

Get People to Pay You Quickly

Make it easy for customers to pay your invoices, and you'll see your money sooner rather than later.

To get your invoices paid in a more timely fashion, you must avoid thinking rationally and logically, and instead think emotionally. (That sounds backwards from what you usually hear, doesn't it?) People often do things that don't make sense and aren't necessarily reasonable, and how they pay invoices falls into that camp. Among the several factors that affect how your invoices will get paid are the amount of money involved, the financial health of the customer, the format of your invoice and your relationship with the customer.

It pays to work to improve your relationships with your customers--people pay more quickly if they know and like you. And, in general, you want to try to only take on customers who you know have the ability to pay. You are probably already working on those factors, but you may not have given much thought to an equally important factor: the format of your invoices. You probably just send whatever your accounting software spits out. Be careful about this, because the easier you can make this process for your customer, the more quickly you'll get paid.

I run a home-building business, and I've noticed a few things about how I tend to pay our invoices: If the amount is small, that invoice will tend to be paid more quickly. For example, our biggest expense in a house is lumber. The invoices from the lumber company are all sizes, from just a few dollars to up to \$20,000 or so, depending on what they bring to the job site and when. Sometimes I won't have enough money to pay for everything at once, so I'll often pay many of the smaller invoices first and leave the big one to the end. That may not be logical, but I do it.

One of the most crucial factors in whether you're paid on time is whether your invoice is clear and easy to understand. There are a few vendors who send me invoices that are hard to read, don't have a consistent format, don't have the job number on them, have unclear terms and so on. The harder an invoice is to understand, the longer I procrastinate on it. If I pick up an invoice and see that I am going to have to call and get job numbers or try to figure out what it is actually for, I'll have a tendency to put it down and pick up another one that is clear and can be entered into the system easily. Before you say that this isn't reasonable or isn't the way it ought to be, you are right! Unfortunately, however, it's just the way it is. You can't change that, but you can work it to your advantage.

It is also important to make your terms clear and easy to understand. Use your terms as a way to encourage payment. Be very specific about the due date, and state it clearly:

- Don't put "Pay by the 10th"; put "Pay by July 10, 2005."
- Don't put "2% 10, net 20"; put "Take \$25 off if paid by July 10, 2005."

I once had an invoice for \$110 that said in big red letters "take \$20 off of this invoice if you pay by March 3, 2005." Even though I could have waited several more weeks to pay and could have paid other invoices that were due sooner, the 20 bucks caused me to pay it right then.

There are many things that influence how quickly your invoices get paid. Work all of them to maximize your payment rate and improve your payment times. Find out if a customer likes a certain format or wants certain information on the invoice. The more you make your invoices fit in to your customers' accounting systems, the more quickly and regularly they'll be paid.

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