IT'S YOUR MONEY SO DON'T PLAY BANK

6 proven strategies to help you get paid faster so you can enjoy a healthy positive cash flow in your business...

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smartAR
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Introduction:

A business like yours needs a healthy, steady flow of cash to meet its financial obligations and to fund future expansion.

However, many of the businesses I speak with have cash flow blockages. These blockages are often caused by a number of their clients not paying their invoices on time.

In fact, it is quite common for me to see SME businesses (that provide credit) that have anywhere between $50,000 and $500,000 of invoices that are over a month or more late in being paid.

That's a big problem to have and the reason I created this business guide "It's Your Money, So Don't Play Bank"

In the next few pages I will cover six simple strategies that you can use to help you get paid faster so you can enjoy a healthy positive cash flow in your business.

The good news is that when you use these strategies consistently you'll be delighted at how well they work for you.

Kind regards

Dave Birch
Managing Director
smartAR

NEW ZEALAND

Email: contact@smartar.com

Phone: 0800 467 634

Address: Level 3, Ideal House, 4 Gillies Ave, Newmarket, Auckland, NEW ZEALAND

AUSTRALIA

Email: contact@smartar.com

Phone: 1800 831 410

Address: Level 32, 101 Miller Street North Sydney, NSW, AUSTRALIA

smartAR
helping your business get paid faster

www.smartar.com

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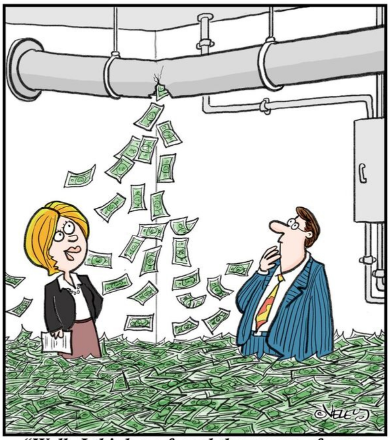

"Well, I think we found the source of your cash flow problems, Mr. Wallis!"

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Strategy One: Get Serious

There are ‘two magic words’ and they explain success in many areas of life.

These two magic words are…

Get Serious!

Think about a really important goal that you achieved for yourself.

- It could have been a fitness goal where you got into fantastic shape over a period of time.
- Or perhaps it was a travel goal where you enjoyed a fantastic holiday.
- It might even be a personal goal where you built your dream home.

What was the starting point for any important goal like this that you actually achieved?

In most cases (when you think about it a bit) you started to get good results toward achieving your goal when you made the mental decision to ‘get serious’ about it.

You were no longer going to treat the goal as something that would be ‘nice to have one day’. You were now ‘serious’ about getting it.

The same two words apply to getting paid promptly in your business.

You must ‘get serious’ about getting paid.

This is quite different from saying something like ‘It would be great if all our clients would pay us on time.’ (That is just a nice wish that is fun to think about.)

The reality is that there are certain steps you need to follow if you want to get paid promptly by your clients.

These steps will take both time and effort to put into action.

But if you don’t make the mental decision to ‘get serious’ about getting paid promptly, it is very unlikely you will take the necessary steps and do the work that is involved.

Getting Serious about being paid promptly involves two things to begin with.

These are:

A: Treating overdue money from your clients as being a major business issue and not a minor one.

B: Knowing how good you are at being paid on time right now.

Let's take a quick look at each of these two things.

A: Treating clients who owe you money as a major issue and not a minor one.

Imagine that you are owed $60,000 by a number of your clients and this money is now two months overdue.

So your money ($60,000) is currently in your client's bank accounts and not yours.

What does not having this $60,000 today mean to your business?

What can't you do that you want to do because you don't have $60,000?

What problem(s) is not having this $60,000 causing you?

If the problem continues how will it affect your business?

Being owed money and not having it paid is a serious issue with potentially fatal consequences to your business if it continues long enough.

Treat it as a major business issue and not a minor issue.

"The word 'invoice' is too soft and friendly.
We need a new word that means 'pay up or die'."

B: Knowing how good you are at getting paid promptly right now

Knowing your starting point is a key step to reaching any important goal.

If you want to get in better shape physically the first thing you do is take a number of measurements (and perhaps do tests) so you can see exactly the physical shape you are in right now.

So you measure your pulse rate, your weight, the amount of fat you have and a variety of other things.

Once you know what these measurements are you are then in an excellent position to easily track the progress that you are making.

It's the same with getting paid on time in business. If you want to improve your current results you need to know how well you are doing right now.

Which is why I recommend you complete the following Business Credit Test to see how well you are doing right now.

