

Getting Paid:
How to bill customers – and get the reluctant ones to pay you!
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Nothing is more frustrating in small business than collecting for work already performed! When the receivables aren't coming in, but the expenses are still going "out", it is very hard for your business to survive unless you change the way you do business.

Cash has to flow! It is very easy to fall prey to initial customers who ask for "concessions" from you. Because you want that initial purchase or order, new small business owners often agree to things they know they shouldn't. This behavior makes it difficult to collect. Instead,

- 1. Be very clear about the fee/price you are charging and when the payment is due for services rendered. This is a discussion you should have with your customer BEFORE the service is performed.*
- 2. Always put your "agreement" in writing. Although "handshakes" are well-intended, they are very hard to collect on later.*
- 3. Be sure you know what "terms" work for your type of business. Many of us are used to 30-day "float" on our credit cards, but many small businesses can't wait that long to be paid. Define what you need and discuss your terms with the customer before he/she agrees to buy your product/service. Write your terms on your invoice.*
- 4. Review your receivables (accounts that owe you money) weekly and reach out to customers who have missed due dates. Remember, the longer an account is past due, the less likely you are to receive payment.*

Receivables cost money! "Floating" your customers by giving them "extra" time to pay their invoices costs you money! It costs you once because your business doesn't have the money it needs to make ends meet, and then it costs you again, because if you borrow money from "your own pocket", you have to pay yourself back, too. It is the quickest way to go out of business and also lose the very things you have worked so hard to get! Instead,

- 1. Keep your eye on the money – all day long! Review your financials weekly so that you know where you stand. It is the "pennies" that make or break most businesses. Reduce expenses associated with the business until you have the income to pay for them.*
- 2. Don't borrow from yourself (or others) in order to keep things going. Your business needs to stand on its own. Tell your customers that you need to be paid.*

3. *Be willing to offer payment plans to customers who fall behind, but make sure they stick to the agreement. We all know that unexpected things happen, and receiving some of the money you are owed is better than receiving none of it. Be sure your customers know that their calamities are understandable but their debts are not forgiven. They owe you what they said they would pay.*

Collecting what you are owed is never a pleasant task; be sure your customers know that you intend to collect, so they had better be ready to pay. You'll come across as the business person you are trying to be.

If you could use some unbiased advice on how to get your receivables healthy, please call the Small Business Development Center at (803) 777-5118 or email uscsbdc@moore.sc.edu. We offer free and confidential counseling, and one of our Business Consultants will be glad to help you!

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