



Get paid sooner and boost your cashflow

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Introduction

Inside this Strategy Guide you will:

- » Discover strategies to get your customers to pay their invoices sooner
- » Find out how to encourage people to make a purchasing decision sooner
- » Learn how to shorten the production fulfilment times

Get Paid Sooner Explained

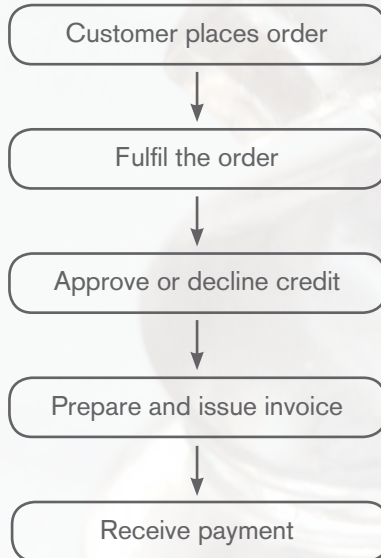
Naturally, the sooner customers pay, the more cash you'll have on hand to pay your expenses so it makes sense to spend some time developing systems to ...

How to Get Paid Sooner

Shorten the Cash Conversion Period

The cash conversion period of any business is the amount of time it takes from the time you take the order, to the time customers pay for their purchase. It addresses all the points that happen during the process.

Naturally, each of these steps takes time. It then stands to reason that if you can shorten the amount of time that it takes to complete each step; your cash flow will improve.



Shorten the Purchasing Decision and Ordering Processes

Spend some time monitoring what the average lead time between first contact by a prospect and point of sale is, and why it is that long. What usually holds up the process?

- » Is it that they need to consult multiple decision makers?
- » Is it because they're not really sure how the product/service works?

- » Is it because they're not 100% convinced of the benefits that you offer?
- » Or is it because the product purchase isn't a high priority and other things always seem to take precedence?
- » Whatever it is, try and identify some common trends and put in place measures to shorten the time frame.

Try:

- » Making it easy for customers to place an order by offering online, telephone and catalogue ordering facilities (where appropriate). (See 'Online Purchasing' Strategy Guide);
- » Lower the barriers to doing business with you by offering a money-back guarantee. This "risk reversal" techniques eliminates the risk and therefore significantly increases sales conversion rates (see "Guarantees" Strategy Guide);
- » Providing buyers with all the information they need to select the right kind of product/service for their needs;
- » Ensure that all decision makers are present when your salespeople are conducting a sales presentation.

(See 'Qualify Prospects' Strategy Guide);

- » Including a Frequently Asked Questions document that handles any buying objections. (See "Handle Objections" Strategy Guide);
- » Following-up persistently and vigilantly. (See "Prospect Follow-up" Strategy Guide); or
- » Make a value-added early ordering offer e.g. Order in the next 7 days and pay via credit card and you'll also receive X valued at \$x FREE.

Exercise:

Spend some time mapping out the sales process. Draw up a 3 column table. In the left hand column, write down what happens from the time a prospect first contacts your business, right through to the time they purchase. Next to each step, write down how long it takes for that prospect to move from one step to the next. In column 3, write down what measures you can take to reduce that timeframe.

Step in the sales process	How long it takes	Measures to reduce timeframe
Consult other decision makers	3 weeks	Ensure all decision makers are in the room when the initial presentation is made.

Shorten the Credit Approval Process

With new customers you go through a credit approval process once the order is received - that process takes time. It involves speaking with trade references, contacting their Bank and so forth.

To speed up the process, in some situations you may be able to begin the credit approval functions before the order has been officially taken.

Sales people need to position this carefully with the customer, but you'll usually receive a very favourable response by telling them that this will significantly reduce the amount of time needed to process your order, therefore it reduces delays and they'll get their order sooner.

Either that or try arrange for first orders to be on a COD basis or paid via credit card.

Shorten the Fulfilment Timeframe

In most businesses a number of functions take place as part of product "fulfilment". Manufacturing firms order materials, prepare a job, manufacture it, finish it and dispatch it. Service professionals order materials, and perform the service and so forth.

The faster these steps "efficiently" happen, the sooner you will get your money which means the healthier your cash flow will be.

Here are some things you can do to speed up the process.

- » Develop systems which **increase speed and efficiency**;
- » Train your people to **perform their roles faster** and more effectively;

Shorten the Invoicing Process

Many businesses leave their invoicing until the end of the month which is disastrous on cash flow. When this happens clients then put your invoice into the following month's payments and you're waiting an extra month for payment.

Instead, by invoicing immediately you'll find that you receive payment 14-30 days sooner.

To get money coming in faster it's naturally then very important to ensure that customer gets invoiced in a speedy fashion. After all, the later invoices go out, the later you will get paid, full stop. It doesn't matter how fast your fulfilment process is if your invoices always get produced late.

Develop a system for your production or account management people to advise accounts people when invoices need to be prepared. This might be some sort of checklist form or happen via some sort of computer programme.

It's also critically important that your invoice has all the information it needs to induce a response.

