

SIGN YOUR CUSTOMERS UP

Ensure your company has got signed contracts with all customers that clearly state your payment terms. These terms should also be clearly described on your application forms and the invoices you subsequently send out. Be sure they know what the credit terms are, whether you offer discounts for prompt payments or bulk purchases, whether additional costs are payable (e.g. VAT or carriage costs), and whether you charge interest on overdue accounts (all businesses are legally entitled to do this).

DO A CREDIT CHECK

Buy a credit report from a recognised credit reference agency (e.g. Graydon) that collects trade payment information on how large companies pay their bills. Don't rely totally on the taking up of two references given to you by the potential client. They may be cultivated! Don't be taken in either by a great looking set of accounts to determine whether you will get paid on time; a healthy looking balance sheet might mean that your potential customer is very proficient in getting its suppliers to finance its business! Set a credit limit for each new client, and don't allow customers to exceed limits without your permission. After all, they are set for a good reason, as you have assessed the creditworthiness of the customer and how much your business can afford to wait for (or lose, should the worst scenario occur).

IS A PURCHASE ORDER REQUIRED?

As part of their internal control procedures, large companies often require signed purchase orders before paying invoices. Ask the manager/department placing the order whether they need to raise an internal P.O. and if so, have they done so covering the value of the order. Ask for a copy of the P.O. (N.B. some large companies require invoices from suppliers to quote the P.O. number before they are paid).

PREVENT EXCUSES

Take away excuses for delayed payment. After dispatching goods, ensure that your customer has received them and that there are no problems with quantity or quality.

SEND STATEMENTS

Send statements at different times in the month to your invoices. Sometimes this tactic can provoke questions, particularly when original invoices have been lost, not received, or mislaid.

CHECK ON EXPECTED PAY DATE

Confirm with your client when your bill is expected to be paid, remembering to ask whether they have specific cheque run dates.

USE THE TELEPHONE TO CHASE

If payment is delayed, chase your money by telephone rather than letter. Some experts in this field say that the telephone method can be 80% more effective! Always prioritise your cash collection activity, making sure you chase the oldest and largest debts first. Be friendly but firm when speaking with them, and don't forget to remind them that you charge interest on all late payments.

MAXIMISE YOUR BARGAINING POWER

Maximise your leverage. Try to establish how valuable the product you're selling is to your client. It may be a vital component in a manufacturing process, especially if it has been developed to the client's own specifications.

MONITOR YOUR RISK PORTFOLIO

Keep abreast of news that may affect the creditworthiness of your key clients. Put their names on a low cost monitoring service with a credit reference agency (Graydon's service is called CreditWatch). There is nothing worse than being the last to know when something has happened to one of your key customers.

DEVELOP A "FRIEND"

Try and establish a personal rapport with one or two people in your client's Accounts department. The personal touch never fails!

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