

Ten ways to improve cash flow now

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When a business provides a product or service, it has a right to expect to be paid on a timely basis. However, anyone who's been in business a month or more has learned that prompt payment is not always the case. Often, accounts get seriously past due, or when payments are made, there are insufficient funds in the customer's account to cover a check.

1 Have a Defined Credit Collection Policy

If customers are not educated that accounts are to be paid on time, then chances are they'll pay late or sometimes not at all. Make sure that your business' terms of payment are clearly stated in writing to each customer or client.

2 Invoice Promptly and Send Statements Regularly

Many times the customer hasn't paid simply because they haven't been billed or reminded to pay in a timely manner.

3 Use "Address Service Requested"

All businesses should be aware of a special service offered by the Post Office. Any statement or correspondence sent out from a business or professional office should have the words "Address Service Requested" printed or stamped on the envelope, just below your return address in the top left corner. If a statement or invoice is sent to a customer or client who has moved without informing you of their new address, and the words "Address Service Requested" appear on the envelope, the Post Office will research this information and return the envelope to you with a yellow sticker that gives the new address or other updated information.

4 Contact Overdue Accounts More Frequently

The old adage "The squeaky wheel gets the grease" has a great deal of merit when it comes to collecting past-due accounts. It's an excellent idea to contact late payers every 10-14 days. Doing so will enable you to diplomatically remind the customer of your terms of payment.

5 Use Your Aging Sheet, Not Your Feelings

Many businesses (or well-meaning people on their staff) have let an account age beyond the point of ever being collected because he or she "felt" the customer would pay eventually. While there are a few isolated cases of unusual situations, the truth is that if you aren't being paid, someone else is. So stick to your systematic plan of follow up. You'll soon know who intends to really pay and who doesn't.

6 Make Sure Your Staff is Trained

Even "experienced" staff members can sometimes become jaded when dealing with past-due customers or clients. Make sure the staff is firm, yet courteous when dealing with them. Your collection staff could benefit from customer service training because, in effect, they must "sell" your customers on the idea that you expect to be paid.

7 Admit and Correct any Mistakes on Your Part

If you have made an error, quickly admit it and correct it. Your customer should understand that mistakes occasionally occur. Denying obvious error only fans the fire of resentment your customer may already feel.

8 Follow the Collection Laws in Your State

In many states, businesses are governed by the same collection law as collection agencies. For example, calling customers at an odd hour or disclosing to a third party that they owe you money are just a couple of the numerous collection practices that can cause serious repercussions. Call the state's department of finance, which governs and monitors collection agencies for regulations in Nevada.

9 Use a Third Party

Statistics show that after 90 days, the effect of in-house collection efforts wears off 80%. Financial resources budgeted for collection efforts should be focused within the first 90 days where the bulk of your accounts can and should be collected. From that point on, a third party can motivate a customer to pay in ways you cannot, simply because the demand for payment is coming from someone other than you. Before paying a percentage to a collection agency, or using small claims court or an attorney, check into using a fixed flat fee collection service.

10 Remember That Nobody Collects Every Account

Even by setting up and adhering to a specific collection plan, there are a few accounts that will never be collected. By identifying these accounts early, you will save yourself and your business a great deal of time and money. ■

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