TIP OF THE MONTH - I THINK, THEREFORE I BILL (I THINK)

If collecting money is a big headache, maybe you need to re-examine why this is and what you can do about it.

You need to get paid, and paid on time by your customers, and yet this is often difficult, time consuming, and sometimes even unsuccessful. There are a few things you can do and processes you can adopt to make the sales cycle work better.

1. Invoice Creation

You need to bill promptly, lest customers think that you aren't too interested in getting paid any time soon. Automating the invoicing system is often useful, so that you create all of your invoices by the push of a button from a system that already has all of your data. That might mean price lists, quotes, hourly rates, or whatever.

There are a couple of key best-practice concepts to follow:

- Eliminate any duplicate data entry you can. You should only have to enter your invoicing data in one place, and it should flow to every other system that needs it.

- Automate as much of the process as possible. Avoid Word or Excel, because this always means duplicate data entry somewhere.

- Have an easy approval process so someone else can do the data entry if needed.

2. Invoice Delivery

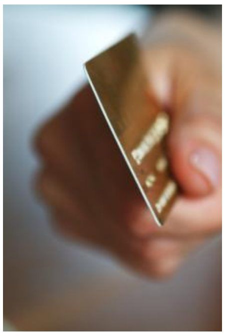
How you create your invoice will vary by the type of business you have, but the main thing to make sure of is that the invoice is sent out as soon as the work has been done. The best way to do this is electronically. If you're still printing, stuffing, stamping, and mailing you invoices, you're losing anywhere from two days to nearly a week before your customer even sees the bill, and you may wish to change that by using email or delivering the invoice electronically.

3. Invoice Terms

When do you want to get paid? Most people feel it's realistic to aim for 30 days. But if you set your payment terms to Net 30, you're more likely to get paid in 45 days, not 30, so consider what you agree when the customer needs you, not afterwards when they don't need the invoice! The late payment of commercial Debt Act allows you to charge interest and we'd suggest you put this in your terms and mean it – it is up to the customer to make special arrangements if they cannot pay on time.

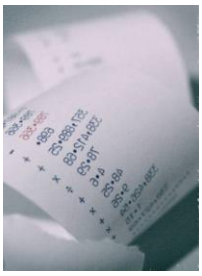
4. Payment Method

How does your business rate when it comes to payment options? If all you take is cheques, you can add another week's delay to your payment. Instead, we recommend creating choices for customers, such as taking:



- Credit and debit cards through MasterCard, Visa, American Express.
- PayPal
- Standing orders or perhaps Direct Debits for recurring payments that the client agrees to regularly pay from their bank account
- Bank transfers, where the customer pays you on-line.

5. Receipt



When you get paid electronically, it's in your bank (or your merchant account) within minutes. If you bank online, you can see things immediately. When you receive a cheque, you have the overhead of preparing the deposit and making the trip to the bank. You may also have additional bank fees incurred from processing the cheques. Theoretically, if your accounting system interfaces with your bank, then you save a lot of time and money not having to post those transactions.

6. Invoice-Free Zone

Why not get out of the invoicing business altogether by offering a pay-in-advance option? We tend to feel that discounts are for dummies, but if the customer can order on a self-billing (OK, you may have to issue VAT invoices/receipts) basis, your Accounts Receivable balance goes to nothing, to name one of many benefits. Not every industry can adopt this practice, but if you think creatively, you might find some ways you can implement this in your business, and avoid the whole "credit control" headache with credit references, reminders, statements, progress calls, and all that.

How does what you do compare with these ideas? Have we suggested any improvements? As always, please be in touch for any debt management questions or if we can help you implement your best practice invoicing system.