Better Invoices – Collecting Debts Sooner

Description

Better Invoices get paid faster!

When your invoicing process is sloppy – your customers will be sloppy paying you!

* Do your customers flaunt your payment timelines?
* Do clients try to negotiate a discount after the work is done?
* Have you ever chased a bill that was already paid?

"Yes" to any of these scenarios are evidence your business could do with some Invoice Improvement! Here are 5 easy ways to boost your cashflow.

Streamline your invoice process, from Conception through to Cash Receipt, and make a huge difference to your cashflow.

Want Better Invoices? – take a deep dive into your Invoice Process…

From the moment a sale occurs to the time you get paid, an invoice goes through various stages – its life-cycle. By understanding, monitoring and tweaking your invoice life-cycle you will improve your cashflow, boost profits and be wasting less time on worrying about debtors!
Knowing and managing every stage efficiently can make a huge difference to your bottom line, especially in the case of new start-ups and small businesses where financing costs are high. Create and use reports at various stages to your advantage. By understanding the patterns of your cashflow, sales and debtors you can make informed decisions about frequency, speed, and patterns of payments.

A. Set-up

Active invoice management (i.e. not just sitting around waiting to get paid, and whining) may seem like a big time-consuming task, but so is stressing about cashflow. Stressing isn't helpful to your business or your clients and customers – Active invoice Management is.
Firstly get the right tools and set-up cashflow support systems…

1. Use an accounting package – the cost of the package will be repaid by the time and effort saved in not having to track and sort out invoices manually – thumbing through your invoice pad/book time and again to work out who has paid, who still owes money and who is a bad payer is very inefficient – enter the invoice in your system and tracking becomes is as simple as looking at a screen.
2. Have very clear terms and conditions AND REPEAT THEM…Regularly remind your customers of what you are

expecting. Hand your terms to customers when you do the quote, print a copy of your terms on the back of your invoice, re-send terms with your invoice reminders. If you have a clear policy and communicate that you expect everyone to stick to the policy, then follow up; by doing what you said you would do people are less likely to push your cashflow boundaries.

3. Your invoice template must be accurate and contain all the necessary details such as ABN, contact details, reference to the job, etc – don't create any excuses for late payment.
4. For quicker payments, set-up multiple payment methods such as EFT, PayPal and other electronic payments. Highlight all these opportunities to pay in your terms and on invoices and make it as easy as possible for your clients (and giving them less reasons for excuses).

B. Conception

The birth of an invoice is not necessarily when it's generated and printed. It's when you do a quote, and also when the customer puts in the order, (a Purchase Order or PO) as a request for your business to do their work or sell them something. The Quote and PO then evolve into the invoice for that sale – ideally your accounting system will have a seamless way of stepping through this, ensuring you invoice exactly what was agreed and is expected by your customer (again giving them NO reasons for questions or delays)

If your terms and conditions require a deposit up front then always make sure you have the capacity to have your paperwork ready at the start of the job. Print an invoice for the full amount and send it to the customer before you start the work – If you have appropriate terms and your customer is informed – you can always issue a second invoice for "extras" in the middle or at the end of the job as well.

If a customer can't make the deposit, don't start the work… How will they afford the job you are about to start? – this is a bad sign and rarely indicates these customers will be good payers who respect your cashflow.

C. How it travels

At the dispatch stage, an invoice is printed and posted to the client or emailed.

1. Emailing reduces the risk of delayed, or lost post but can end up with your invoice stuck in the in-box of someone on leave. Always send your email invoice with an 'open receipt' or 'read receipt" (you may need to adjust your email settings) – so you can see it has been looked at. Best Practice for larger business clients is to send a copy to your email to the person you were working for and cc in the accounts department on the same email; this way several people in the business are aware you need to get paid right from the start.
2. Snailmail has the disadvantage that it is more difficult for you to monitor when it was received and opened, but it seems a piece of paper is harder to ignore than an email – when you invoice larger businesses again send two copies, one to the person who placed the order and one to the accounts department (make sure you advise each of the others' copy).

D. Follow-up

Being punctual about reminders, debtors calls etc; show your customers you are in business and mean business. Unfortunately late payers are common and chasing them is not fun! A system with alerts on overdue payments can offer a tremendous advantage to the business's cash flow.

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Have a strong process in place – after all this is your money and you have already earned it.
examples of this include:

- FOR REPEAT LATE PAYERS at 2 day before due, issue an SMS reminder: "just a quick prompt to let you know your invoice is due tomorrow"
- at 1 day overdue, reissue the invoice, with a reminder: "your invoice was due yesterday, here is another copy just in case"
- 15 days overdue, make a debtors call, and use a script: "Hi I'm sure you know our terms require payment within 30 days and you have now had our invoice for 45 days – I'm just calling to reiterate that slow payers make it more expensive for us to run our business and that leads to price rises, I am sure you don't want to be the cause of our next price rise….so I am hoping you will be able to settle this in full now, over the phone."

If you don't like making dreaded phone calls to chase your clients, try SMS and email reminders; they are particularly effective in the early stages. Even if you are a sole trader, have someone else call your debtors in early and the mid-overdue phases, that way you can become the 'person of last resort', and your call means 'we are suspending business with you anymore, as it appears you do not respect us – By the way we are passing your invoice onto the bailiff.'

For the best ways ever to handle 'I cant pay in full right now' – see this post:
How to Stop Debtor Excuses.

Don't be afraid to enforce your payment terms to your clients – initially this may lead to loosing some bad payers, but the long-term benefits are worth it.

E. Happy ever after

The sight of $$$ coming in, is the best sight of all for a business owner. At the collection stage, check for accurate matching of funds received, with the right client and properly manage complex invoicing issues like part-payments or one payment covering several invoices. Nothing makes a client more annoyed, and quickly makes your business operations look bad, than a debtors call for a bill that is already paid.
Improved control over your invoicing leads to healthier cashflow. Not to mention more time to grow your business in the right direction.

Where can your Invoicing Process Improve? – Review your system and tweak it where necessary to keep cash flowing post the holiday season.

Date Created
28 January 2021
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