



INFORMATION SHEET

TEN WAYS TO ENSURE THAT YOU GET PAID

Preparing business cash flows and budgets are relatively easy things to do – usually there are no problems compiling a cash flow, but lots of difficulty making it work and keeping to it. Set out below are 10 practical tips which will help ensure that you not only get paid but that you have less problems with bad debts and difficult customers/clients.

1. Get your bills and invoices out as quickly as possible

Prompt rendering of your invoices is one area where it really pays dividends in terms of your cash flow. It is also the easiest area to correct quickly – all you need to do is put a new policy in place. Don't allow yourself to get so wrapped up in production or service that you forget to render your invoice. This advice may sound simple, but huge numbers of businesses are very inefficient and slow with their invoicing procedures. Delaying your invoicing costs money — in extreme cases it could even cost you your business!

2. Make sure your customers know your terms of trade and that they stick to them

It is absolutely vital **right at the start** of any business relationship to spell out your terms of trade and how and when you expect to be paid. Be firm but fair. **It's difficult, if not impossible, to change later on from being soft to being hard.** Most people will pay those whom they respect first and leave the others waiting. Make sure your customers and clients respect you. Adopt a policy of pointing these terms out to your new customers **and make sure that they get a copy.** Consider also asking them to sign a copy for your records. Make this your invariable rule!

Do you ever find yourself paying late those businesses you know will never ring you up when bills are overdue? Don't be one of the businesses that others place in the "pay later" or "get round to it" pile. Ring them and educate them that you want your money paid on time. Let them pay someone else late.

3. Make your statements and paperwork simple and easy to follow

Simplify your business documentation – your tax invoices and statements. Cut down on the volume of your paperwork and postage by calling your invoice an INVOICE/STATEMENT. Then, simply print at the end of the invoice: *Please pay on this Invoice, as no Statement will be issued.* A bonus is that you should get your money sooner too — no delays while customers wait for statements.

4. Make sure that you pay your bills on time and demand the same courtesy from others

Once you've gained the trust of your own suppliers by paying their bills regularly, try negotiating discounts or better terms of credit. You can then make a point of saying to your customers that you pay your bills on time and that you expect the same consideration from them because it's the way you prefer to conduct your business.

5. Improve and strengthen your relationships with both suppliers and customers

The closer the relationship you have with your suppliers or customers, the easier it generally is to discuss and fix any problems. Give your suppliers plenty of warning if you foresee any problem in paying a bill. Nobody likes nasty surprises sprung on them at the last moment. Paying off a proportion of a bill (with the supplier's approval) is far more acceptable than missing the payment altogether.

6. Have terms and condition of trade or a credit policy and enforce it

Have you ever been given money, opened an account or received financial assistance without first being checked out or had a credit reference done? If you extend credit too easily to everyone, you're certain to end up with bad debts. The major point to remember is that in giving credit, you're functioning both as a supplier **and as a bank**. You are effectively allowing your customer to operate on your money. Therefore, **be just as careful as your bank** is about whom you give credit to.

7. Be careful of being too dependant on one or two customers or being blinded by the big order

Have you ever dreamt of that one big order that will set you on the road to riches? Be careful — big orders can land you in big trouble for at least three reasons:

- **You can become much too dependent on one or two major customers.**
- **You can over-extend yourself quite easily and this can wreck havoc with your cash flow. Suddenly you may need extra staff or more machinery, but it could be months before you get any return. In the meantime you still have to pay wages and bills and other overheads.**
- **It's too easy to get so involved in fulfilling a big contract or doing a big job that you neglect and lose your smaller customers. And when the big customer decides to order from someone else next time, what happens to your business? If you are still tempted, ask for a deposit to at least cover your initial expenses, raw materials or just as a token of good faith.**

8. Reduce your stock/improve your stock control

You can get the quickest cash flow results from more efficient stock control — or from getting rid of surplus stock. The most efficient businesses are those that can turn their stock over the quickest. (If you normally carry \$50,000 worth of stock and you can reduce that by 20%, you can put \$10,000 into your bank account.) Try to make your supplier or wholesaler your warehouse and let them carry the financial burden. But you do need to balance stock reduction against your ability to satisfy your customer's needs quickly and completely.

9. Review and reduce your overheads – CONSTANTLY.

You should pay close attention to your business expenses over a three- or six-month period to get a feel for where all the money is going. You may find areas where you can cut back without affecting the level of service you offer. Ask yourself the hard question: "Are these dollars I'm spending really earning money for my business?" This analysis may also show you that you can

increase your cash flow by selling unwanted assets and using the freed-up money to better advantage in your business.

Perhaps you should consider leasing some of your plant rather than owning it outright.

10. Don't forget Staff benefits

Only reduce your staff benefits (or bonuses) as a last resort. Reducing such benefits can result in disgruntled employees who will effectively sabotage your business by poor work or stealing from you when they get the slightest opportunity. Staff morale is extremely important – so foster it carefully. Encourage staff participation and a co-operative team environment.

If you're using casual or temporary staff or people you don't need, let them go, if you can, while cash is tight. Make sure that you review employment contracts and get advice first!