Just answer each question "Yes" or "No".

Then add up the number of Yes answers you have to see how well you are doing.

This simple test should take you less than 2 minutes to do and is all part of Getting Serious.

BUSINESS CREDIT TEST

This test will establish how your business processes compare across the three major areas of:

- credit assessment,
- debtor management
- debt enforcement

1: Do you conduct credit checks on new clients?

Yes ☐ No ☐

2: Do you conduct business reference checks with new clients?

Yes ☐ No ☐

3: Do you Google or "check out" your customers before giving credit?

Yes ☐ No ☐

4: Do you monitor the on-going credit profile of your clients?

Yes ☐ No ☐

5: Do you invoice the day the product is supplied or job is done?

Yes ☐ No ☐

6: Do you offer clients multiple (more than three) payment methods (e.g. cheque, credit card, etc)?

Yes ☐ No ☐

7: Do you send payment "reminders" prior to due date?

Yes ☐ No ☐

8: Do you telephone debtors within 2 days of late payment?

Yes ☐ No ☐

9: Do you have telephone scripts following up broken 'promises to pay'?

Yes ☐ No ☐

10: Do you have a written escalation process? (In other words a series of steps that you will take at specific times if your clients are late in paying their invoices.)

Yes ☐ No ☐

11: Is the accounts receivable position a specialist role? (i.e. Not being 'squeezed in' amongst other roles.)

Yes ☐ No ☐

12: Do you have signed terms of trade with your clients?

Yes ☐ No ☐

13: Do you collect Name & DOB, or Company Number of all your clients?

Yes ☐ No ☐

14: Are records kept of all slow payer communications?

Yes ☐ No ☐

15: Do your terms of trade allow for collection costs to be added to the debt owed?

Yes ☐ No ☐

Score every "Yes" answer with one point.

12 to 15 Points	**Green:**	**Great, just a couple of areas to tidy up**
8 to 11 Points	**Amber:**	**Hmm, there are quite a few areas that need attention**
Below 8 Points	**Red:**	**Crikey, you really should review your credit processes**

Getting Serious is the starting point of all great successes in your life.

This means treating overdue payments from your clients as being a big issue and not something you can let slide.

It also means knowing how well you are doing right now. Once you decide to Get Serious it's a lot easier to do the work that is needed.

Action Exercises:

Are you willing to treat being owed money by your clients as a serious issue and not a minor one?

How much money are you owed that is over 30 days overdue?

How much money are you owed that is over 60 days overdue?

What does not having this money mean to your business?

If this money is not paid for another three months how will it affect your business?

Have you completed the Business Credit Test to see how good you are at collecting money and getting paid promptly?

How did you score and which areas could it be helpful for you to improve in?

Strategy Two: Reduce the risk of not getting paid

In business there is always the potential risk that one or more of your clients may never pay their invoice.

Sometimes this is a result of things that are well outside your control.

In the Christchurch Earthquake back in 2011 a huge number of businesses were totally destroyed and never reopened.

And this caused a number of the suppliers to these businesses to not get paid what they were due.

You can take out specialised business interruption insurance that will cover this type of situation if it does happen.

However there are two tools that are totally in your control that will reduce the risk of not getting paid.

And these two tools are

A: Clear Terms of Trade that are signed by your clients

B: A credit assessment on all your clients.

Let's take a quick look at both these tools and why they are important.

A: Have clear Terms of Trade Signed by Your Clients

If you are running a business your terms of trade are legal documents and will ideally reflect your individual circumstances:

- They will help you protect your hard earned profit
- They will protect you from potential liabilities
- They impose consequences for late payment
- They improve cash flow compliance and reduces overdue payments
- They resolve disputes and help you to meet customer expectations.

The key here is to invest in some specialist advice to ensure YOUR terms of trade protect YOU and give you every possible legal chance to get paid.

And make sure to get your customers to agree and sign your terms before you supply goods or commence work for any new client.

(If you don't do this your Terms of Trade might not apply.)

Terms of Trade should always be crystal clear.

So instead of using the confusing credit period of "20th of the month following"– be very specific with something like "Payment is due 7 days from invoice date".

That way there is no room for misunderstanding when your invoice is due to be paid.

B: Do a Credit Assessment of every client before you do work for them.

Before you give credit, make sure you know who you are giving it to and their track record in repaying other people (i.e. Credit check your customers).

Individuals credit ratings (their ability to repay debt) change over time; even more so with a business.

It is important if you have an on-going credit relationship that you continue credit checking your customers.

Don't be the last fool to find out things have changed and your clients are no longer in a position to pay you.

