



Help Cash flow – 3 tips to Increase the Flow

Description

Help cash flow using Great Communication

Cash is King!

(or at the very least accessible money in the bank is KING)

Cash flow is about money moving through your business. While more sales should generate more money, often a sales burst increases the debtors amounts owed rather than directly augmenting more money at your fingertips. Businesses can get stuck in a rut, especially if you are comfortable with systems and processes you have used for years. But as times get tougher cash gets tighter;- just because your team is well-versed with a certain system, that doesn't make it the most efficient solution!

This may come as a surprise, but it isn't tricky maths or regular investor injections that underpin great cash flow. Communication is at the heart of it all; starting with clear sales techniques covering terms and conditions through to systematic debtors management – communication is critical.

3 Ways to Help Cash flow

A. Communicate Early with Potential Clients

Client-embedding communication gives your business more leverage to collect payments in full and on time, as you have removed any leeway for “misunderstanding” excuses.

- Right from the get-go explain your pricing and terms, don't be shy take a little time to outline what you expect to deliver and when you expect to get paid – **it isn't really a sale if you don't get paid.** And remember that the cost of debt collection can easily eat up any profit margin. You COULD be worse off by pushing a potentially slow customer into signing up, you WILL be worse off if you make a sale to someone who takes your stuff and never pays you for it!
- Explain your debt collection process to the client when you issue the bill (or better still when you start work). Something along the lines of “here is our invoice, it is due on the 15th June, xyz will give you a courtesy call a few days before it is due to confirm everything is OK for on-time payment, can you give me the name of the person I need to speak to?”. This sentence is a great one because any lack of intention to pay on time usually shows then and there on the customer's face, enabling you to stop-work and/or defer work to avoid any further issues.
- Understand your client's business processes too, not just for the sale, but know who pays the bills and if they have any special needs or quirks. Also ensure the “cheque-writer” receives a copy of your invoice and understands your terms and conditions – a quick phone call just will save weeks of run-around once the invoice is overdue.

Having a slightly uncomfortable conversation about money and payment upfront is much much easier (and gets even

easier with practice) than having a really difficult conversation about an overdue debt!

B. Communicate with your Team

Well managed debtors isn't just about getting people to pay on time! This includes how you work too – stick to your own process.

Always – send out bills on time, follow them up on time etc. Do what you say you are going to do! If you waiver here then you are breaking your own terms and conditions AND setting a bad example for customers to follow!

- Clearly communicate to your team what is expected and ensure they are fully trained on your systems and processes so they can bill and collect smoothly

***running a micro-business and have no team and not much tech behind you yet?**

When you issue your invoices also add them into your calendar as 5 minute appointments for phone calls to make.

This works best if you start with two appointments; one scheduled for a few days before the invoice is due, and another for 15 days past due. You can always delete these entries once the client pays, or add more frequent “phone-call appointments” thereafter until they do pay. (What to say is outlined below). This is an easy way you stay on top of what is owed when, without the need for a debtors aging system.

C. Communicate continually with your Debtors

Remember there is a critical “60 days overdue” point beyond which your likelihood of collection begins to drop and the cost of collection balloons. So have a very clear timeline and process and to prevent this ever happening.

- Call your client around about the due date “just ringing as a reminder your invoice is due in a few days just checking to see if you need an extra copy?”
- call again at 15 days “hi your bill has gone overdue....
Start early and be proactive. Don't ask late debtors “How much can you pay?” • try “we are offering you a payment plan of \$x per week” • then wait for them agree to the proposal or say they can't afford it.

Looking for more Debtors Help?

The best question to prompt a late payer – ‘How much are you short?’

CLIENT: “I can't pay the full amount right now”

YOU: “Well how much are you short?”

I have used this approach when things have gotten “serious” and it always works a treat.

For more details on changing your communication see [Persuading Debtors to Pay](#)

Re-framing your clients' communication is not something that will improve your cashflow overnight – it will take a bit of time and effort to upgrade your current systems, put in place stronger terms and conditions, and get all your staff and existing customers on the same page.

P.S. – no disrespect to HRH was intended by using this image

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