

A hand is shown in the process of placing a coin on top of a stack of coins. There are three stacks of coins of increasing height from left to right. The background is a warm, golden-brown color with a blurred bokeh effect. The overall image has a professional and financial feel.

smart
AR

HOW TO STOP YOUR CLIENTS TREATING YOU LIKE A BANK

Six proven strategies to improve your business cash flow



smart
AR

better business
cash flow

IMPROVE CASH FLOW

SAVE TIME

GROW YOUR BUSINESS

☎ 1800 831 410 | 📍 GPO Box 5222 Sydney 2001 New South Wales
☎ 0800 467 634 | 📍 PO Box 113-027 Newmarket Auckland 1149
✉ hello@smartar.com | 🌐 www.smartar.com

TABLE OF CONTENTS

Introduction:	Better Business Cash Flow	2
Strategy 1:	Get Serious	3
Strategy 2:	Reduce the Risk of Not Getting Paid	11
Strategy 3:	Offer M.P.O	17
Strategy 4:	“The early bird gets paid”	21
Strategy 5:	Planned Escalation	25
Strategy 6:	Choose Fast Results	29



INTRODUCTION



Better Business Cash Flow

Providing cash flow to help grow your business

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

However, many of the businesses I talk to have cash flow blockages in their system

These blockages are usually caused by several clients not paying their invoices on time.

In fact, it is common to see SME businesses with between \$50k - \$2m of invoices which are over a month late in being paid.

That's a big problem and the reason I created this business guide.

I outline six simple strategies you can use to help your business get paid faster. When you use these strategies consistently you'll be delighted at how well they work.

With this booklet as your guide we know your business can enjoy the healthy and positive cash flow you need to thrive.

Kind regards



Dave Birch

Group Managing Director
smartAR



GET SERIOUS





Get Serious

These two magic words explain success in many areas of life.

Think about an important goal that you achieved:

- Maybe it was a fitness goal, when you got into shape?
- Perhaps it was a travel goal when you enjoyed a great holiday?
- Or was it a big family goal such as building your dream home?

“ *What was the starting point for any goal you achieved?*

In most cases you started to get closer to achieving your goal once you made a decision to *Get Serious* about it.

You were no longer treating the goal as something ‘nice to have one day’. You are now ‘serious’ about getting it. The same two words apply to being paid promptly in your business. You must ‘*Get Serious*’ about getting paid.

This is quite different from saying ‘It would be great if all our clients would pay us on time.’ In reality, following certain steps will help you get paid promptly by your clients. These steps take time and effort to become action.

But if you don’t decide to ‘*Get Serious*’ about getting paid on time, it’s unlikely you’ll make the necessary steps and do the work.



**IT'S TIME TO
GET SERIOUS**



Understanding How Good Your Business is at Being Paid on Time Right Now

Understanding your starting point is the first step to reaching any important goal.

If you want to get in better shape physically the first thing you do is take some measurements (and perhaps do tests) so you know exactly the shape you are in now.

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

Once you know your baseline measurements, you're in a position to track your progress.

Apply the same principle on getting paid on time in business. If you want to improve your current results you need to know how you are doing right now.

Therefore I recommend you complete the following Business Credit Test.

Simply answer each question 'Yes' or 'No'. Then add up the number of Yes answers, to find out how well you are doing.

This simple test should take you less than two minutes and is all part of *Getting Serious*.

This test will establish how your business processes stack up across the three major areas:

- **Credit Assessment**
- **Debtor Management**
- **Debt Enforcement**

Business Credit Test

Tick the box if it applies to you.

- Do you conduct credit checks on new clients?
- Do you conduct business reference checks with new clients?
- Do you check out (eg Google) your customers before giving credit?
- Do you monitor the on-going credit profile of your clients?
- Do you invoice the day the product/service is supplied?
- Do you offer clients multiple (three or more) payment methods?
- Do you send payment 'reminders' before the due date?
- Do you phone slow payers within two days of late payment?
- Do you have phone scripts to follow up broken 'promises to pay'?
- Do you have a written escalation process if your clients are late in paying their invoice?
- Is the accounts receivable position a specialist role?
- Do you have signed terms of trade with your clients?
- Do you collect name & DOB, or Company Number from clients?
- Are records kept of all slow payer communications?
- Do your terms of trade allow for collection costs to be added to the debt owed?



