

# What are Your Write Off's Costing You?



Write off's will always be a part of your Credit management process, there will always be some holes in the net of your debt strategy. However, in the experience of the TICL team, there is often little awareness of how much your write offs are actually costing you.

Put simply, businesses are eating away at their net profit margins with write offs that can really put pressure onto their business. Whilst it may seem the best option and sometimes it will be, businesses need to make sure they fully consider the ramifications of their write offs:

Amount Written Off	Net Profit Margin					
	1%	2%	3%	5%	7%	8%
	The amount of sales required to offset the loss					
£ 10,000	£ 990,000	£ 500,000	£ 333,333	£ 200,000	£ 142,857	£ 125,000
£ 25,000	£2,475,000	£1,250,000	£ 833,333	£ 500,000	£ 357,143	£ 312,500
£ 50,000	£4,950,000	£2,500,000	£ 1,666,667	£1,000,000	£ 714,286	£ 625,000
£ 100,000	£9,900,000	£5,000,000	£ 3,333,333	£2,000,000	£ 1,428,571	£ 1,250,000

As the table above shows, a seemingly small write off can put significant pressure on your sales. £10,000 of write offs turns into nearly £100,000 of sales to offset the debt, or £100,000 to nearly £10 million. Even for those with higher profit margins, the situation is still eroding net profit margin significantly.

When it comes to write offs, we are not all in the same boat, some will find offsetting the loss easier than others. Your net profit margin is the key indicator, the higher it is, the easier it will be. However, that doesn't mean that those with lower profit margins are doomed, despite the seemingly significant figures. With good management, awareness, systems and people, those write off's can be minimised, managed and maintained, putting you in the best possible position to retain profits and offset with sales.

Debt write off's are something that no credit management team can escape, however those who are managing their debt carefully with the best possible tools, coaching and training their people and constantly working to improve, are those who are most prepared to deal with the consequences of write offs.

Want to find out how you can get the best out of your credit management? Contact the team today here: <https://www.thinkinspireandcreate.co.uk/get-in-touch/> or email [info@thinkinspireandcreate.com](mailto:info@thinkinspireandcreate.com)