Credit agencies have a service whereby you can set up "credit alerts" that might tell you when one of your customers has a negative credit event.

(You are welcome to ask us how to set these up.)

Doing a credit assessment allows you to screen out bad or slow payers in advance.

Which increases your chances of getting paid on time with the clients you do work with.

Action Exercises:

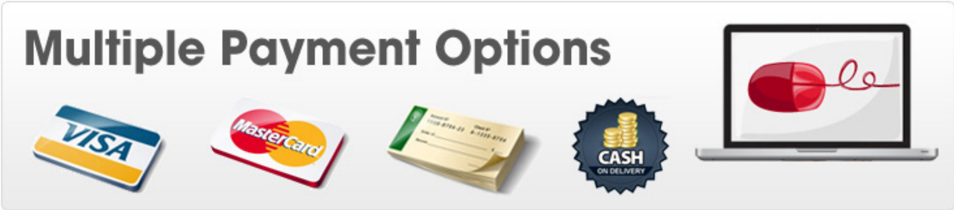
Have you taken professional advice around creating clear Terms of Trade for your business? Have you had all your clients agree in writing to these Terms of Trade?

Do you automatically run a credit check on all new clients for your professional services firm?

Do you have credit alerts set up to let you know if there is a change in the financial position of some of your clients?

"Our terms are net 30 days. If you don't pay after 30 days, we come after you with a net!"

Strategy Three: Offer M.P.O. (Multiple Payment Options)



Here's something to keep in mind about getting paid by your customers.

Generally, your customers will want to pay you.

So your job is to make it as easy as possible for them to pay you by providing multiple payment options and methods.

Offer multiple payment methods such as credit card, cheque, Paypal and internet banking. Similarly, offer multiple payment options – e.g. A discount for upfront payment OR 50% now and 50% on completion.

The more payment methods and options you give your clients the more likely they are to pay you promptly

Recent research suggests that firms who offer flexible and easy to find payment options get paid significantly faster than firms who offer fewer payment options.

The reason is obvious…
A client who was once a fast payer may have had a change in their circumstances, such as a large expense, project, unexpected business issue, etc.

Additional working capital may be required to fund a larger than normal expense.

These burdens require some flexibility in order for you to get paid on time.

Offering lump sum and monthly payment options will offer your clients the best chance to select an option which suits their immediate requirements.

BONUS TIP:

Many clients prefer a streamlined billing/payment process so we recommend you set up an online payment page to offer all your payment options.

Contact us if you would like to arrange this payment page – it may even be free.

Action Step:

What different payment methods and options could you offer your clients so you increase your chances of getting paid on time?

"There's an error in my bill. You accidentally sent it to someone who has no money."

"If an invoice is due in 30 days, we pay it in 60 days. If it's due in 60 days, we pay it in 90 days. If it's due in 90 days, then they probably don't need the money anyway."

Strategy Four: The early bird gets paid

We all know the proverb

'The early bird catches the worm'.

I prefer a slightly different version which is 'The early bird gets paid.'

This just means you take action fast when you are not paid on time. It also means you invoice fast whenever you do work for your clients. Ideally any work you do should be invoiced to your clients within 24 hours.

When you don't get paid within your terms of credit (e.g. 14 days from date of invoice) don't leave it another 30 days before contacting your customer for their explanation and to request payment.

If you email or post monthly statements before following up by telephone it might quickly be 70+ days overdue before you make personal contact.

That means you are acting like a bank for your customer – giving them free credit.

The most effective and cost-efficient method to address slow payers is by telephone.

We recommend you phone all clients who have not paid their invoice within two days of the due date. (Contact us for a tried and proven professional service telephone script that you can use with these clients who late are paying their invoice.)

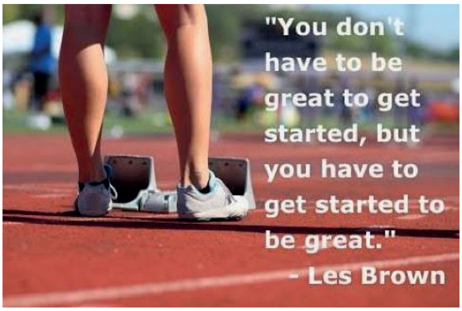
If you don't like making the calls (and who does?) consider using a managed ledger service (e.g. smartAR) to make them for you.

The key to the early bird catches the worm is take action fast – and that means within two days.

Action Exercise:

What clients will you contact by phone when they are two days late in paying their invoice?

What will you say to these clients when you phone them?