Tallying Your Score

Score every tick with 1 point.

12-15	Great just a couple areas to tidy up.
8-11	Quite a few areas need attention.
0-7	You should review your credit process - now!
My Score <input type="text"/>	

'Getting Serious' is the starting point of all successes in life. This means treating overdue payments from clients as an important 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 needed.

Exercise

Fill out the form below.

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's over 30 days overdue?

How much money are you owed that's 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 (page 7) 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?

A close-up photograph of a hand stacking colorful wooden blocks to form a staircase. The blocks are in shades of red, blue, and green. The hand is positioned on the right side of the frame, with the thumb and index finger visible, carefully placing a block. The background is a warm, orange-toned gradient. The text 'YOUR SUCCESS IS DEPENDENT ON EFFORT AND ACTION' is overlaid on a semi-transparent orange shape on the left side of the image.

**YOUR
SUCCESS IS
DEPENDENT
ON EFFORT
AND ACTION**



REDUCE THE RISK





Reduce The Risk

Reducing the risk of not getting paid

In business there's always an element of risk that one or more of your clients may never pay their invoice.

Sometimes this is a result of things outside your control - these are abnormal trading events. For example the 2011 Christchurch earthquakes or the 2009 Black Friday bushfires in Victoria destroyed numerous businesses and some never reopened.

This resulted in several suppliers of those businesses not getting paid what they were due. You can take out specialised business interruption insurance to cover this type of situation.

However, using two tools can help reduce the risk of your business not getting paid during normal trading.

These two tools are:

- 1 Clear Terms of Trade signed by your clients.**
- 2 A credit assessment on all your clients.**

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



Clear Terms Of Trade Signed By Your Clients

Understanding your Terms of Trade

Your business Terms of Trade are legal documents reflecting your individual circumstances, helping to:

- **Protect your hard-earned profit**
- **Protect from potential liabilities**
- **Impose consequences for late payment**
- **Resolve disputes and set customer expectations.**

The key is to invest in specialist advice to ensure your Terms of Trade protect your business, giving you every possible legal chance to get paid.

Make sure any new customers agree and sign your terms before you supply goods or start work. (If you don't do this your Terms of Trade might not apply.)

Terms of Trade should always be crystal clear.

Use a very specific credit term on your invoice such as 'Payment is due 7 days from invoice date.' Stay away from a confusing credit period like '20th of the month following.'

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



Assess Your Clients Credit Before You Do Work For Them

Understanding your Terms of Trade

Before you give credit, make sure you know who you are giving it to. A credit check can provide confidence your clients' can pay.

Credit agencies provide a 'credit alert' service to tell you if any of your clients experience a negative credit event.

An individual's credit rating (their ability to repay debt) changes over time; even more so in business. If you have an on-going credit relationship, it's important you continue credit-checking your customers.

Ask us about setting up credit alerts.

Credit assessments allow you to screen bad or slow payers in advance and improves your chances of getting paid on time.

Don't be the last to find out your client's situation has changed, and they are no longer able to pay you.

Exercise

Complete the form below.

Have you taken professional advice to create clear Terms of Trade for your business?

Have all your clients agreed in writing to your Terms of Trade?

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

Do you have credit alerts set up to tell you if clients financial position changes?

REDUCE THE RISK

**TRUST IS EARNED
WHEN ACTION
MEETS WORDS**



MULTIPLE PAYMENT OPTIONS





Offer Multiple Payment Options (MPO)

Make it easy for your customers

Generally, customers want to pay you. So, make it as easy as possible. Do this by providing multiple payment *methods* and *options*.

Methods include: Offering credit card, cheque, Paypal, internet banking or financed installment payments to help clients pay in a way that suits them.

Options include: Giving an upfront payment discount, offering 50% now and 50% upon completion or instalment payments.

Research suggests firms offering flexible and easy to find payment options get paid significantly faster than firms with fewer payment options.

