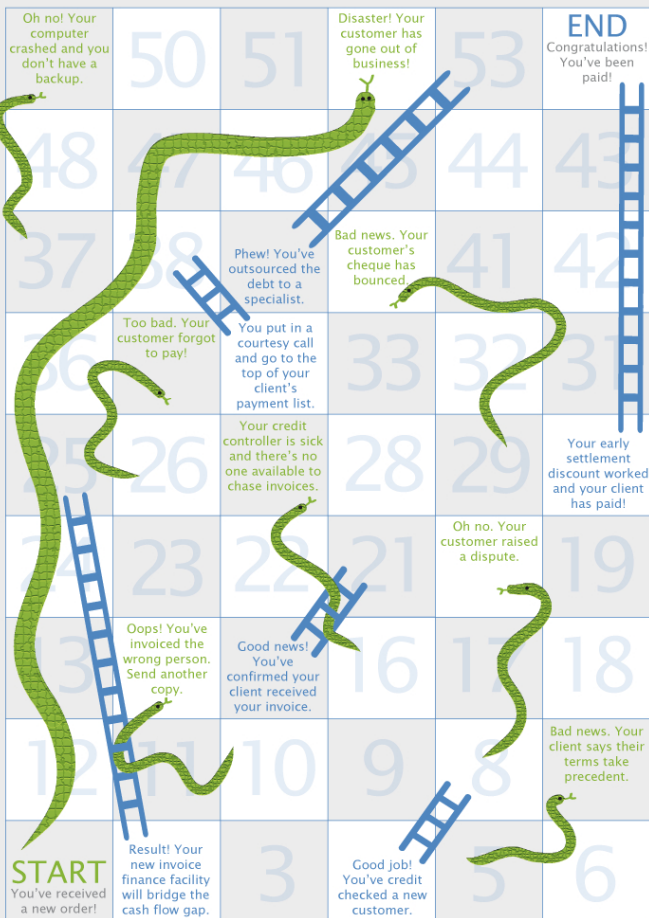
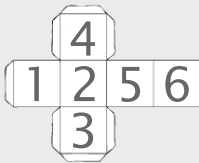


Snakes & Ladders

The credit control edition

There's an awful lot about credit control that reminds us of Snakes and Ladders. Here we take a light-hearted look at some of the challenges businesses often encounter during this process, as well as some of the tactics you can adopt to get paid faster.





Cheat sheet

Your client says their terms take precedent.

This is an increasing nuisance for smaller businesses in particular. Consider the implications this will have on your cash flow, and if you're happy to proceed with their order ensure that steps are taken to minimise the impact.

You've invoiced the wrong person.

Everyone makes mistakes, we're only human after all, but mistakes on an invoice often lead to disputes and delays. Always proofread invoices and check addresses, names and figures to minimise mistakes and delays.

Your customer raised a dispute.

Unfortunately, when trading on credit, there will be times when your customers dispute an invoice. First ask that the undisputed part is paid immediately. This will indicate whether it's a valid excuse and will also ease the cash flow pressure caused by the delay. Then you can focus on resolving the dispute.

Your credit controller is sick and there's no one available to chase invoices.

Especially in small businesses who have limited resources and time this can be a huge stumbling block. Outsourcing your credit control function to the experts can eradicate this problem and it also allows you to ramp effort up or down to adjust to demand in a way that's not always possible with employees.

Your customer forgot to pay!

Of all the excuses that customers can come up with, this one is arguably the most infuriating – the reason being it could easily have been avoided with a simple courtesy call or regular reminders throughout the credit period.

Your customer's cheque has bounced.

Cheques remain a popular payment method but they must be posted, take time to clear, are prone to human error and leave you open to common late payment excuses such as 'the cheque is the post'. Offer a range of payment methods instead.

Your computer crashed and you don't have a backup.

With a proper backup of your databases and files, you can quickly restore things back to normal in the event of a system failure. Failing to do so could mean you have nothing to fall back on when you take enforcement action against customers in breach of terms.

Your customer has gone out of business!

This is one of the biggest risks of offering credit terms to your customers. But, business credit insurance protects your cash flow against the problems often associated with trading on credit by safeguarding your company against bad debts, either through debtor insolvency or protracted default.

Your new invoice finance facility will bridge the cash flow gap.

Specialist funding options exist to help to bridge the cash flow gap that arises from trading on credit. While invoice finance facilities release up to 90% of an invoice's value within 24 hours of its issue, factoring additionally incorporates a sales ledger management service to remove the burden completely.

You've credit checked your customer.

Credit checks are a great way of assessing your customer's creditworthiness before agreeing to trade with them, enabling you to adjust your credit terms accordingly, request payment up front or even turn down the order.

You've confirmed your client received your invoice.

Something many businesses fail to do is check that their customer has received their invoice. By putting in a courtesy call to check receipt of the invoice and to confirm when payment is due you will improve your chances of getting paid on time.

Your early settlement discount worked and your client has paid!

Sometimes it can be more beneficial to be paid the majority of an invoice early than receiving the full amount late. Early settlement discounts provide an incentive for customers to pay up promptly, ensuring you get the money you're owed within terms, reducing the gap between paying suppliers and getting paid.

You put in a courtesy call and go to the top of your client's payment list.

Follow-up calls and emails to check the status of the debt at important intervals will help to build an impression of a friendly and proficient business, also supplying your customer with plenty of opportunities to inform you if payment is likely to be delayed for any reason.

You've outsourced the debt to a specialist.

As debts grow older, they become more difficult to collect and there will inevitably come a time when you've exhausted all your inhouse methods. But, commercial debt collection agencies excel at debt recovery, dedicating time and attention to each debtor that you may no longer be able to afford.