



By Dermot McCrystal FCA

## Ten Tips for getting paid on time

Getting paid on time has always been a problem for business owners in Ireland. But with more and more customers taking longer to pay, business owners are struggling to manage cash flow, often leading to personal stress and, in some cases, business closure.

The problem of late payment is often rooted in decisions that were made in the start-up phase of the business. At that time, every new customer was celebrated and every new order was a significant achievement. It was a brave owner who risked losing business by mentioning payment terms or, even worse, asking for a reference from a bank or other supplier. But once the conditions of payment are established, it is very difficult to recover the position.

So the first three tips are to get things right, right from the start:

- 1) Establish your **payment terms** at the outset. And then emphasise your payment terms at every opportunity. Include payment terms on every proposal and every invoice. It is a bit of a myth that standard payment terms are 30 days. Your payment terms can be whatever you want them to be as long as they are appropriate to the market.
- 2) Ask for a **trade reference** from a bank or other supplier. Maybe you will only do this for customers that are likely to exceed a certain level of sales. But if a potentially large customer can't or won't provide a reference, it may be worth walking away.
- 3) Ask for an **advance payment**. Many customers understand the need for an up front payment in order to book a date or reserve a place. So ask for a deposit on the first order!

However, even if things have got off on the wrong foot, it is possible to recover the situation with a simple credit control procedure.

- 4) In order to change the mindset of your customers it is important to *persistently* apply a *consistent* system to encourage prompt payment. The most successful systems are based on a planned series of phone calls/meetings and letters/emails with the objective of agreeing payment dates and following up. The two key words are *persistent* and *consistent*.

You can only manage it if you can measure it. Do you know how well you are managing your customers' credit levels? *Debtor days* reflects the average time your customers take to pay you.

- 5) Provide as many different ways for the customer to pay as you can. Some customers may find it easier to pay by **debit card** or by **electronic funds transfer**, recurring customers may prefer to pay by **direct debit** or **standing order** so set up to use them.
  
- 6) Send out statements the week before the month end instead of at month end. Think about it! If your customer does a cheque run at the end of every month and you send your statements at the end of every month, the cheque run will be done before your statement is received! So **send statements a week early**.
  
- 7) Include **stamped addressed envelopes** with your invoices and statements! And use real stamps!
  
- 8) **Call your customer 2 or 3 days before** payment is due rather than 2 or 3 days afterwards. It is a far easier phone call to remind the customer that payment is due and to confirm that you can expect it on time than it is to find out why the payment was late!
  
- 9) **Give prompt payers something extra**. Ideally, something that costs you little but is of value to them such as something free or a small discount.
  
- 10) Be prepared to **say no!** It is my experience that customers who realise that they will get no product unless they pay up find it easier to pay than those who continue to get product even if they never pay!

Just one or two of these ideas can make a big difference. Guaranteed!

Dermot McCrystal FCA is the principal in the firm Dermot McCrystal & Co., Chartered Accountants & Registered Auditors, Monaghan who provide business advice and tax solutions for small to medium size businesses. Dermot can be contacted on 047 81333 or at [dermot@dmccrystal.com](mailto:dermot@dmccrystal.com)