
Business Credit News

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OCTOBER 2019

“Collection Letter? Really?”

By: David Balovich

The question is often asked "are collection letters really effective?"

The use of the letter in collecting has become less effective through the years due to the increase in technology and advanced communications. The letter, once the only efficient and cost effective way of communicating, has been surpassed by telephone, e-mail, and texting.

THE LETTER CAN STILL BE AN EFFECTIVE TOOL IN CREDIT AND COLLECTIONS.

Letters should always be used as a follow up to confirm agreements and payment arrangements. Letters should be used when opening new accounts, adjusting a credit line or when changing terms. Documentation will always be one of the keys to successful collecting and there is no better way to document than in a letter.

WHAT MAKES A SUCCESSFUL LETTER?

Letters should be short and concise. They should read like the writer speaks. The following is an example of a collection letter taken out of a widely used collection letter publication.

Dear Customer: We appreciate all the business you have done with us in the past.

As a customer of long standing, I am sure you realize that our payment terms are 2/10 Net 30. Unfortunately, our records indicate that for the past several months your payments have been from 30 to 60 days late.

Since you may have been unaware of the problem, we are sure that this note will serve as a sufficient reminder. If, on the other hand, you are having some difficulty meeting our terms, please let us know so we can try to help you.

We appreciate all your business, now and in the past, and believe that we have both benefited from our relationship. I, for one, hope it will continue for many years to come. Sincerely,

Take some time to review the letter and make corrections where you think they should be made.

Communication whether verbal or written is either positive or negative. In order to be effective in collecting we must always strive to communicate positively regardless of personal feelings. The letter posted was, in my opinion, negative and the reader's response would invoke the same.

I would immediately rewrite the opening to stating a fact. "We appreciate your business". I would remove "done with us in the past" because the tone indicates the past and the future is questionable. I would delete the entire second paragraph. It not only makes an assumption that the reader is aware of the terms (what did the sales person represent the terms to be? Pay us when you can? Terms are a formality?) It makes the writer sound like they are picking a fight. ("Our records indicate", what does the customers records indicate?)

I would simply state the terms and what they mean. "Our terms are 2/10 net 30. Payments received within 10 days of the invoice date are entitled to a 2% deduction. Otherwise, all payments are to be received on or before the 30th day from the invoice date". The third paragraph appears to be a contradiction. This paragraph states the customer is unaware but the second paragraph began that the customer realized what the payment terms were. What is it? They are either aware or they are not. I would remove this paragraph also.

The final paragraph, the closing, needs to be rewritten simply because it is too personal. The letter would then read as follows.

Dear Customer: We appreciate your business.

Our selling terms are 2/10 Net 30. Payments received within 10 days of the invoice date are entitled to a 2% deduction. Otherwise all payments are to be received on or before the 30th day from the invoice date.

It is our desire to provide you the quality product/service you have come to expect from us. In order to continue to do so, we must receive payment for our products/services as agreed to. If you are unable to comply with our terms please contact us so we can discuss arrangements that are satisfactory to both of us.

Thank you. Sincerely,

We now have a letter that is concise (states the message we want to be paid promptly). It is not negative (it does not bring up what the customer has failed to do in the past). It does not provide the basis for argument (pitting our records against those of the customer) and it gives the customer the opportunity to redeem themselves without feeling admonished.

Collection letters should always be as brief as possible. The shorter the letter the better chance the customer will read it. The letter should be sent to the person who has the authority to see that what we asking to be done will happen. It is my suggestion that letters not only be sent to the person(s) that we deal with but a copy should always be sent to the authority. Authority is defined as follows:

Proprietorship Owner

Partnership General Partners

Corporation

CFO/Controller

Limited Liability Company Manager

Letters should always be positive. The purpose is to document and motivate the customer to respond. Negative letters should be left to collection agencies and attorneys. We should never allow our letter to be the "reason" for a customer to withhold payment

The letter should be written the way we talk. It is important that the customer be able to hear us speaking the words he is reading. Think about this. How often do you come home from the office and say to your spouse or significant other "Pursuant to the conversation we were having this morning....." or "In accordance with.....". Sounds absurd wouldn't you agree?

How often, however, do collection letters begin with such language? When the customer reads that they immediately think "not directed to me". Collection letters should be positive, written in plain language, ask for the money, provide for an alternative and be concise.

I wish you well.

***** **OCTOBER 2019** *****

Day	Date	Group	Location	Time
Tues	8	Austin Construction	La Palapa Restaurant, 6640 E Hwy 290 Austin TX	11:30
Tues	8	Corpus/Victoria/La/RI	Johnny's Italian American, Corpus Christi TX/Phone Conference	11:30/12:30
Thurs	10	SW Food Credit Group	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:00
Thurs	17	Fuel & Lube/Heavy Eq.	Phone Conference Call Meeting	2:30
Thurs	17	HVAC Credit Group	Mechanical Reps's Office, San Antonio TX	11:30
Fri	18	SW Electrical Group	The Onion Creek Country Club, Austin TX	11:30
Tues	22	Austin Construction	Las Palapa Restaurant, 6640 E Hwy 290 Austin TX	11:30
Tues	29	SA Construction	Las Palapas Restaurant, 4802 Walzem Rd, San Antonio TX	11:30

2019 BOND & LIEN SEMINAR WAS A SUCCESS!!!!

We want to thank everyone that attended.

Also, we want to let you all know that we still have some booklets available for purchase.

The cost is \$39.95 per booklet

If you want to purchase one or two booklets, let us know so we can ship it to you.