

# Importance of Collection Policy for Small Businesses

InterAlliance Group Services

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## IMPORTANCE OF COLLECTION POLICY

Founders of any business set certain business goals in terms of revenue. Key goal is to make profit and nothing is worth until business receives the money for goods or services supplied to its clients.

A sound collection policy is a must for small business especially for new ones to have working capital for stable functioning of business operations and meeting various costs and expenses. For long term growth of the business, it is always better to send timely payment reminds to your customers rather than delaying which could collapse your business due to cash flow issues.

## FORMULATION OF COLLECTION POLICY

Collection policy should be flexible depending on the type of your customers. A soft approach may work well for those customers who pay on time and a reminder is sufficient in such cases.

**Larger Amount Debtors:** In such cases a regular reminder along with the severity of tone is needed to reflect your impatience and the level of tolerance you can bear from those paying later.

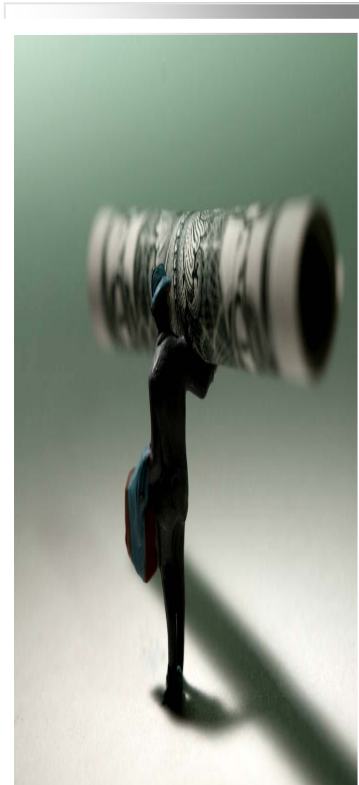
**Personal Visit:** Personal visit to the larger account customers works in order to resolve disputes. This will assist in building healthy business relationships, avoid confusions and future problems along with development of marketing and sales.

**Telephonic calls:** Call your customers on regular intervals starting with those who have the largest balances rather than the greatest length of time a debt is overdue.

**Emails/Letters:** Send emails or letters to those accounts which are small and uneconomical to telephone.

**Faxes:** Faxes communicate urgency. Faxes should be sent when emails, letters and telephone calls are ignored. Try sending faxes to the most senior managers for a possible effective action from customer end.

**Note:** Late payments are breach of contracts if terms of payments are already mentioned in the business contract. Management of a business could be held responsible if business fails to receive payments on time from its customers.



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## Seeking Advice?

*At InterAlliance Group Services we assist our valuable SME clients in business development by offering our business advisory services.*

*We offer Business Advisory, IT and Outsourcing services leading to development of small and medium size businesses.*

*Contact us and we will assist you in bringing success to your business.*

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