



Credit-to-cash briefing:

Ten tips to get your customers to pay on time

The secret to prompt payment lays in a systematic and consistent approach to credit management.

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1. Minimise confusion with a business contract

Set your terms and conditions of trade in your contract. Include a clear statement of interest charged on overdue accounts and retention of title terms for unpaid goods. This can be an effective way of avoiding payment disputes.

2. Bill promptly to get paid quickly

Invoice as soon as possible. Any delays in submitting an invoice will inevitably result in a corresponding delay in payment and could negatively impact cash flow.

3. Understand payment behaviour by knowing your customers

Due your due diligence on all prospective customers, including running credit checks and continue to monitor existing customers. Are they facing supply-chain or sector challenges that might impact their cash flow? For example, how much has their business/industry been impacted by a situation beyond their control such as COVID-19? Categorise your customer-base according to payment behaviour. Consider incentivising good and fair payers with discounts for early payments.

4. Ensure the accuracy of your data

Keep your customer records up to date. This will help ensure invoices are submitted without errors, and any agreements made about payments terms are recorded. This will help you minimize disputes and conduct collections activity in the right way.

5. Invoice overdue? Act now

There are many reasons an invoice may become overdue. For example, your customer may be withholding payment until a dispute over the goods or service you provided has been resolved. Or perhaps they are having temporary issues with their own cash flow. As soon as a payment becomes overdue, pick up the phone or send an email. The majority of outstanding payments can be resolved quickly and amicably through good communication. Be ready to negotiate a payment plan and offer payment methods that are simple to achieve. This may be particularly necessary during times of crisis such as COVID-19, when accounts payable staff may be working remotely.

6. Document your calls

If you speak to your customer, keep notes of every conversation you have and follow up with a summary email. This is a great way to avoid confusion and will help you keep on top of any developments.

7. Write a letter to request payment

Dunning letters are a formal and recognised method of reminding customers that an account is overdue. The first letter is a simple notification of an overdue invoice. Subsequent letters follow a progression from polite reminder to more insistent demands for payment.

8. The cheque is in the post

If your customer prefers to pay by cheque, ask them to email you with the posting date and a note of the cheque number. This can help alert you both to any cheques that have gone missing in the mail. You will need to allow at least three days for the mail to arrive.

9. Electronic payments are preferable

Electronic payments are a quicker and safer payment option than cheques as they can be tracked more easily. If your customer is still using cheques, ask whether they would complete a bank transfer instead.

10. Consider engaging a collections agency

Weigh up the cost involved in time, effort and monetary value in chasing an unpaid invoice and consider whether it would be more efficient for you to engage a professional debt collection agency. A good international firm, such as Atradius Collections, should aim to preserve a good relationship for you and your customer and be able to support you with both national and international debts. Such outsourcing can also be effective if your own accounts receivable team is short-staffed.

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