

Elements of a Successful Sales Collection Process

Aline O'Connor

Seed Enterprises Management Institute

SEMI's Marketing Module

University of Nairobi

Key Elements of a Good Collections Process:

1. Accurate, timely record-keeping
2. Clear, advance communication of expectations *and company policy, including credit limits*
3. Disciplined follow-up by the seed company

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Tool # 29, Section 2

Additional Terms to Know and Use

- Credit limit
- Aging of accounts
- Credit watch list
- Credit review

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Looking at real numbers

SEMI Student Seed Co (SSS Co) distributes seed worth the following in 2012:

| | |
|--------------|---------------|
| Rice seed | \$290,000 USD |
| Sorghum seed | \$ 75,000 USD |
| Millet seed | \$ 42,000 USD |
| Maize seed | \$173,000 USD |

5% of the seed is returned after the planting season.

Dealer A does not pay for 11,000, Dealer E does not pay for 24,000, Dealer G does not pay for 5,000, and Dealers K, M and P do not pay for 1,000 each.

What is the uncollected accounts ratio?

Looking at real numbers

One of SSS Co's biggest distributors is Alice's Agrodealer Shop (AA). SSS Co's assigned credit limit to AA is \$4,000 USD.

Seed sales are brisk. At the beginning of each week, AA restocks with \$2,000 USD of seed from SSS Co. She makes payments as follows:

| | |
|----------------------|---------|
| Day 9 after delivery | \$1,000 |
|----------------------|---------|

| | |
|-----------------------|---------|
| Day 16 after delivery | \$1,200 |
|-----------------------|---------|

| | |
|-----------------------|-------|
| Day 25 after delivery | \$800 |
|-----------------------|-------|

Did Alice's Agrodealer Shop exceed her credit limit? If so, when?

Looking at real numbers

| | <u>Entries</u> | <u>Cumulative Total</u> |
|-----------------|----------------|-------------------------|
| Day 1 delivery | (\$2,000) | (\$2,000) |
| Day 8 delivery | (\$2,000) | (\$4,000) |
| Day 9 payment | \$1,000 | (\$3,000) |
| Day 14 delivery | (\$2,000) | (\$5,000) |
| Day 16 payment | \$1,200 | (\$3,800) |
| Day 21 delivery | (\$2,000) | (\$5,800) |
| Day 25 payment | \$800 | (\$5,000) |
| Day 29 delivery | (\$2,000) | (\$7,000) |

Looking at real numbers

At the end of the calendar year, SSS Co is owed
\$42,000 USD

\$14,000 has been owed for the last year

\$ 7,000 has been owed for 6 months

\$21,000 has been owed for 3 months

What is the average age of SSS Co's receivables?

Looking at real numbers

At the end of the calendar year, SSS Co is owed \$42,000 USD

\$14,000 has been owed for the last year

\$ 7,000 has been owed for 6 months

\$21,000 has been owed for 3 months

What is the average age of SSS Co's receivables?

$$(14,000 * 12 + 7,000 * 6 + 21,000 * 3) / 42,000 =$$

University of Nairobi 6.5 months

This is called Aging of Accounts Receivable

Looking at real numbers

In prior years, AA has always paid about 1 month after the seed is delivered. This year AA has been selling seed very well, but after several months the bookkeeper notices that payments are much slower than usual.

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What should the GM do?

**A
CUSTOMER
IS MY
BOSS,
BUT PAY
ME FAST**

SEMESTER JON

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Association

- Not engage in an association. Exp engaged in ill practice
- Never ask for or
- Promote the pr
- Treat all memb access to men political affiliat
- Preserve the independent political affiliat

Premises

- Separate prem from the anim
- Use a recomm

How do YOU collect money?

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