



## 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 have an effect on the UK economy. While 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 that businesses can compete and grow, even in the most challenging conditions. Whether the credit crunch is a reality or a 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 will 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 verify details further and check their credit status
- Ask for references from other suppliers and verify them – as well as the other suppliers.



### 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 will be paid on 30 days or end of month following
- Set out payment terms in writing and try to obtain written acceptance
- Make sure that your customer's order does not suggest different terms
- Set out penalties (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



## 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 are not clearly specified
- An invoice won't be paid if the customer's order number is not 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 has not 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 would.

## ICM ONLINE SERVICES



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



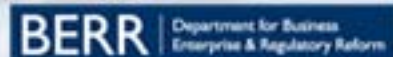
For tips on getting paid and advice on best practice in credit management, call the Institute of Credit Management on 01780 722911, email [tech@icm.org.uk](mailto:tech@icm.org.uk) or visit [www.creditmanagement.org.uk](http://www.creditmanagement.org.uk)



## THE BUSINESS OF ENTERPRISE

"Small businesses are the lifeblood of our economy and so we need to make sure they are well prepared for what could be a testing time for the UK and global economy. This best-practice leaflet from the ICM gives important advice to businesses to help them compete and manage their finances and cash flow."

For further information and advice on starting up, running and growing a business, call Business Link on 0845 600 9006 or visit [www.businesslink.gov.uk](http://www.businesslink.gov.uk)



Shriti Vadera *Business and Enterprise Minister*