficient and reduce costs: Improve systems, procedures and processes by:

- Flattening the organisational structure
- Sound internal communication: Horizontal and Vertical
- Employees' continuous development
- Customer-focus attitude and culture – this should include 'internal customers'
- Team work: Synergy between the sales and the credit teams
- Setting deadlines and priorities
- Staff incentives to motivate employees

**Continuous  
Improvement**

**Innovate**

## Collection of Dues

Collection of Cash is highly competitive

The operational cost can only be paid by Cash

### For effective collection, be:

- **Polite but firm:** *never guilty of rudeness. The customer remains the focus of our business;*
- **Good communicator:** *find effective ways of getting the message over;*
- **Outgoing, but not over talkative:** *establish a brisk rapport but do listen to customers' needs;*
- **Persuasive:** *try to succeed at the first attempt;*
- **Persistent:** *do not be distracted, do not give up on obstacles;*
- **Target-oriented:** *find efficient ways to collect the totals required;*
- **Keen to beat deadlines:** *prioritise, arrange time effectively;*
- **Good listener & problem solver:** *help customers to gain their loyalty;*
- **Confident:** *Customers respect suppliers with a professional approach;*
- **Authoritative:** *rarely have to refer to others for decisions;*
- **Well-trained:** *knowledgeable in other key areas.*

### Visits

Pay regular visits to major customers – maintain loyalty

### Phone Calls

Be prepared – *Plan your call carefully*  
Be persistent – *Don't be deflected*  
Be prompt – *Ring when you intend to*  
Be urgent – *Make the customer feel he must pay today*  
Be courteous – *Build goodwill and enhance company's image*  
Be tactful – *Acknowledge comments*  
Be businesslike – *be friendly but firm*  
Be cooperative – *Show you want to help*  
Be repetitive – *Keep mentioning the amount required*

### Collection Letters

- Address it to a named individual
- Sign it personally
- Show the sender's job title as one with authority
- Show telephone & e-mail
- Make sure it is accurate
- Keep it simple and easy to read
- Keep it to one page
- The amount claimed should be prominent
- Show how the debt is made up
- Keep the sales person informed of the collection letter

We have all learnt a lesson from the International Credit Crunch: **'Cash is King'**

Malta Association of Credit Management  
86/2, Triq ta' Mellu  
Mosta MST3785. Malta  
Phone: (356) 2142 3638 or (356) 2142 3639  
Email: info@macm.org.mt Web: www.macm.org.mt

Developed and Designed by  
Josef Busuttil  
Director General