

REPORT

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FIVE Tactics for Getting Your Business **Paid Faster**

Getting paid fast is critical to maintain healthy cash flow in your business.

For both experienced business owners and those new to the industry, this report delivers a short, jargon-free set of tactics that can help you speed up payments to improve your cash flow and help you grow your business.



Negotiating Terms

1. Negotiate your first payment up front

Getting some money up front means instant cash flow and ensures that your customers are serious about paying on time. The amount of the initial payment will likely differ from project to project and with each client so discuss early.

2. Progress Payments

One of the worst things you can do for your cash flow (and risk level) is wait until final delivery for full payment. Break up the payments into numerous steps. The number is based on the circumstances. As a general rule of thumb, the more payments the better.

3. Request a smaller final payment

Often projects can be delayed when they're nearly complete for any number of reasons and final sign-off can be difficult to obtain. Request a larger payment up front and a smaller payment for final delivery.

ie. For 5 payment job, Split up as 30% up front, 20%, 20%, 20% and final as 10%.

4. Negotiate the definition of deliverables

Rather than detailing specific deliverables such as '100% completion of wireframes', try to negotiate delivery based on '90% completion of wireframe stage.'

This helps to keep things moving when some minor issue delays completion which can benefit both sides as clients rarely want to slow timelines down either.

Negotiate to invoice progress payments **upon delivery** rather than **upon approval**. Waiting for 'sign-off' before you can invoice can cause serious delays.

5. Detail timelines for approvals

Delivering quickly won't matter much if the client takes too long to give you official approval. Detail in the contract a reasonable but short turnaround on approvals and document what is required for official sign-off.

6. Delinquent payments

Having progress payments gives you leverage if payments dry up and you need to stop work. It means that you have some money in hand for work already complete and the client is out-of-pocket, motivating them to keep paying you.

However, pausing projects while you await payment is an extreme measure and, in many cases, can seriously harm your relationship with your client.

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Invoicing

1. Invoice as soon as possible!

This seems pretty obvious but often 'work' gets in the way. Make sure you are delivering the promised goods or services as soon as they are ready, requesting approval and invoicing immediately.

2. Send electronic invoices

If you're not already doing so, send invoices via email or invoice online so that it gets there quick and it's easy to confirm it's been received.

3. The devil is in the details

Make sure that your invoices are detailed, correct and contain all necessary information. If you are missing critical info, payment delays are bound to happen.

4. Due Date

A clear due date is a critical element on your invoice. "Net 30" does not have the same urgency as "Due: August 9, 2015."

Due upon receipt might sound good to you but to your client, it really says "due whenever you get around to it." Reminders and collection calls are much easier when there is a clearly stated due date on the invoice.

5. Send to the right person

Invoices routinely sit in an inbox or on a desk rather than making their way to the person responsible for paying them. Ask your contact who you should send the invoice to and ask them if they like to be copied on the communication (cc'd).

This makes it easy for them to give you access to the person responsible for paying you while knowing that they will be in the loop.

6. Approval

Make sure that the work has been approved and you've received formal sign-off before invoicing your customer.

Verbal approvals are a minefield. Make sure that you've received official, written sign-off, even if it's just a simple, clear email, before you send out an invoice. It avoids potential confusion and embarrassment.

7. Follow up

Follow up with your billing contact if you fail to receive confirmation that the invoice arrived.

If an invoice's payment has not been received on the due date follow up immediately to show your customer that you take payment seriously. It also might alert your customer if something is awry with the payment. Just be sure that you are very friendly and professional when you call.

If the invoice is indeed outstanding, regular follow-up is essential, at minimum every ten days. If you are mid-project, that means you can stop spending time on it and divert resources to other areas.

8. Tracking your receivables

Carefully track your invoices and receivables in order to deal with issues and keep the cash flowing. Make sure you have systems in place that help you keep track of your receivables and also maintain up-to-date cash flow projections to warn you of impending issues and potential shortfalls well ahead of time.

The more lead time you have of a pending shortfall, the more options you have.

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Electronic Payment Options

Accepting electronic forms of payment can speed payments up dramatically. Checks are about the slowest form of payment and the type that leads to the most fraud.

With larger customers, direct deposit is often an alternative. Generally, these payments are scheduled ahead of time to deposit directly into our bank account on the due date.

Accepting credit cards is also much easier than in the past. There are multiple services that will deal with credit card payments without difficult and expensive set up.

Numerous online payment systems, such as electronic money transfers between bank accounts and services like PayPal offer alternatives to the paper check that are fast and more secure.

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Your Customer Relationship

A trusted client can make the process of negotiating fair and reasonable terms, acquiring timely approvals and ensuring quick payment an enjoyable one.

No matter what size of organization you are dealing with earning trust from your customers is essential. They often have much more wiggle room and pull than you believe.

Clients that trust you and have a long, fruitful history with you are going to be much more likely to go the extra mile to help you out in a crisis. This could include altering timelines to allow you to deliver other work ahead of theirs, or requesting quicker payments tied to a small incentive, such as a discount.

Similarly, when you've had a long and stable relationship with your bank they may be more likely to help when you are dealing with an emergency.

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Chronic Payment Issues

1. Charge late fees

For customers that are chronically late in paying their invoices adding a late fee to your invoice can help add urgency to the deadlines. Ensure that you have clearly stated your intention and the fee amount within the contract and on each invoice.

Charging late fees has the potential to harm your relationship with your customer so it's important for you to decide whether the potential risk is worth the reward.

2. Offer Incentives.

Offering an incentive can work to speed up payment. Similar to charging late fees, I generally avoid offering incentives for quick payments unless it fits the business needs.

Incentives are used to speed up payments faster than normal, not for paying on time. For instance, you may offer 2% off of payments that arrive within 15 days, rather than the actual deadline of 30 days.



Thanks for reading. If you have any questions or comments, please drop me a line.

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