

Getting Started with Accounts Receivable

Have you got the 5 P's of Accounts Receivable covered?

Congratulations on taking the first step to review and improve your accounts receivable function. Sadly, this short guideline won't provide detailed or client specific advice BUT we have distilled the essence of world class accounts receivable processes into three key sections to get you started with improving your own accounts receivable processes.

Policies

What are your written terms of trade? Are they contemporary?
Were they designed for your specific business?
Who do you (or don't you) give credit to? How long will that credit period be?

Processes

What are the processes used to apply your policies? For example, if credit – which credit agency do you use (if any)?
What credit application processes exist?
What are the planned escalation processes when a client doesn't pay?

People

Who is responsible for Accounts Receivable results?
Do they have the right training, skills, attitude and tools to do the job well?
We've seen fabulous policy and process documents that have never been used in practice, because of a people issue.

Priority

Credit management needs to be a priority for somebody, or a team.
Receipts need to be reconciled, slow payers escalated, and cash flows adjusted on a regular basis.
If you're not driving the priority – your debtors will be, allowing them to pay you when they feel like it, rather than when you agreed.

Payment Options

Having the ability to offer multiple payment options should be a part of your policy.
You should also promote payment options and methods that increase the predictability of your cash flow.
Consider using "smart debits", which unlike regular direct debits, will give you more flexibility and control but also means that your clients will never have a debit dishonour.

How to contact Non-payers

When a client doesn't pay within
the agreed credit terms
what's the next logical step?



Intimacy

The intimacy of the client relationship. A professional service firm will treat clients differently to say, a utility company.



Size

The size of the debt. A payment that was short by \$5 doesn't warrant a \$30 cost of collection.



Frequency

The frequency of transaction. A missed \$50 weekly payment is best responded to quickly and warrants higher collection costs, as it might be a forewarning of a lost \$2,600 client.

Non-payers need to be contacted and resolved (or escalated) as quickly and efficiently as possible by Email, Letter, Text, Telephone, Bot. Which is best? That will depend upon the three things above.

Contact us for more details

📞 AU 1800 831 410 | 📞 NZ 0800 467 634

✉️ hello@smartar.com | 🌐 www.smartar.com

Slow Payer Solutions

The sole purpose of contacting a non-payer/slow payer is to triage them into one of three types, which when done, will signal your ongoing focus.



Can Pay

Focus is on providing seamless and frictionless payment methods that the client can access easily. Make it easy by offering multiple payment options – one will suit. Remember, some of your clients may be professional (or accomplished amateur) slow payers – used to using you like a free bank. For these slow payers, tried and proven telephone scripts, payment options and escalation plans will train them to pay you on time.



Can't Pay

Focus is on understanding the clients cash flow and developing a solution that is workable for both parties. Alternate payment options like instalment plans (or fee funding) are a key tool here. Focus should also be on your policies – ask yourself, how did we end up doing business with a client that couldn't pay? Was it bad luck or a faulty policy?



Won't Pay

Focus is on WHY? The client has a reason (other than no cash) to not pay you. Congratulations this is an ideal opportunity to demonstrate your client service skills: identify and address the underlying problem and then you can seek payment again. Your triage processes have quickly uncovered an unhappy client? That's great, because you probably want to know what went wrong so you can fix it. It's the unhappy clients that drift away silently that you'll really miss.

Would you like more specific advice that relates to your actual circumstances?

[Click here](#) to book/request a free "Strategy Session" with one of our smartAR cash flow specialists.