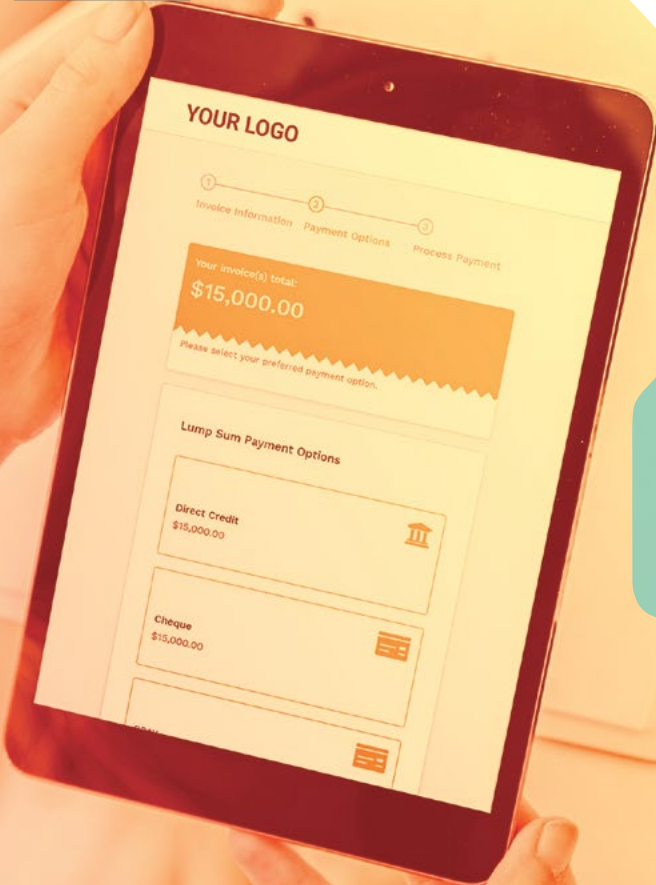
Ask us about smartAR's payment page. It's a flexible, easy to install online page where you can offer all your payment methods to your clients in one place.

Here's why we recommend MPO.

For example, a client who was once a fast payer has experienced a change in circumstances. It could be a large expense, project, or an unexpected business issue. The event required additional working capital to fund a larger than usual expense.

These burdens require you to be flexible to ensure you get paid on time. Offering lump sum and monthly payment options means clients can choose a payment method to suit their immediate requirements.

If you are a Professional Service Firm (eg accountant, lawyer) ask us for more details about our fee funding solutions.



EVERY WAY
FOR YOUR
CLIENTS
TO PAY

Exercise

Fill out the form below.

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



EARLY BIRDS GET PAID





The Early Bird Gets Paid

Acting quickly so you get paid on time

We all know the proverb 'The early bird catches the worm'. I prefer a slightly different version which is

“ *The early bird gets paid.* ”

Ideally any work you do should be invoiced to your clients within 24 hours. It also means acting quickly when you are not paid on time.

When you don't get paid within your terms of credit (e.g. 14 days from invoice date) don't wait for 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 can quickly be 70+ days overdue before you make personal contact.

This means you're acting like a bank for your customers – giving them free credit.

The most effective, polite and cost-efficient method to follow up slow payers is by telephone.

We recommend you phone all customers who have not paid their invoice within two days of the due date.

Ask us for a tried and proven professional service telephone script to use with customers who late are paying their invoice.

If you don't like making the calls (and who does?) consider using smartAR Outsourced Solutions to make them for you.

Being the early bird means taking fast action – and that means within two days.

Exercise

Fill out the form below.

Which customers will you phone when they are two days late paying their invoice?

What will you say to customers when you phone them?

A YEAR
FROM NOW
YOU WISH
YOU HAD
STARTED TODAY





PLANNED ESCALATION





Planned Escalation

Organizing your escalation process

I recommend you set up a Planned Escalation Process for your business invoicing. This means you expect sometimes customers will pay slowly and others may default completely and never pay.

To plan for this, work out what your options are to escalate recovery and how you will respond to different scenarios. 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 to follow your escalation timeline.

Take the Apollo moon landing. You know they had a planned response to any adverse situation. If the circumstances required they had a Plan B and Plan C.

This carefully planned response was supported by training, practice and repetition. We recommend you take the same approach in your business.

Have a planned response ready with a timeline to follow whenever your customers are slow paying their invoice. This means at day two of your customer late paying, you take action X.

If a customer then misses a payment, as promised you will do Y. And so on. A planned escalation process removes a lot stress from collecting money.

You know in advance exactly what actions and steps you will take.



