

Are your customers paying on time?

By following these tips, some of you can indeed change your answer to the title question to yes from the no. Let me tell you, except for one client, we have had no incidents of delayed payments so far.

M Muneer



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I know what the majority of you will answer to this question. An emphatic NO! In the B2B industry, some customers perennially delay payments or they just do not pay at all. To some extent, this is true of the regular grocery buyer at a kirana store and the seemingly profitable client of a consulting firm.



It is frustrating to have customers who take an inordinately long time to pay some of the invoices. They not only jeopardise your cash flow but also tie in your time and spoil relationships. Sometimes it is also about the dilemma of keeping or losing the customer. What if the customer delay is temporary and when they get out of their current problems, they become immensely profitable?



When your invoicing system itself is slow to raise invoices, you will end up waiting upwards of 70 days to get your payment from the customers. When your customers delay paying your invoices, it will hurt your cash flow because you will be unable to purchase other goods for your business and/or you will be unable to pay your salaries and bills. So why do some customers fail to pay or delay paying? How can you get them to pay on time?

There are many scenarios:

Some customers may find themselves in a situation where their sales are on the decline while their fixed costs are not. As in current pandemic time. The customer will not have the money to pay all their bills. So they will start prioritising payments, starting with their essential goods suppliers at the top. Such customers usually have little or no cash flow, making it impossible to pay most of their bills. When you have to encounter such types of customers, it is best to always ask for a partial payment at the time of delivery. Such a strategy will help you to collect at least some of the money. Usually such clients have a difficult time getting additional credit from lending institutions because of their poor credit history. Be wary of offering credit to them and be very cautious about offering invoices that give them time to pay. Ask for the full payment if your customer has bad credit or has a history of slow payments in the past.

Some customers may not have proper systems and processes or prudent financial management. Some companies fail to remember paying invoices because of the lack of systems and processes. This is especially true when you send a number of invoices and many of them are delayed and often you may find one or two missing from the customer's list. If a customer has a poor bottom line, it is best to ask for money upfront. It will also be a good idea to sit with their CFO and get them to commit to a payment plan. You may even want to allow a staggered payment every month.

Some customers overextend. They diversify or commit new investments based on flawed hypothesis. Many SMEs divert funds from regular business to personal needs. Since credit was easy to acquire in the recent past, even large publicly held companies overextend themselves and then try to recast their debts. The recent NPA history in banks is a case in point. The good thing about some of the overextended customers is that they do have the intent to repay their bills. It is best to offer such customers a payment plan based on their ability.

Whether your customers have a problem of repaying or delaying payments because of their current difficulties, it will always put you as a bad guy. Most businesses will not want to refuse serving such customers and will indeed try to help them. And many of them burn because of that. My advice is that you must not hesitate to become the bad guy and should categorically refuse to sell more products or services to the customers if they still owe you money from the previous transactions.

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Here are some more pointers to speed up the payments from your customers:

Set clear policies and payment dates, and stick to them. It is important to put your policy terms and dates in writing.

Get your customers to sign off every milestone of a large project so that you have written confirmation on the completion of the same. Raise invoices accordingly.

Speed up invoicing and intimate customers on overdue payments

Send invoices in as many ways as possible including emails, hardcopies, and offer online

payment options.

Follow up with the appropriate amount of directness, What this means is that you must send the first overdue letter as a polite reminder and the second one showing concern and the third one with a politely punitive tone.

Keep all correspondence, phone calls and means of redress absolutely professional and recorded for future reference. It will also be a good idea to use different level people in your organisation to talk to similar levels at the client's.

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M Muneer is a global expert columnist and managing director of CustomerLab Solutions, an innovative consulting firm delivering measureable results to clients.

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