

Guide to receiving accurate and timely payments

A comprehensive guide to reducing late payments and maximising your cashflow





To many businesses, managing difficulties in cashflow caused by late payments can be a time consuming and manual process. Whether it's you or your team involved in chasing payments, it requires significant resource and time that can take the focus away from the core activities of your role.

Additionally having a cashflow that's unpredictable or even erratic, can undermine confidence and ultimately reduce investment into your business.

To better manage this fluctuation and reduce risk, it's key to select the payment methods right for your business, choosing and sticking to prompt payment terms, and implementing an efficient invoicing and payment collection process.

Take a look at our tips below to help reduce late payments:

1. Be clear with your customers

Ensure your customers and clients know what you expect from them and when they must pay. One late payments can encourage more late payments later down the line.

While it seems obvious, it's important that all the information for customers to pay is there on the invoice. This means there's no reason for them not to make payment as per your terms, so check that the company details, the payment amount and description, due date and ways of payment are all clear. If you send invoices by email, include a link to your payment provider.

2. Discourage future late payments

Whilst charging late payment fees can be uncomfortable for many businesses due to the risk of losing customers, it can be very effective. It's best to include charges in your contract, however if you haven't, current legislation states you can charge 8% above the base rate per day to late payments. It also states that payment is deemed late 30 days after the customer gets the invoice or after the goods or service is delivered (if this is later).

You can always set a reminder to your customers 7 days before the late payment deadline, reminding them to pay or be faced with late payment charges.

3. Offer incentives

Incentives can take a number of forms, such as financial incentives for adopting a particular payment method, or alternatively the threat of withholding service if payment is not made.

Depending on your business goals, you could offer discounts for your best payers for paying early, or provide better credit terms to consistent best payers, or you could simply email customers offering a small discount for early payment. Be sure that any incentives are prominent on your invoices and in your customer communications.

You can even use it as sales leverage in certain circumstances, but make sure you monitor various strategies to determine which suits your business best.



4. Regular, timely follow-up

Getting your invoice correct and out on time is essential, but to be completely effective, you also need to have a structured follow-up in place to give you the best possible chance of collecting due payments.

This communication chain will be different for every organisation and possibly each customer group. Your follow-up process must have several steps that become increasingly persuasive, such as email, letters, SMS. If you use cloud based software, this can be automated.

Think about the tone of the communication for each step and what outcome you want. Test each communication and optimise the message to get the best response rates.

5. Choose the right payment solution for your product or service

With such a huge range of payment options, it can be overwhelming. When deciding upon a payment method, there are several factors that need to be considered to help you make the right decision.

Cheques (5 working days), Bacs (3 working days) and faster payments (2 hours) are all payments that are under the control of your customer and are or can be, a slower route to receiving your payment.

While card payments are useful and convenient for one off, instant purchases – using them for recurring payments can cause difficulties with fraud, expiry dates and declined transactions which all take time to resolve.

If you need to take ongoing, regular payments, then an option is standing orders, however this lacks flexibility so if you change your pricing, your customers will need to sign a new instruction each time, slowing down the process and potentially affecting your income.

Using Direct Debits, you receive a flexible option with instant payment notification. You can set up a Direct Debit instruction quickly, and there's no risk of card expiry or need to ask customers to resign their agreement each time there's a change. It's also convenient and safe for your customers too, as they are reassured their payments are protected with the Direct Debit Guarantee.



6. Streamlining your business processes

The payment mechanisms need to sit comfortably within your business and make it easy for everyone - from sales to credit control. The main objective of your payment process should be to ensure payments are invoiced and collected on time and can be automated, with as little human involvement as possible.

Whilst there will always be abandonments during a purchase, ensuring the buying process is a smooth and frictionless journey will reduce this number.

Make sure your sales staff are familiar with the purchase options available and can guide the customer quickly and easily through sign-up to complete the sale.

How easy is it to see who has and hasn't paid? You can reduce the time intensive work by using a payment method that guarantees regular payments.

Review and monitor both late payments and non-payers. How much is outstanding? And how do you chase customers who haven't paid? Switching your payment method can reduce the debt whilst also lowering your work load.

7. Going paperless

Automating the entire process from invoice to payment collection and reconciliation to have a complete end-to-end paperless finance process can improve efficiency.

This reduces print and postage costs, saves staff time running reports and reconciling bank accounts, leaving you to get on with your business. The cost savings can be tremendous.