Calling Your Customers

Contacting your customers so you get paid

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

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

- 1 An immediate direct credit
- 2 A credit card payment
- 3 An arrangement for installments.

Use a carefully worded letter or a diplomatic telephone call explaining the debt has exceeded standard terms and now needs to be settled using one of the above three methods.

If the account is still not settled within a couple of days, then approach the customer again with a pre-completed installment agreement. Tell the customer 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 doing this and, if you do, organise for somebody else to do your credit control. By presenting the customer with these options the question is no longer when, but how, the account will be settled.

Customers who do not pay at this stage will probably never pay – they are in effect saying they would rather use your money than their own.

Ask us for examples of telephone scripts, escalation templates or Outsourced Solutions.

Exercise

Fill out the form below.

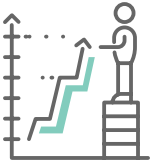
What is your planned escalation process with slow paying customers?

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



CHOOSE FAST RESULTS





Choose Fast Results

How you can get faster results

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

Who would you hire if you suddenly needed life saving heart surgery? Would you choose 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.

Let me ask you another question. If you decide today you want to make a radical improvement in your accounts receivable results over the next 12 months who would you prefer to do the work?

Someone who is 'okay' at accounts receivable or the experienced accounts receivable specialist who has been producing record results for more than ten years?

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 if you employ outside experts (like smartAR) to handle your accounts receivable function it is usually a lot cheaper than hiring a full time person.

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



Your Guide to Better Business Cash Flow

Inhouse or Outsourced Solutions?

If you choose to manage your credit policy and accounts receivable yourself, make sure you:

- 1** Have the right people, with;
- 2** The right tools and skills, and;
- 3** Allocate enough time to do to the job, well.

Or you may be like many businesses, too busy working or growing the business to follow up slow payers.

*In that case contact explore outsourced solutions. We **GUARANTEE** you will have better cash flow, 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 professional services business.

Questions to answer

Here are three questions to help you decide if you want to handle your accounts receivables yourself or hire outside experts.

Is your accounts receivable person a specialist. A trained negotiator with real enthusiasm for doing the accounts receivable job?

Do your accounts receivable person armed with knowledge of legislation, your escalation process and software tools to facilitate payments ?

Is following up slow payers a priority for your business? if so does your accounts receivable person squeeze the job in around other priority roles – meaning slow payers are followed up sporadically?

Client Feedback



Client Feedback

How people have used smartAR services to grow their business



“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 various staff members doing it then other staff members doing it and really, they wanted to do anything else but chase debt.

Brett Edmonds, Partner at Oracle Accounting Group



“We wanted to solve the issue of getting paid in a timely way without hassling or getting on the wrong side of clients. Fee funding has provided a solution. I wouldn't hesitate recommending fee funding to other accountants as another tool in controlling their fee payment process.

Rob Koch, Partner, RWK Accountancy



“fee funding is the smart way to manage your debtors. It's the cash flow solution. smartAR's fee funding gives our clients a flexible option which suits all their needs. It makes it easy for us to maintain a positive relationship with our clients and it's very easy for me to use and manage.

Julie Stabernac LBW Chartered Accountants



“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.

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.

Penny Kidd - Johnston Lawrence



“My accountant put me onto smartAR 12 months ago. In terms of business issues that we were wanting to address, I had a debtors ledger that was massive as well as being very busy, we didn’t have time to chase up our debts 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.

Dennis Withy - Laser Electrical

Final Exercise

Fill out the form below.

What will you do so you get fast results using the ideas and tips contained in this guide?



A Final Comment

Enquire about our services

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

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

One action you might take is to schedule a phone call with me or one of our cash flow specialist team members.

We'll share specific things you can do in your own business to improve your cash flow.

There is no charge or obligation for this call and I'm sure you'll find it useful.

We want your business to have the cash flow it deserves and more importantly needs to thrive.

We look forward to talking to you soon.

A handwritten signature in black ink, appearing to read 'Dave Birch', with a stylized flourish at the end.

Dave Birch

Group Managing Director
smartAR



better business
cash flow

Compliments from
the smartAR® team

 www.smartar.com
 hello@smartar.com
AU 1800 831 410
NZ 0800 467 634

smartAR®

Australia

GPO BOX 5222
Sydney 2001
New South Wales

New Zealand

PO BOX 113-027
Newmarket
Auckland 1149