

Keys to Collections

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Collections are the single most important aspect of any Buy-Here-Pay-Here (BHPH) operation. Without effective collections, any efforts made in sales, inventory acquisition and marketing are wasted on deals that don't pay.

When a customer becomes delinquent we employ effective collection calls to arrange payment of the debt in accordance with the Fair Debt Collections Practices Act. There are specific techniques that can greatly improve the likelihood you will successfully obtain payment, improve your knowledge of your customer and make future collection efforts easier.

Here are 8 simple rules to consider when making a collection call.

1. Make sure you identify the customer and do not represent yourself as a debt collector to an answering machine or third party. A collection call is always an opportunity to confirm customer information such as phone numbers, employers and addresses.
2. Identify yourself to the customer.
3. Make sure you state the amount delinquent and the account due date. Inform the customer if a payment will be due within the next 5 days.
4. A powerful technique is to use a psychological pause. After requesting payment, wait for the customer to respond without the collector saying anything. The reason for their delinquency will be revealed in "their" response, not in what you say to them.
5. Determine the problem. Listen to the customer and try to help them re-prioritize their expenses. Without their vehicle, many more aspects of their life might become exceedingly difficult to manage.
6. Formulate a solution. Find a common ground with the customer via negotiation. Remind them that driving the vehicle for free is not an agreeable option.
7. Close the deal by agreeing on a method and date for payment. The customer needs to confirm the specific method and details for the way the payment will be made. Have the customer confirm the arrangements by repeating them to you three times during the course of the conversation. And if the payment does not arrive as agreed, the customer has broken their promise- a promise they will remember making.
8. Update the customer's file. Information obtained about the customer and having thorough customer interaction history will go a long way to ensuring you are able to effectively manage the customer moving forward.

Following these tried and true rules will help to ensure your collection activities are one of the most efficient aspects of your business. Vehicle Acceptance has followed these methods for many years with our Servicing program, which allows dealers to outsource their collection efforts.

VAC has provided BHPH dealers with cash and collections since 1989 and understands the business. VAC services and capital are available in most states thru 5 regional offices. Visit www.VACorp.com or call 1-800-380-3882 for more information.