Apart from the cost savings, fewer processes need manual intervention, meaning less chance of human error.

8. The 80/20 Rule

The 80/20 rule is particularly helpful when looking at efficiency. At its heart is the idea that a small number of causes have a disproportionate influence on the effects, e.g. 80% of your profits come from 20% of your customers.

It might be that 20% of your customers are late or non-payers. Having the visibility of those payers instantly can make all the difference.

And taking it step further, being automatically notified of those non-payers, then you or your team's time is focused on resolving the problems, and not manually searching for them.

9. The power of information

Have some key metrics in place to help you put focus in the right area.

Use management reports regularly to assess whether changes you've made have had a positive impact on collection rates.

Use Arrears reports and look at the trends. Make changes to your payment process, then check the impact, and re-assess.

All Accounting systems and packages have detailed reports capabilities. Standard reports including:

- **Overdue Invoice Reports** as these can help with chasing.
- **Aged Debtors Report** will help identify trends and repeat late payers.
- **Expenditure Type Trend Report** will help see where the main expenses are and what's increasing in cost.
- **Invoice by Payment Method Report** can be really useful, especially if used in conjunction with the other reports to see if a particular payment method is the problem or a particular success.
- **Historic Sales and Expenditure Reports** will help you see where the sources of money in and out, and you may be able to quickly identify cuts to outgoings or focus on income gaps.



Taking action

Implementing the changes you need can ensure an efficient, cost effective, end-to-end payment collection process.

Your finance team will no longer need to spend valuable time chasing payments and can instead focus their time on their core activities.

Cashflow certainty brings greater confidence as well as driving further growth. It also allows you to plan and build for the long-term, enabling you to develop competitive edge, drive sales and marketing and brings resilience and protection during economic difficulty.

Greater control with Direct Debit payments

With cash, cheques, standing orders, card payments and bank transfers, your customers are the ones in the driver's seat. You need to chase them for payment, causing further time wasted and impact on your cash flow.

With Direct Debit, you set the payment amount, payment date and frequency and you can expect your payments to come in on time.

Payments are then automated for you without any intervention. You'll be notified of nonpayers immediately giving you instant transparency and control.

Direct Debits have an average collection success rate of 98%. There's no action needed by your customers to pay, it's a convenient method that enables you take payments accurately and on time.

Scalable and flexible to your business

Direct Debit payments can be designed to fit with your business, with seamless options to mould to your sales and credit control processes, whatever the size and growth of your organisation.

You can set up Direct Debit payments in several ways, but make sure that you choose a method that works with your sales process, your sales team and your customers.

Secure and trusted

The Direct Debit scheme has been a secure and trusted payment method for around 50 years, and integrating it with web and mobile technologies provides you with complete flexibility.

Without exception, Direct Debit is the best way to collect regular payments from your customers.

Integrated Direct Debit payments

Using cloud-based technology and APIs means that Direct Debit payments can fully integrated with your business software.

Our mobile app can enable you to sign up customers on the spot, with no paperwork and reduced admin overheads.

Using our API allows you to connect Direct Debits to your CRM, accounting and management systems to provide seamless end-to end Direct Debit processing

Sign up customers using an online Direct Debit form on your website or linked to from your emails.

Eazy Collect

Eazy Collect is part of The Access Group and is a Bacs Approved Bureau that provides Direct Debit and payment management services.

Our secure cloud-based Direct Debit service is designed for any size of business or sector, and scales with you as you grow.

- **Set up and make payments quickly with full visibility over your payments**
- **Easily create flexible payment schedules**
- **Manage your transactions and see who is set up to pay you and when.**
- **Receive alerts for late payments**

To find out how we can help you take control of your payments and reduce your late payments, get in touch today on: 01242 650052 or email sales@eazycollect.co.uk



About The Access Group:

Eazy Collect was founded in 2002 and is part of The Access Group. The Access Group is a leading provider of business management software to mid-sized UK organisations. It helps more than 35,000 customers across commercial and not-for-profit sectors become more productive and efficient. Its innovative Access Workspace cloud platform transforms the way business software is used, giving every employee the freedom to do more. Founded in 1991, The Access Group employs more than 2,900 staff.

 **01242 650 052**

 **sales@eazycollect.co.uk**

 **www.eazycollect.co.uk**

www.theaccessgroup.com
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