



## CRUNCH TIME FOR BUSINESS

Businesses are being tested today like never before. The widely reported difficulties within the US sub-prime mortgage sector that has given rise to the potential 'credit crunch' and which has primarily been an 'inter-bank' issue may yet impact on the UK economy. Whilst the full extent of any impact is yet to be felt, it falls upon bodies such as The Institute of Credit Management (ICM) to help ensure businesses are properly prepared.

By adhering to the basic principles of credit management, and by adopting best-practice, we believe businesses can compete and grow, even in the most challenging of conditions. Whether the credit crunch is reality or myth, there is no doubt that finance to support business is becoming less readily available, and the credit management function is therefore becoming more vital than ever.



### TIP 1 : KNOW YOUR CUSTOMER

Knowledge is power, as the phrase goes, so make sure you use it wisely.

- Check the exact name and legal status (you'll need this if you ever have to take legal action to recover a debt)
- Use headed paper to verify company details
- Make sure the order is from the same entity
- Use a reference agency to further verify details and check their credit status
- Ask for references from other suppliers and check them (and other suppliers) out.



### TIP 2 : AGREE PAYMENT TERMS BEFORE YOU SUPPLY

To 'assume' is always dangerous, so be clear from the outset how you will conduct your business.

- Don't assume you'll be paid on 30 days or end of month following
- Set out payment terms in writing and try to get written acceptance
- Make sure customer's order doesn't suggest different terms
- Set out penalty (late payment charges and interest) if payment is late - you don't have to invoke them but the right to do so is useful.

# COMBATING THE CRUNCH

Top Tips in Credit Management to keep the cash flowing

Philip King  
Director General  
Institute of Credit  
Management



## TIP 3 : INVOICE ACCURATELY, CLEARLY AND PROMPTLY

Attention to detail can make all the difference in getting paid on time.

- An invoice can't be paid until it's received
- An invoice won't be paid if the goods or services aren't clearly specified
- An invoice won't be paid if the customer's order number isn't quoted
- An invoice won't be paid if it's sent to the wrong address or has the wrong company name on it
- A disputed invoice won't be paid.



## TIP 4 : DON'T BE AFRAID TO ASK FOR PAYMENT

The only good customer is a paying customer, and if you don't ask, you might not get.

- For large or important amounts - telephone before the due date to make sure everything is OK
- Make immediate contact when payment hasn't arrived
- Be assertive about what you expect and when you expect it
- Make the consequences of non-payment clear
- Follow up promises to make sure they're met
- Do what you say you're going to do when you said you

## ICM ONLINE SERVICES



This information is also available as an ICMOS Bitesize interactive document which discusses the topic in a bit more depth and also has links to roleplays, quizzes, calculators and personal assessments. To look at the full range of ICM Online Services simply click the logo.



## THE BUSINESS OF ENTERPRISE

Government understands fully the importance of enterprise, and the vital role that small businesses play in driving our economy. We understand too the role that those within industry can play in complementing our own initiatives to support sustained business growth. We are delighted, therefore, to recognise and lend our support to this best-practice leaflet from the Institute of Credit Management (ICM) that gives practical, pragmatic and relevant advice to businesses to help them compete in an ever changing and challenging environment.



Shriti Vadera BERR



Institute of Credit Management  
Empowering the credit profession

[www.icm.org.uk](http://www.icm.org.uk) or [www.creditmanagement.org.uk](http://www.creditmanagement.org.uk)

For more help and expert advice  
contact the Institute of Credit Management:  
01780 722 900  
or e-mail [info@icm.org.uk](mailto:info@icm.org.uk)