

**UNDERSTANDING THE  
HIGH COST OF  
COMPLEX LANGUAGE  
IN THE DEBT  
COLLECTION PROCESS**



Letters 2 Settle

# INTRODUCTION

In 2010, President Obama signed the Plain Writing Act<sup>1</sup>. Although the signing did not generate much publicity, it was a startling admission:

**The Federal Government was failing the public.**

More correctly, the *language* of federal agencies was failing the public. It was complex. Its limited citizen access to information. For small business owners, this was not trivial. Their livelihoods hinged on complying with a maze of federal laws, statutes, and regulations. Interpreting federal language was a drain on resources.

Time, for those choosing to decipher it themselves.  
Money, for those who outsourced the work to lawyers and hiring managers.

While the feds have a long way to go before anyone will accuse them of speaking plain English, the Act was a good start. And if you're trying to collect a business debt, now is the time to follow their lead.

## Why?

Because complex language adds unnecessary friction to requests for payment. In a battered economy, communication must help—not hinder—your cause.

In this report, we'll discuss the havoc late payments inflict. As you'll see, they're more than the “cost of doing business.” You'll learn why standard demand letters, often undisguised legal templates, undermine the relationship you have with customers. You'll learn why automation software is not a turnkey solution for accounts receivable departments. And lastly, you'll read about a new service that persuades delinquent customers to make your bill a priority, without provoking hard feelings

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<sup>1</sup> <https://www.consumerfinance.gov/plain-writing/plain-writing-act/>

# Ripple Effect of Late Payments

Running a profitable business is hard. That's true even in strong economies. For example, in the year 2017, late payments were estimated to cost global small businesses \$3 billion<sup>2</sup>. Today, the same cost is incalculable. In the U.S. (and worldwide), the forced closure of businesses for Covid-19 brought revenue to a screeching halt. Without revenue, reserve funds are depleted. Bills go unpaid.

If customers stop paying your bills, you cannot continue to invest in staff, technology, or marketing<sup>3</sup>.

Any late bill in 2020, sufficiently large, could set off a chain reaction that shuts your business permanently.

## Why Complex Language is Destructive



It bypasses low-literacy customers.

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It triggers the wrong emotions

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It damages business relationships.

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<sup>2</sup> <https://www.cpapracticeadvisor.com/small-business/news/12385872/late-payments-cost-small-businesses-3-trillion-per-year>

<sup>3</sup> <https://www.sage.com/en-us/blog/wp-content/uploads/sites/2/2017/12/Domino-Effect-Late-Payments-Research->

# Why Complex Language is Destructive

## It bypasses low-literacy customers

According to the U.S. Department of Education, 21% of the population is low-level English literate<sup>4</sup>. This means they lack the skills “...sufficient to complete tasks that require comparing and contrasting information, paraphrasing, or making low-level inferences.”

Clearly, those who struggle to read are not necessarily unintelligent. Many in this category excel in other aspects of business, compensating for their reading deficiency. Still, a standard payment request letter, with its sequence of logic, risks misunderstanding. A misunderstanding will require you to escalate matters.

Complex language burdens the literate, too. The National Small Business Association (NSBA) conducted a survey in 2017<sup>5</sup>. They found that “complexity of rules” and “difficulty interpreting and understanding rules” combined for almost half of all regulatory difficulties. The cost? An eye-popping \$83,019.23 for the average business in its first year.

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<sup>4</sup> <https://nces.ed.gov/datapoints/2019179.asp>

<sup>5</sup> <https://www.nsba.biz/wp-content/uploads/2017/01/Regulatory-Survey-2017.pdf>

## It triggers the wrong emotions.

Your customers are busy, multitaskers with limited attention spans. Bad news, like a demand for payment, can trigger a stress response that causes the customer to disengage. The responses include:

**1**

**Fight**

Your demand letter angers them. They blame you for not understanding their situation. Arguing the fine points of your payment request is more important to them (pride) than settling the bill.

**2**

**Flight**

This is a form of denial, common to customers under stress. They run from the problem by throwing away your letter before or immediately after opening. They also delete your phone messages, texts, and emails.

**3**

**Freeze**

The customers do nothing. They throw your demand letter in a pile. They leave your emails, text messages, and voicemails alone (to be quickly buried under new messages). By procrastinating, they hope the overdue bill will resolve itself.

## In sum...

In sum, the tone of a demand letter matters. The right tone increases the chance that your customer will respond. A response is the first step in getting paid.

What is the right tone? It's not "neutral." Neutrality is often a form of legalese. Rather, the right tone is personal and even warm. You cannot dictate a customer's reaction to your letter, but you can avoid words that put them on the defensive.

The more a customer reads of your letter, the more likely they are to act in your interest. To avoid offense, you must choose your words carefully. A good demand letter evokes both sympathy and reciprocity.

Broadly speaking, collectors have been slow to adopt the insight learned from marketing: customers respond to personalization.

**The more personal the message, the greater the response.**

## It damages business relationships

If you're like most business owners, you have a mix of customers. Some are great, some are good, and a few are... bad.

Whatever the mix, you probably agree (at least in theory) that good customers deserve better treatment than poor ones. Good customers, after all, make your business profitable. You want to keep them.

However, even good customers occasionally pay invoices late. Should that happen, it's best to tread respectfully. Combative language can leave lingering, hard feelings long after the invoice is paid. And good customers should never associate your business with conflict.

It costs 5 to 25 times more to acquire a new customer than to keep an existing one. Good customers who feel unappreciated will leave you as soon as they can. They might also take other customers with them via negative word of mouth.

Conversely, empathy and patience with a good customer who misses a payment will increase their loyalty to you.

# Simple Language Makes All Collection Tactics

The biggest obstacle to simplifying the language you use with late-paying customers is, of course, inertia.

Frankly, it's much easier to continue with the familiar than it is to make a change. If your collection tactics are reasonably successful, language simplification may not be a priority.

Fortunately, reducing complex language is not an all-or-nothing proposition. Any strategy used to recover money will benefit from plain, human language. That's certainly true for automation.

Automation, in all its forms, has been a boon for collections. Messages delivered at optimal times, get opened, read, and answered.

But the point of consumption is where language is most crucial. The right words can persuade the customer to contact you. The wrong words can push the customer to further resist you.

## Summary

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Late payments are a significant reason why businesses fail. Unfortunately, when trying to collect payment, many business owners and operators make tactical errors. Chief among those errors is using language that alienates delinquent customers.

## A viable alternative

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Letters 2 Settle is a nontraditional debt-collection service for business owners and collection agencies. It uses a carrot, not stick, to persuade delinquent customers to make your bill a priority.

This service bypasses the most crowded channels for reaching customers. It uses plain and winsome language to build rapport with customers. By using direct-marketing principles rather than legalese, Letters 2 Settle amplifies the effectiveness of each payment request.

**Find out more at [www.letters2settle.com](http://www.letters2settle.com).**