Invoices that SELL

Some of the late payment problems that many business owners experience stem from the actual design and wording of their invoices. Some invoices don't actively encourage payment or worse still they give customers the impression that you really don't care when you get paid.

- » Don't write "payable upon receipt" – the impression that gives is "pay me when you're ready" instead of "pay me now"
- » Don't write "due in 30 days". Instead write "due by [1st May, 2003]" A specific date attracts more attention and is much more likely to get a prompt response.
- » Always include a date on the invoice, an invoice number, the person who approved the purchase, a full description of product/service and purchase order details.

Shorten Debtor Payment Time Frames

The last step in the process is to get your customers to pay you faster.

To do that the first thing you'll need is an efficient, structured system for approving credit and for following up overdue accounts.

You'll need records of Aged Receivables that can be printed out in a report format. Most invoicing software packages enable you to do that.

You need to identify:

- » When payments are due
- » What happens with late payments
- » What early settlement discounts you offer
- » What interest charges or account fees you have
- » Rush order surcharges

- » The approval/rejection process and what it involves
- » Who has the authority to grant credit
- » Who is responsible for ensuring that the new client has a good credit history
- » How to determine credit limits
- » Who authorises credit suspensions and what this includes

Here are some other tips to maximize your credit collection success:

- » Be vigilant in your follow-up. The slacker you are, the less serious your customer thinks you are.
- » Don't just send out statements every month. Telephoning and asking why the invoice hasn't been paid and when you can expect payment will have a significant impact.
- » Keep a record of all contact you have with a debtor. That way you have notes to refer to in the future regarding promised payment dates and so forth.
- » To facilitate payment you might want to arrange for someone to **drive to their premises** to pick up a cheque in person.
- » If the customer is having financial difficulty paying all debts, perhaps you can renegotiate terms.
- » Perhaps they can pay off amounts owing in instalments.
- » Then, when you receive payment, make sure you **bank all cheques promptly**. After all, it defeats the purpose of getting the payment in, if you don't bank the cheque when you receive it.

Make it easy for customers to pay

Offer customers the facility to **pay directly into your Bank Account**. Where appropriate, feature your Bank Account details on the invoice. This can actually buy you a day or two.

Customers often wait until the last day to pay accounts and pop a cheque in the mail. Then, with mail, this takes 1 day, possibly 2 days to arrive at your office.

Instead, by encouraging clients to undertake internet banking and direct deposit to your account, you bypass the postal system and get your payment 1-2 days faster. Customers usually like it too because it saves them money in stamps and time in writing a cheque and envelope etc.

Another way to make it easy for customers to pay is to offer credit card payment. Not just Bankcard, Visa and MasterCard, but also American Express and Diners.

Monthly debiting

When clients pay for a fixed price service on a monthly basis, secure their credit card details at the beginning of the relationship and bill their **credit card monthly**. This works especially well with web hosting and insurance.

Early Settlement Discounts

Offer an **early settlement discount** anywhere from 2% - 5% on all payments that are made before the due date.

Make “value added” offers

One certain way to get customers to pay on time is to offer a lucrative “value-added” offer as part of their purchase, but it is only provided upon payment and if payment is made on time.

Be more cautious before offering credit

In an ideal world you simply wouldn't have to offer credit. Everyone would pay cash, as they predominantly do in the retail trade. The reality is that depending on your industry, a good portion of clients need time to pay.

Some of those clients will pay and some of them won't. It then makes sense to put in place systems to help ensure you don't offer credit to “bad paying” businesses.

Naturally, if you only offer credit to companies that have a good payment reputation with their creditors, there's a very good chance you'll get paid on time. Putting in place a credit application process will help you identify the potentially good payers from the potentially bad payers, then only grant credit to the good payers.

If you don't have a credit policy in place and you operate on a “good faith” basis, your “good faith” clients are going to pay.

Articulate clear payment terms and always ask clients to sign in acknowledgement that they understand the terms. When you call the trade referees be sure to ask probing questions. These trade referees will have been listed because they are more likely than not to cast the company in a positive light.

If you're extending a large amount of credit always request a credit report through a Credit Agency.

Ask for cash in advance

Some companies ask for payment in advance when dealing with new customers who haven't established a payment history.

Key Points Summarised

- » Implement strategies to get your customers to pay their invoices sooner
- » Encourage people to make a purchasing decision sooner
- » Utilise procedures to shorten the production fulfilment times

Action Plan

What	Why	Who	When
Complete the exercises inside this guide	Identify ideas to get customers to pay sooner	You	
Sit down with accounts people and review ideas and brainstorm more	Get more ideas happening	You and your accounts people	
Brainstorm ideas to shorten lead times	Shorten lead times	You and your sales people	
Brainstorm ideas to shorten fulfillment times	Shorten fulfillment times	You and your operations team	
Prioritise the ideas as to how easy they are to implement immediately.	Shorten customer payment timeframes	You and your relevant team members	
Implement the top few ideas and measure results	Shorten customer payment timeframes	You and your relevant team members	
Keep implementing the highest priority ideas	Shorten customer payment timeframes	You and your relevant team members	
Ask your 10X Coach	Feedback on additional ways to reduce customer payment timeframes	You and your 10X Coach	