

HOUSTON CHRONICLE

FOLLOW CLEAR POLICY ON OVERDUE BILLS



Jacqueline Taylor, Deputy Director, Strategic Operations, Texas Gulf Coast Small Business Development Center Network, shares her expert business advice in her bi-weekly column seen in the Houston Chronicle.

Q. All my cash flow planning goes out the window when customers don't pay their bills on time. Plus, I have to spend my valuable time trying to collect the money they owe me when I could be doing something more productive. What can I do?

A. Put procedures in place to make those collection efforts few and far between. Deliver on time and make sure your products and services are top notch. If there are discrepancies, correct them willingly and immediately. Send thank you notes to let customers know you appreciate their business. Keep in touch to make sure they aren't having any problems with your work down the road. Always provide the best customer service possible, and train your staff to do the same. Happy customers will honor their payment commitments.

Be perfectly clear about your payment policy. State exactly when you expect payment, when you will begin to charge interest, and when unpaid accounts will be sent to a collection agency. Offer a discount for prompt payment. Many customers will want to take advantage of paying less by paying early. If appropriate, ask for a partial payment up front and the balance when the order is shipped or the project completed. Or, if you are a professional service provider who works face-to-face with the customer, require payment right away. Facilitate the payment process by accepting mobile payments on your smartphone. If you don't currently accept credit cards, ask your bank to help set you up with an account. There are fees involved, but the tradeoff is that you get your money right away.

Don't just pay lip service to credit references; check them out thoroughly before you begin to do business with a new customer. If there's a red flag but you still want their business, only work with them on a C.O.D. basis. Make sure you send invoices as soon as you deliver your products or complete a job, and double check that the invoices are correct and complete and conform to any special customer invoicing requirements. Don't take new work from customers who haven't paid all their old invoices.

Stay on top of your accounts receivable. Send reminder notices as soon as an invoice is past due and monthly statements showing all account activity. Don't let the slow payment situation get out of hand. When you don't get results from your written notices, you need to get on the phone. Be polite but persistent. If the customer can't pay in full, work out a payment schedule. If you aren't comfortable making the calls, or feel you aren't being effective, find someone who can do a better job to do it for you.



The Texas Gulf Coast Small Business Development Center (TGC SBDC) Network serves 32 counties in Southeast Texas. The program is anchored by a vibrant office facility in midtown Houston and supported by fourteen centers located with or sponsored by colleges and universities and economic development organizations throughout the Gulf Coast. The TGC SBDC Network focuses on providing business training and advising to start-up entrepreneurs, emerging businesses, and firms needing strategies for high growth. Professional business advisors work with client companies to assess feasibility of ideas and business models, develop business plans, identify funding opportunities, prepare loan and financing packages, and analyze financial results. Business advising is supplemented by a wide range of training classes and seminars concentrating on growing a successful business. Workshops are taught by experienced businessmen and women who blend formal learning and real-world experiences into practical curriculum.

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