***What stops your customers paying on time?***

They say that 75% of businesses that fail are profitable. They fail because of cashflow problems. And when they fail, it’s not that they don’t have any money, it’s that their money is in the wrong place. They usually have huge amounts of money outstanding from customers who pay late. They wouldn’t have failed if their customers were paying on time.

So late payment by customers is a very serious problem, that could kill your business.

Ask this question to people in Accounts Receivable or Credit Control – they’re the ones who chase customers for payment. Get a list of their various answers.

Then go through the answers with a highlighter, and identify where we’ve shot ourselves in the foot.

The answers will probably include things like “We can’t pay because:

* there's no Purchase Order number
* the invoice doesn’t match the Purchase Order
* you haven’t completed all the criteria
* the delivery is still incomplete (or proof of delivery is missing)
* we’re waiting for the required paperwork
* the invoice is wrong
* the invoice has gone to the wrong person
* we don’t know your bank details
* you never asked…
* you haven’t charged the right price”

There’ll be many, many more answers that come within the category of shooting ourselves in the foot!

These are all things we have done ourselves, that sabotage our cashflow – and therefore threaten the health of the business. If we can improve our processes, we can improve our cashflow.

There will be another thread of excuses for late payment though, excuses like:

* payment is on the next payment run
* you’ve just missed the payment run deadline
* our next payment run is in two weeks
* a copy of the invoice hasn’t been sent to Accounts Payable
* we require evidence of the underlying costs on the invoice

These excuses are about understanding our customers’ processes. We’re much more likely to get paid on time if we work within our customers’ systems. If they only make two supplier payment runs every month, on the 15th and the 30th, it makes far more sense to chase for payment before the payment run, rather than just after!

But maybe we need to improve awareness as well. Often late payment happens because our people just don’t understand the need for good cashflow, and their part in it. When I train I often hear people say “I’ve sent the invoice out – job done!” they don’t realise that the job isn’t done until the invoice has been paid.

How many of your people who are responsible for invoicing know how many of those invoices have been paid, and how many are still outstanding?