Strategy Five: Planned Escalation

The **DEF**ENSE READINESS **CON**DITION (**DEFCON**) is an alert state used by the United States Armed Forces.

The **DEFCON** system was developed by the Joint Chiefs of Staff (JCS) and unified and specified combatant commands.

It prescribes five graduated levels of readiness (or states of alert) for the U.S. military. And outlines what happens at each level.

Readiness condition	Exercise term	Description	Readiness
DEFCON 1	COCKED PISTOL	Nuclear war is imminent	Maximum readiness
DEFCON 2	FAST PACE	Next step to nuclear war	Armed Forces ready to deploy and engage in less than 6 hours
DEFCON 3	ROUND HOUSE	Increase in force readiness above that required for normal readiness	Air Force ready to mobilize in 15 minutes
DEFCON 4	DOUBLE TAKE	Increased intelligence watch and strengthened security measures	Above normal readiness
DEFCON 5	FADE OUT	Lowest state of readiness	Normal readiness

As the DEFCON levels change (or escalate) there are different actions required by various branches of the armed forces.

In other words there is Planned Escalation in the DEFCON Process.

I highly recommend you set up a Planned Escalation Process for your own business with regards to your invoices.

This just means that you expect that sometimes customers will be slow payers and that others may default completely and never pay.

So you work out in advance what your options are to escalate recovery and how you will respond to different scenario that my happen along the way.

E.g. When customers ask the question: "Can I pay you when I get paid?"

What will you say?

At what stage will you charge interest?

When will you stop supplying goods or services?

When will you send to a debt collector?

Be prepared, and then just follow your escalation timeline.

If you think about top sports teams in any field you know that they have a planned response to any situation that they may face in a match with another team.

If the other team does X then they will do Y.

This planned response is carefully thought out in advance and a lot of training and practice goes into their responses.

We recommend you take the same approach to getting paid by your clients.

Have a planned response and a timeline that you will follow whenever your client is slow paying their invoice.

So at day two of your client being late paying you the action you will take is X.
If a client misses a payment they promised to make you will do Y
And so on.

Having a planned escalation process takes a lot of the stress out of collecting money and getting paid. You know in advance exactly what actions and steps you will take.

You will know when to phone a client, what to say on each phone call and when you should engage the services of a debt collector when all else fails.

Here is an example of a planned escalation process...

As soon as a client exceeds your payment terms, request the full outstanding amount by either:

1. An immediate cheque or direct credit;
2. A credit card payment;
3. A monthly payment option. Use a cleverly written letter or a diplomatic telephone call explaining that the debt has exceeded standard terms and now needs to be settled using one of these three methods.

If the account is still not settled within a couple of days, then approach the client again with another monthly payment option.

Advise the client that this is the only option for addressing accounts past standard terms – unless they would prefer to pay in full by direct credit or by credit card.

Don't feel embarrassed for doing this and, if you do, organise for somebody else to do your credit control (Use a professional ledger manager like smartAR)

By presenting the client with these options the question is no longer when, but how, the account will be settled.

Clients who do not pay at this stage will probably never pay – they are in effect saying they would rather use your funds than their own to have their job done.

Action Exercise:

What is your planned escalation process with any client who is slow paying?

What specific actions will you take with these clients and what is the time frame for each action?

"Send him our toughest collection letter, threaten him with legal action, and subliminally suggest some type of bodily harm. But put XOXOXO under my signature to show that we still love him as a customer!"

Strategy Six: Choose Fast Results

Let me start this section by asking you a serious question:

Who would you hire if you suddenly needed lifesaving heart surgery?

Would you go with a newly qualified doctor, fresh out of medical school with very little real world experience?

Or would you want the most experienced, veteran heart surgeon who had done hundreds of successful surgeries?

When you evaluate it this way, the obvious choice is the experienced heart surgeon.

In a life or death situation, you certainly wouldn't risk rolling the dice with the inexperienced doctor fresh out of medical school.

Now let me ask you another question:

If you decide today that you want to make a radical improvement in your accounts receivable results over the next 12 months who would you prefer do the work that will be required?

Someone who is just 'okay' at accounts receivable or the expert accounts receivable specialist who has been producing record results for the last five or ten years or more?

Again the answer is obvious.

One of the smartest ways to get better results with your accounts receivable is to use experts with a proven track record.

The good news is that if you employ outside experts (like smartAR) to handle your accounts receivable function it is usually a lot cheaper than hiring an accounts receivable person to work full time for you.

So not only do you get better results you also spend less money at the same time!

"If you know how to beg, we may have a position for you in Accounts Receivable."

