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### May Dates To Remember:

**May 5th:** Cinco de Mayo  
**May 14th:** Mother's Day  
**May 20th:** Armed Forces Day  
**May 29th:** Memorial Day



## *Top 10 Reasons Customers Delay Payments*

### *How Credit and Billing Best Practices Can Prevent Delinquent Accounts*

*By: Krista Glenn, Director of Marketing & Jason Szwed, Vice President, Client Services, ABC-Amega, Inc.*

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Stuff happens. Product deliveries are delayed, companies move, employees retire, invoices have errors, and so on. Many times, this is the 'stuff' that results in past due accounts receivable.

We queried our collections system for the frequently occurring reasons for nonpayment over the past 24 months, and we found that our clients could have prevented a great number of these issues by putting some proactive, consistent measures in place.

### **Top 10 Reasons Customer Payments are Delayed**

#### **1. The Invoice Was Never Received (or Lost)**

Our collection representatives heard this excuse from our clients' customers more than 26,000 times in the past two years. Whoa! So, what can you do to prevent this from happening with your customers?

One of the easiest ways to ensure your invoices make it to the correct party is to check your records on a regular basis, including your ERP and/or CRM databases, credit applications, and purchase orders. Work with your sales and billing teams to ensure a process is in place to review and update these files at least once per year, ideally every six months.

*Continued...*

### **2. Your Customer Claims They Already Paid**

This claim is nearly as common as the one above. Since January 2020, our collection reps heard our clients' customers tell them they had already paid a presumed past-due invoice more than 23,000 times. In some cases, it was indeed a case of the check and payment demand crossing in the mail, but more often than not, the issue was related to our clients' cash application processes.

Just as it is essential to check your records to make sure invoices are sent to the proper contact, it is also necessary to review how you are applying payments, internally. Procedures should be in place to periodically review your company's cash application process to ensure nothing is broken, as well as to update and manage unapplied payments in your system regularly.

### **3. AP Needs Additional Documentation Before They'll Pay**

Documentation requests have occurred a lot (over 16,000 times in the past two years). It is no surprise that the person paying the invoice is often not the person who placed the order with your company. Accounts payable departments generally have procedures where a certain amount of backup documentation is required before they will pay an invoice.

Examples of these documents can include a copy of the sales contract or PO, proof of order, or delivery confirmation.

### **4. AP Needs Information About the Product or Service**

This reason code is a bit of a 'catch all'. Essentially, what it means is that your customer's accounts payable have questions they need clarified before they will pay the bill. These questions might be related to the specific product or service, or about invoice coding that, they are not familiar with. Anything that is unclear to the person responsible for paying the invoice could result in a 'more info needed' delay.

Work with your billing team to ensure anyone with an appropriate level of background information can make sense of your company invoices. Test this out by having someone outside of credit, collections, sales, billing, or AP look over one of your invoices to see if they understand it. Take their feedback into consideration to determine if any changes are necessary.

### **5. Your Customer Has a Dispute that Needs to be Resolved**

Invoice disputes come in many varieties, but they are usually attributed to one of three things:

- 1) The product or service itself
- 2) The price charged
- 3) The payment terms

This could be related to a terms discrepancy, an issue with the product quality or service delivery, or an incorrect rate or invoice charge.

It can be challenging to see these issues coming – especially if the billing department is not aware of special pricing offers or exceptions that may have been put into effect by someone on the sales or service team. Regular communication between your credit, sales, service, and billing teams is key to preventing these types of disputes.

*Continued...*

### **6. The Customer Can't (or Won't) Pay, Makes a Settlement Offer or Requests a Payment Plan**

We get it. Sometimes, the customer just does not want to pay. Other times, they cannot. For whatever reason, company funds may be tied up, or irregular constraints have been put on the AP department. In our 93 years in business at ABC-Amega, we have heard all the excuses!

We often find these delays to be nothing more than stalling tactics to extend terms. There is not much you can do to prevent or predict this from happening – that is, unless specific customers have a habit of employing such schemes. You will want to have regular service calls with these customers to ensure their expectations are being met. These meetings should help prevent the ‘won’t pay’ and settlement offer occurrences.

To avert customers’ temptation to pay late or request payment plans, offer a discount for pre-payment – or a surcharge for late payment and payment plans.

### **7. There was an Electronic Billing Issue**

When we hear this excuse, the customer often tells us that they could not submit payment through the vendor’s payment portal as they were supposed to. Specific issues related to this include expired login credentials (without an easy way for them to reset), unanswered support tickets, updated banking information, or a general issue with the vendor’s EDI software.

To prevent these types of billing issues, make sure you have a process in place for customers to self-serve and reset their credentials in your payment portal. To take it a step further, ensure that portal login access is discussed when you review the company’s credit application, purchase orders, ERP and CRM contact information. We suggest doing this no less than once per year or, ideally, once every six months. You should also schedule regular (i.e., quarterly) testing of your EDI system.

