The Role of Sales with Established Customers

Companies lose established customers due to mergers, acquisition, relocation, changes in business functions and competition, among other reasons. It is vital for the sales and credit teams to realize that the financial status of the customer may change over time.

It is also important for companies to have a policy about the role of its sales department if or when a payment problem arises. Some credit grantors want the sales personnel involved in the collection process, while others do not. Regardless, sales staff is expected to provide the credit department with any information that may affect the overall well-being of the company in regard to credit risk.

The following is a list of suggested dialog for salespeople to explain the importance and benefits of prompt payment to their customers:

- Take advantage of early payment discounts
- Avoid paying interest or finance charges, legal or collections fees, court costs, etc.
- Receive their suppliers' best credit terms and highest possible lines of credit
- Develop a list of good credit references
- Avoid the embarrassment and long-term repercussions of having a collection agency action on their credit record
- Continue to remain customers

When facing overdue invoices, companies may take one of the following approaches:

- Salespeople have no collection responsibilities so as not to negatively affect their sales effectiveness. In these companies, all collection efforts are handled by the credit and collections department.
- Salespeople make the first attempt at collection. If that attempt is unsuccessful, the credit department assumes responsibility for collection.
- Salespeople are expected to personally collect past due payments. The rationale for this policy is that the sale is not complete until the bill is paid. Collecting cash is part of the sales cycle and therefore, the salesperson's responsibly.

No matter the approach, it is important to establish the process and best practice early on in order to ensure consistent treatment of the customer.

When a customer's payment is late due to legitimate extenuating circumstances, the salesperson should alert the credit team as soon as possible. There are times when a late payment isn't a collection problem, but a sign of an issue that may have occurred somewhere in the sales and delivery cycle. Reasons for a customer's late payment may include:

- An allowance claim is pending
- Shipment hasn't been received
- Merchandise was received after the specified acceptable arrival date

- Merchandise was misrouted
- Customer received the wrong merchandise
- Customer received only a partial shipment
- Order was accidentally duplicated
- Order was over shipped
- Some or all of the merchandise was damaged in transit or defectively manufactured
- Merchandise was refused without being reviewed and then returned
- Shipment was billed to the wrong company or department or the invoice contained the wrong prices, quantities, credit terms, etc.
- Missing documentation (missing purchase order)
- Service provided was incomplete or was unsatisfactory
- Service provided was by an unauthorized purchaser

When dealing with overdue payments, the sales and credit department must work together to ensure that customers do not abuse the terms of sale: net payment dates, prompt-pay discounts, interest charges and special credit terms. By establishing good communication and closely monitoring payments, both departments can work together to resolve overdue payment situations quickly and without alienating the customer. This can be a valuable opportunity to educate the customer that slow payment and delinquency will not go unnoticed.

Source: NACM's *Principles of Business Credit*