

Collecting from Delinquent Customers

Creative ways to connect with slow payers and collection dodgers.

BY PHIL SASSO

Q I'm having collections problems. A lot of my customers are starting to fall behind and I have some dead beats I can't catch up with. What should I do?

A You don't want to hear this, but if a lot of your customers have fallen seriously behind, you first have to realize there's only one person to blame: You.

'I can't blame them,' Cincinnati-area Mac Tools Dealer Bruce Holsinger says of his customers who are behind or delinquent. "It's my fault. I let them get to that point."

That doesn't mean he lets them off the hook. It just means as a 20-year mobile veteran, he realizes it's his responsibility to keep them from getting to that point. And once they've got to that point, it's his job to get them back on track.

The consensus among top dealers and trainers is that good collections all pivots on starting off on the right foot. As Mike Boyhan said in the August 2012 Sales Q&A column (www.vehicleservicepros.com/10739333), it's all about covering your bases upfront when you begin working with a new customer so they know what's expected.

Get Information Up Front, You May Need It Later

Holsinger, for example, makes sure he gets every piece of information he

can when he first opens a new truck account. He asks questions that might seem a bit invasive: Do you have a wife or girlfriend? What's her name? What's her phone number?

Holsinger says if the customer mentions a dad, uncle or brother he asks for their name and number too. Never know when it might come in handy.

Some customers may balk at these somewhat intrusive questions. But just remind them they're in essence applying for an interest-free loan. If they were applying for a bank loan, they'd be asked many more personal questions. Heck, I was asked to supply a reference and phone number when I applied for a library card several years ago. Really. For a library card!

Why does he want this information? He may not call them as a reference, but if a customer starts dodging him, Holsinger is not above calling a wife, girlfriend or family member to try to collect his money.

A Truck Account Is A Privilege

Holsinger is among the best collectors in his region. He says his secret isn't quite that secret.

He makes sure he tells customers his payment policy upfront, and reminds them that having a truck account is a privilege. If they want to keep that privilege, they need to hold up their end of the deal.

He doesn't just do that when he opens a new account, he gives his 15-second speech nearly every time he closes a new sale. This reminds the customer and everyone who overhears him that Holsinger is dead serious about getting paid on time.

In fact he recites his payment policy so often, he has customers that have it memorized and will recite it to new

customers on the truck, often giving Holsinger a chuckle. (See "Holsinger's Payment Policy" sidebar.)

Watch For The Warning Signs

It's important to know the red lights that a customer is likely to fall behind and to keep them in check before they are seriously delinquent.

"He'll start to dial back his payment," says Holsinger. "When a customer says 'I'll be \$10 short this week,' you've got to be sure they know you expect that \$10 next week.' Otherwise, you're leaving the door open to more weeks when he'll be \$10 or even \$20 behind. Once a customer begins to fall too far behind, it becomes next to impossible for them

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to catch up. He could end up more than just behind on payments, he could start avoiding you altogether.

In the same way, avoid selling a customer more tools while keeping the payment the same. In either case, you're putting your cash flow at jeopardy. It doesn't matter if they can only afford \$25 a week, if he wants more tools, he has to come up with more money. Or he has to wait until he's paid up to add that shiny new tool to his box.

One way to avoid letting a cus-



Phil Sasso is president of Sasso Marketing Inc. (www.sassomarketing.com), a technical marketing agency specializing in tools and equipment. Subscribe to his free marketing tips at philsasso.com/blog.

customer stretch his payments too far is to ask him what he wants to “pay today.” Often a guy will offer you a larger down payment than you would suggest. Some will even pay for the entire purchase that day. He may have \$50 burning a hole in his pocket. If you don’t ask open-ended questions and let your customers make the first offer, you could be creating your own problem.

Make A Collection Hit List

Holsinger says he may have 10 or 20 guys that are behind. Some are slightly behind, others so far behind that they’re dodging him altogether. His technique is to create a truck dealer’s equivalent of the FBI’s “Most Wanted” list. Call it Holsinger’s “Three Most Delinquent” list. He focuses on collecting from those three customers that week.

“I’ll start by texting them. If they don’t respond, I text them again in an hour. It’s not that hard. I hit resend,” he says. “That works especially well with the younger guys.” He explains he learned this technique from his customers themselves. If they need a tool and he doesn’t reply to their first text, they’ll persist until he does reply.

If he’s trying to meet up with someone who seems to be dodging him, sometimes he’ll run his route backwards for the day so he’s at a stop earlier or later than usual. He then will try to park his truck in a different spot than usual and use a different door. Often by doing this he’ll surprise a customer who seems to otherwise

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plan his test drives or bathroom breaks to avoid him. When he approaches the dodger, he gets right to the point.

“I’ll be straight with them. I tell them they need to talk to me,” Holsinger says. “Not talking to me isn’t going to make his problem go away. It’s only going to make it worse.” He explains they might be able to work things out, but if the customer

keeps avoiding him he’s going to need to take more drastic measures — like taking back his tools.

Be Businesslike, Avoid Blowing Up

It’s important not to take it personally or get upset when someone is behind. Treat it in a firm but businesslike manner. Few, if any, mean it personally. Getting into a shouting match or attacking him personally is only going to push your customer away and make it harder to collect your money. They are likely just feeling financially strapped and don’t know how to deal with the situation. Many will try to ignore the situation and hope it fixes itself. And most owe money to more than just you.

Holsinger says he’s had several customers that he’s even had to repossess tools from that have come back and become good customers over time. He attributes that to his calm, businesslike approach.

“If they really fall behind you need to get back the tools,” says Holsinger. “There’s no other choice.”

Repossessing tools is a very complicated and delicate matter. But that’s a topic for another column. ■



HOLSINGER’S PAYMENT POLICY

Distributor Bruce Holsinger hangs this payment policy in his truck, and reminds customers about it after each sale.

My commitment to you:

- Handle your account like a pro
- Provide regular service
- Provide timely warranty & repairs
- Feature innovative & new products
- Keep the truck stocked & clean
- Serve you with integrity

Expectation:

- Pay me as we agreed at the time of sale.

Consequence:

- If you do not pay the agreed amount, we need to discuss. It may be necessary to return tools at fair market value.

Does this sound fair?

*“It is an honor to serve as your Mac man.”
“It is a privilege to have a truck account with me.”*

Bruce A. Holsinger