If you choose to manage your credit policy and accounts receivable yourself, then make sure that you have the right people, make sure they have the right tools and skills and make sure they allocate enough time to do to the job.

Here are three questions that are useful to help you decide if you want to handle your accounts receivables yourself or hire outside experts to do the work for you.

Question 1: Is the person you are thinking of using trained carefully and do they have a real enthusiasm for doing the accounts receivable job?

Question 2: Do your accounts receivable people know all the appropriate legislation, your escalation process and do they have sound negotiation skills to facilitate payments?

Question 3: Is chasing slow payers a priority for your business or is it a job that is squeezed in around other priority roles – meaning slow payers are followed up sporadically?

You may be like many other businesses: too busy doing current work or developing new business to follow up slow payers.

In that case contact us to discuss our managed ledger service.

We GUARANTEE you will have more cash, fewer slow payers and no hassles.

We have several services that may be just what you need to help you solve the slow payment challenges you face in your business.

Here is some feedback from just a few clients that we have helped with our smartAR (AU & NZ) service…

Denis Withy, Laser Electrical Papakura "My accountant put me onto smartAR 12 months ago. In terms of business issues that we were wanting to address, I had a debtor's ledger that was massive as well as being very busy, we didn't have time to chase up our debtors and we didn't like the confrontation with good customers saying "where's my money?". smartAR has worked out awesome for us, they have bought our debtors days down from 68 to 45 days in 12 months. Rachel is our Go-getter and as I said to her, she's the one person I don't mind getting complaints about in my business because she is doing her job and she is fantastic.

I would definitely recommend smartAR to other companies. It's easy, you get a report every week saying any queries so you can jump onto it straight away, and it's great."

Brett Edmonds, Partner at Oracle Accounting Group "The reason for engaging smartAR was because we recognised we had a problem with chasing our outstanding debtors. For that reason, we looked around and found a company that could do it for us. We had been through the process of getting our staff to do it which was unsuccessful. We had various staff members doing it then other staff members doing it and really, they wanted to do anything else but chase it. There was no real passion from our staff to do it and we certainly didn't want to do it because our relationship with our clients suffered because of it.

Our initial concerns about outsourcing were to do with the confidentiality of data. We weren't too sure how it would work and we looked into the ramifications of having an outsourced company have access to our data. After a few conversations and emails backwards and forwards we realised we could actually deal with that through permission settings on our network and software.

I'm pleased to say we have had great success. We've been with smartAR for about 5 months now. About 80% of our debtors were about 60-90 days. In the 5 months, they've come down to about 20% in that area and generally speaking, our debtors are about 35 days. That's almost half of what we started with and we couldn't be happier. I would say to other people that are looking at a process like this to go ahead and do it, you have absolutely nothing to lose and so much to gain"

Penny Kidd JOHNSTONE LAWRENCE "Chasing Debtors is both time consuming and it's not something that most people are very good at. smartAR frees people up to get on with what they do best which is very important, particularly in a busy law firm. smartAR enables us to offer financial assistance for clients if they require it with good interest rates and terms which suit them. Initially my main concerns were that it might be a bit heavy handed but I actually had nothing to worry about. The accounts receivable person who has been allocated to us is amazing, she has just become part of our team.

Since partnering with smartAR, we have been able to keep on top of our account matters and have significantly reduced the amount of outstanding debt.

Nigel Harrison MCLAREN GUISE ASSOCIATES LIMITED "After less than a year of using smartAR to manage our accounts receivables, we have achieved our target collection times. Implementation was straight forward and easy. We spend more time doing accounts now than chasing accounts".

Your Final Action Exercise:

What will you do so you get fast results with the ideas and tips that we have covered in this guide?

A final comment:

We've covered a lot of helpful ideas in this guide.

And I trust you've found something of value.

One of the most important keys to success is to take action that moves you closer toward your goals.

One action you might like to take is to schedule a no cost chat on the phone with me or one of our team members who is a cash flow specialist. In this chat we'll share specific things that you can do in your own business to get fast improvements in clients paying you on time.

There is no charge or obligation for this chat. And I'm sure you'll find it useful.
We look forward to speaking with you soon.

Dave Birch

Managing Director
smartAR

NEW ZEALAND

Email: contact@smartar.com

Phone: 0800 467 634

Address: Level 3, Ideal House, 4 Gillies Ave, Newmarket, Auckland, NEW ZEALAND

AUSTRALIA

Email: contact@smartar.com

Phone: 1800 831 410

Address: Level 32, 101 Miller Street North Sydney, NSW, AUSTRALIA

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www.smartar.com