

Focus On Getting Paid On Time

Being vigilant over the management of your debtors is always good business practice, but it becomes even more critical during tougher economic times. Getting paid on time ensures you, in turn, have sufficient cash to meet your salary bill, your GST payments, your commitments to your business partners, and hold down the interest payments on your overdraft.

Now is the right time for every business to review their debt management process and, if it is lacking, seek advice from their advisor.

Step 1

In managing debtors, stop thinking of it as 'debt collection'. Debt management involves seeking the payment of money that your terms and conditions of business have identified should have been paid to you.

Step 2

Have clear terms and conditions of payment, and ensure you are meeting your part by having your account in the hands of your customers early. You can facilitate this by emailing or faxing them a copy of the account, and following it up with the original in the mail.

Step 3

Consider offering your customers alternative methods of payment. Direct credit to your bank or by cheque is the most common, but some businesses also offer their customers credit card facilities or credit options.

Step 4

Take immediate, decisive action when an account becomes overdue.

Debt management should be the responsibility of one individual, and a weekly task. If an account is not paid it will be for one of two reasons – a dispute or inability to pay. You must seek to resolve both immediately.

If there is a dispute, seek to have that portion not in dispute paid immediately, and work through the urgent resolution of the blockage. Do not let things slide. As well as holding up payment, not resolving disputes undermines the ongoing relationship.

A dispute well managed and amicably resolved can lead to a stronger relationship being developed. It is not a wise strategy to allow an account to be paid 'when they can' or 'when they're paid'. Such a business is one already under financial stress, and you are gambling.

The longer the debt remains unpaid, the greater your chances of not receiving payment.



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