



## Collecting What's Yours

No manufacturer decides to produce something for nothing. Yet it happens — when a business fails to collect on its invoices.

Mounting receivables can be dangerous. More than one business with “great numbers” has failed for lack of cash.

To keep your accounts receivable under control, appoint a credit manager — a dedicated and devoted guardian of your company's wealth. Then implement some best practices:

**Do homework.** Do you really want this customer? However great the deal, look at credit and litigation history — and ask around in your industry.

**Negotiate fair terms, even with a big new customer.** Include discounts for early payment, and if you anticipate foot-dragging, make it cost something.

**Late payment charges.** Many companies charge 1.5% per month on past due accounts — a strong incentive for timely payment, but only if you enforce the charges.

**Set credit limits and stick by them.** When a customer exceeds them, require payment before further deliveries. (If salespeople yelp, owners may have to mediate.)

**Involve other stakeholders.** Your salespeople or outside reps will be motivated to resolve payment problems — if they don't see commissions until you're paid.

**Help your customer help you.** Bill promptly, observe payment cycles and call accounts payable departments on due dates.

**Consider partial payment.** For an honest cash flow problem, why not put terms in a note, add interest and get a signature?

**Know the danger signs.** No payments, no returned calls — it's collection time. Have a reliable agency or attorney ready in advance.

**Consider AR insurance.** One claim can easily offset coverage costs. Even if your premiums rise, the peace of mind may be worth it.

**Last resort.** You can sell receivables, but not for much. If you need cash quickly, a new line of credit may be a better course.