

Top 5 ways to get paid on time, every time

As a small business owner, your cash flow is your lifeblood- when it is healthy, everything is rosy and being your own boss is the best feeling in the world. When it is struggling however, things become tough and there is no worse feeling than putting your blood, sweat and tears into a job and not being paid for it. Here are the top 5 tips to get paid on time, every single time:

1. Ask for a payment that day

Any money is always better than no money, so even if your customer claims they cannot pay you the whole amount they owe, ask for a goodwill part payment. How much to ask for is always relative, so try for 20% and go from there.

2. Keep your payment terms tight

Whilst trading as a COD business is best practice, customers these days expect time to pay so if you must give them terms, 14 days is ideal. Any longer and there is too much risk. Any less and you may offend customers who will take their business elsewhere. Ensure the due date of your invoice is visible- don't just include your terms and rely on them to work out when it is due

3. Create urgency

This really is the key. Simply telling your customer that their account is overdue is not enough- they need to know what will happen if they do not pay. Putting them on stop credit, listing a default, taking legal action, sending the account to your debt collectors- they must be left under no illusion that if payment is not made, further action will ensue and make sure you explain what exactly this further action entails. Be assertive, not passive. Be stern, not aggressive.

4. Ask questions, listen, validate, explain

The majority of people want to do the right thing and hate owing money, and there is often reasons why they have fallen behind or not paid. The key is to ask probing, relevant questions, show an interest in their responses, clarify exactly what is preventing payment and put a plan in place that gets you paid as soon as possible. Remember that you are not a bank and you should never allow yourself to be treated like one.

5. Follow up and confirm in writing

Once a customer makes a promise to pay, send them an email or SMS confirming the agreement. Make sure you include your bank details and any other important information related to the debt and ask them to reply as soon as payment has been made. This encourages accountability on their part and you will be seen to be thorough and professional as a result.

There you have it folks. The 5 keys to getting paid on time, every time. If you incorporate the above into your accounts and bookkeeping function process, you give yourself every chance of avoiding a bad debt