

BUSINESS TOOLKIT

**Getting paid faster
and improving your
business cash flow**



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10 TOP TIPS

Getting paid faster and improving your business cash flow

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Cash is the lifeblood of any business and getting paid on time is crucial to the success of a small-medium business.

Keeping on top of money flowing in and out and good cash flow management is important to ensure your business growth stays on track and knowing your exact financial position allows you to plan ahead and make informed financial decisions to take your business to the next level.

Colin Whitehead is a director at Naylor Wintersgill chartered accountants who manages a growing portfolio of owner-managed businesses. With much experience of dealing with a large number of small-medium sized businesses across a range of different sectors, Colin shares his top 10 tips to help you get paid on time and improve the health of your business cash flow.

1 Have a policy and stick to it

Ensure your Terms and Conditions including payment terms are clearly identifiable and that you agree them with your customer in advance. If a customer falls outside these terms, don't be afraid to take action and chase a late payment. It shows that you're a professional business owner and expect to be treated as one – consistency is key.

2 Review your payment terms.

Despite prompt payment being crucial to maintaining a healthy cash flow, research has shown that the average number of days taken for a business in the SME sector to collect payment in 2018 was 57 days. Your customers will be becoming more familiar with seeing shorter payment terms and so reducing yours from 30 to 14 days is a simply way to help ensure you get paid quicker.

3 Invoice right, first time, every time.

You're more likely to avoid queries and the dreaded late payment if the quality of your invoice administration is high from the very start. Simple errors such as spelling mistakes, incorrect dates and typos can all lead to your bill being rejected, causing delays.

If you're working with larger companies, it's also important to receive a Purchase Order (PO) number from them and clearly show it on your invoice. A PO number forms a contract between yourself and your customer and using one ensures that your invoice gets processed in a timely manner.

4 On time, every time.

Many organisations will have a month end cut-off date for submission of invoices each month. Getting to know when your customer's payment run is and making sure your invoice is issued promptly before the cut-off date will help to ensure you get paid on time. If your request for payment reaches them after the date, it's very likely that it won't get paid until the following month.

5 Separate debt collection

Maintaining good relationships with your customers is important, however, it's often inevitable that a time will come when you need to chase an outstanding payment from them. If possible, it's a good idea for the individual within your business who's responsible for recovering unpaid amounts is different from the one upholding the relationship with the customer. This will help you to get paid faster whilst maintaining your working relationship with them.



About Naylor Wintersgill

Naylor Wintersgill is the largest independent firm of chartered accountants based in Bradford city centre. We also have a second city centre office at One Park Row in Leeds to support our continued growth across the region

As a member of the Institute of Chartered Accountants in England & Wales; we are a trustworthy source of independent advice on a full range of business, audit, accounting and taxation matters.

To find out how we can help your business grow and succeed, visit www.naylorwintersgill.com or call 01274 733184.

6 Make use of technology

For many small-medium business owners, we believe that using online accounting software is the best solution to allow you to work more efficiently and smarter within your business.

Using a cloud based software package allows you to easily create customer and supplier accounts and send and receive invoices electronically. Many digital platforms such as Xero or QuickBooks also have automatic debtor chase functions and add-on tools specifically designed to tackle debt recovery. By turning on automated invoice reminders you are able to follow up outstanding invoices and get paid on time, in a way that best suits your business.

7 Be proactive

One of the most effective methods of ensuring your fees are received promptly is to communicate with your customer before the invoice is due. Giving them a courtesy call around 7 days before the expected payment due date to double check that the customer is happy can ensure that any issues or queries are resolved before an amount becomes overdue.

8 Pick up the phone

If it's something you haven't done before, chasing an invoice can be a daunting prospect. However, it's important to remember that chasing invoices is all part of the course so don't be afraid to do it! Phone calls often achieve the best results so pick up the phone, be firm and be professional.

9 Don't be afraid to put a customer 'on stop'

If you need to, don't be afraid to stop supplying a customer if they stop paying you. All businesses need to make money and a non-paying customer can be detrimental to your success, so why continue to provide them with goods and services that you're not getting paid for?

10 Call in the professionals

If you simply haven't got time to chase unpaid debts or all your other methods to chase an outstanding payment haven't been successful, consider using an external debt recovery agency. There are some very reputable firms locally who specialise in debt recovery and can help you keep your cash flow on track whilst ensuring the relationships with your customers are maintained. Naylor Wintersgill work very closely with a number of debt recovery experts and can help direct you to a provider to suit your needs.