WHAT YOU CAN DO TO BE PAID ON TIME

Be open from the outset

From the first meeting, be clear about your terms and conditions. Too many SMBs are hesitant to talk about money for fear of scaring off the client. This needs to change. All quotes, estimates, contracts and related documentation should clearly explain terms and conditions in writing to help minimise late payments and payment disputes. These terms and conditions should specify how and when payments are made, outline any penalties for late payment and disclose any additional fees that may apply to payments.

Deposits

In some businesses, a deposit is appropriate. Including a deposit in your contracts can help with cashflow and ensure you are not left carrying the bulk of the capital consequence. As a minimum the deposit should cover the cost of your raw materials.

Invoicing and payments

Invoice on a regular basis and ensure your invoices clearly state details of the goods and/or services, any order numbers, the amount owing, the due date for payment and available payment methods. Questions around details on an invoice are one of the main reasons companies cite for delaying payment, so ensuring your invoices have the required information is essential to be paid on time.

Incentives for early payments

Many companies offer discounts up to 10% if the invoice is paid prior to the due date. Although 10% may seem like a large amount, when you factor in the reduced costs of collecting and cash flow, these types of incentives can be attractive and financially lucrative.

Penalties for late payments

In the same way you can incentivise paying on time, you can also penalise late payments. This is an area where you need to be particularly careful as you may jeopardise ongoing relationships if you are too hard and fast with the rules. You also need to ensure timely reminders are sent.

Debt collection

No matter what steps you put in place, there will still generally be some late payers. That is where a debt collection system comes into play. Establish a step-by-step plan for what you do with late payments. Start with a reminder letter, then a follow up phone call and finally a letter of demand for payment.

Cover your cash flow

Anticipate and prepare your business to weather these late payment storms by organising financing that is flexible and able to be utilised when needed.

Reap the rewards

When Joel and Donna first sought help with keeping their late payments under control, the whole process seemed daunting.

"We just thought it all seemed like hours and hours of extra work," Joel says. "And in the first instance, it was, but then it became part of our everyday processes and it really hasn't added much to Donna's workload. It hasn't been as confronting as we thought.

"And the bottom line is, it all works. Our cash flow has improved so much and we have systems in place to help us get through when the occasional payment is late.

"It's the best thing we've done for our business, and ourselves, in years."

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