### **8. Your Customer Requested a Billing Adjustment or Reversal**

There could be several reasons why customers would request a change to an invoice. The most common reasons we hear are that there was an error with the price charged (i.e., wrong per item cost or incorrect total cost), an issue with the quality of the order, or a portion of the order was damaged or returned and requires reimbursement.

### **9. The Wrong Customer Was Billed**

Your customer says they never received your invoice. They are likely telling the truth in most cases, and you missed updating necessary contact records. We come across this issue most often when companies move their offices. Given the state of the work right now, it is safe to assume the rate of this occurring will continue to increase. Many companies have moved to work-from-home or hybrid models. Others have closed or merged office locations, so paying attention to your customers’ email signatures and other outbound communication is important to ensure you do not miss timely mailing information updates.

At ABC-Amega, we often see this issue occur with clients who have multiple customers in a single office building (e.g., telecom and energy providers). So the bill will be sent to the correct service address, but the tenant they billed is no longer occupying the suite they mailed the invoice to.

*Continued...*

### **10. The Service or Product They Received was Unsatisfactory**

Finally, the tenth most frequently occurring dispute we encounter is directly related to a product or service issue.

In credit, you do not have any control over the quality of the products or services your company sells, but you can control the frequency of your communication with your sales and service team. Therefore, it is best to work with these departments and put measures in place to ensure that invoices are adjusted accordingly when a complaint is verified.

There are at least a dozen more reasons that we have recorded to understand why customers dispute or delay payment. Some of these include missing or invalid purchase orders, company name/address changes are needed on the document before they will pay (a stalling tactic for some, a company policy for others), the wrong tax rate was charged, or the company recently filed for bankruptcy.

As a vendor, some of these delays could be controlled or prevented by putting a few proactive measures in place. However, we realize that customers and processes are rarely perfect, and a percentage of your accounts receivable will always be past due. Leading third party providers should be able to customize their collections system with your company's unique dispute reasons. They should track and report on this data to help you identify the root cause of payment delays, ultimately helping you prevent this 'stuff' from happening in the future.

#### **About the Authors:**

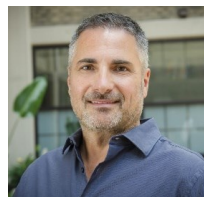
##### **Krista Glenn | Director of Marketing**

With over 20 years of marketing experience, Krista leads ABC-Amega's corporate branding, marketing and communication efforts. She oversees the company's marketing team who is responsible for content creation, social media, event planning, market intelligence and graphic design initiatives. She works closely with ABC's business development team to assist with lead generation, managing RFPs, proposals and presentations, and the company's client service department to further their goals and objectives.



##### **Jason Szwed | Vice President, Client Services**

Jason is responsible for overseeing the company's strategy, policies and procedures for client service and client experience, working in collaboration across all departments, and directing client services team members in client and company objectives.



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## MAY WEBINARS

Credit Professionals Alliance has been working hard to provide our clients with the most up-to-date webinars concerning today's challenges in the credit field. Watch your email for upcoming registration information on all of the following webinars.

- May 4th:** Mastering Negotiation Skills
- May 9th:** Best Practices for Collecting Accounts Receivable in the New-Age
- May 18th:** Walmart Insights 2023 for Credit, A/R and Revenue Cycle Professionals
- May 23rd:** How to Guard Against Cybersecurity Risks Impacting the Workplace

Be sure to check out our website [www.nacskc.com/education.html](http://www.nacskc.com/education.html) for additional educational opportunities as these are constantly being updated.

Are you looking for Certification and Certificate opportunities? Credit Professionals Alliance can lead you in the right direction, contact Rhonda Ross for additional information at



Face-to-face meetings offer the ideal format to discuss past experiences, verifying or learning of successful contacts and the capacity to pose questions to participants. This reduces the chances of misinterpretation of messages, emails, and other communications.

**Don't be the missing piece of the puzzle at your next credit group meeting.**

## **Educational Update: Credit Research Foundation Webinars**

### **April 2023**

CRF offers a variety of educational programs: Proctored Courses, On-Demand Courses as well as webinars.

August 7-9, 2023      August Forum & Expo—Kansas City, MO

November 6-8, 2023      November Forum—Mission Hills, CA

It is very simple to participate: Go to <http://www.crfonline.org> and click on the Education.

### **Now offering a Certificate Program!**

For additional information go to <http://www.crfonline.org/events/current.asp>

**The following webinars are being offered by NCS Credit**  
to register for these go to: [www.ncscredit.com/education-center/webinars](http://www.ncscredit.com/education-center/webinars)

**May 9, 2023**

**Webinar: UCC Remedies Upon Debtor's Default**

**May 18, 2023**

**Webinar: Nuts & Bolts of Bankruptcy**

**May 23, 2023**

**Webinar: Understanding Lien Waivers**

**June 6, 2023**

**Webinar: UCCs Offer Security for Many Business Transactions**





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