

Top 10 Tips

Follow up outstanding payments



Some customers are not great at paying on time. Therefore, there are times you need to follow up to receive what is owed to for you supplying your service or product. Now more than ever, the cycle of payments that exists in your community is very important because if you can't get paid on time, you can't pay on time and the circle grows and grows.

"I want to encourage all the businesses that Many Rivers works with to be very careful to not just support their own business, but also other people's businesses in the community too. This is not about survival of the fittest, rather it's about survival of the community; it's about working together and getting back to the fundamentals of what business is about."

John Burns
Many Rivers CEO

Getting paid on time starts when you first engage with your customer. Start your relationship with your customer the way you want it to continue by making sure you:

Ensure your payment terms are fair, clear and in writing

Effective accounting and billing procedures can prevent problems before they occur. Make sure that payment terms are stated upfront, clearly and in writing. Have a regular billing and follow-up schedule that follows those terms precisely. Make sure your customer understands payment terms at the time of the transaction.

Many Rivers CEO John Burn has a good rule for deposits.

"Make sure your deposit covers your cost of materials. In the event of not being paid in full you may not get paid for your time, but at least you can pay for the materials that you purchased to do the job and don't end up with not being able to pay your suppliers."

Invoice as early as possible

Just as you have a billing schedule, assume that your customer has a schedule for processing invoices. A prompt invoice is less likely to be forgotten and more likely to be paid on time.

Top 10 Tips

Follow up outstanding payments

Encourage on time payments by giving a small discount for on time payments and charging a fee or interest for late payments

Make sure the fees or interest charges are in line with customary practice in your industry and geographic area and are fully disclosed on the initial invoice. Everyone loves a discount! To make this an effective practice for early payments, make sure that this too is fully disclosed on the initial invoice and consistently applied. Be sure to enforce these consistently.

Have an effective follow-up process

Ensure you have a follow-up process for overdue payments in place. This should be part of your basic accounting and billing practice. Plan for the levels of escalation with specific times — 14 days overdue, 30 days, 60 days and so on.

How do you follow up your outstanding payments (unpaid invoices)?

Politely, and with some scripts. By writing down what you want to say beforehand and using email and phone calls in the right way you can make this process a lot easier.

Here are some templates to use:

Phone call follow up

Calling people takes away the protective layer of anonymity that emails provide — making it MUCH harder to ignore your payment request. Our suggestion is to call first.

After your phone call follow up make sure you close the loop with an email that reads something like the email to the right.

Kris Young, Many Rivers local business coach in Broome WA suggests,

“if a customer suggests something you are not comfortable with, don’t be afraid to say you need time to consider and come back to them”.



“Hi, (customer name),
It’s (your name),

I worked on the XYZ project for you about a month ago.

I’ve sent an invoice (couple of emails) about payment for the project, and I think you might’ve missed it (them).

Have you received it (them)?”



To: Customer
From: Small Business

Subject: Payment for lawn mowing work

Hi (customer name),

Great to talk with you today. We spoke about the payment and you said you would transfer the funds to me tomorrow. I should expect to see the payment in my account on XX/XX and I’ll waive any late fees. I’ll call you on XX/XX if there are any issues.

Regards,
Small Business Owner

Top 10 Tips

Follow up outstanding payments



To: Customer
From: Small Business
Subject: Payment for lawn mowing work

Dear (customer name),

Thanks so much for getting me to mow your lawns on 22/03/2020. I enjoyed the job and thought the lawns looked great after the work was completed.

I'm attaching an invoice for the work. As agreed, the total charge was \$120 payable by cash, credit card or bank transfer.

Please let me know if you have any questions.

I look forward to working on your lawns again soon.

Regards,
Small Business Owner



To: Customer
From: Small Business
Subject: RE: Payment for lawn mowing work

Dear (customer name),

I know there is a lot going on at the moment and this is a quick reminder that your payment of \$120 is due on XX/XX. There's a late fee that kicks in after this date, so I wanted to send this to you with plenty of advance notice.

I've attached the original email and invoice.

Please let me know if you have any questions.

Regards,
Small Business Owner

Email reminders

The key points to remember are: be polite and friendly, remind the customer of the work done and the date completed/supplied, the amount owing and remind them of your payment options. Be straightforward and make sure your subject line is clear and to the point, remaining polite at all times.

The best thing about this email follow up is that it is simple and actionable. It should work for most customers, most of the time.

If you have still not been paid after a period of time it's time for another follow up. Your second email follow up could read something like the second image above. This email is still friendly, simple and actionable. By following up before the late fee kicks in you are trying to help them and you are acknowledging there is "a lot going on at the moment". You also have included the original email and invoice for their reference.

Good follow up will make sure you have remained polite and been respectful to your customer. You have got the result you needed and both you and your customer still have a relationship to continue doing business in the future.

What if they still do not pay?

If still do not have payment you have 3 options:

1. Cut ties with the customer.

If the amount owing is small, or relative to the amount of effort you are spending on your follow up, not worth any more effort (Remember: your time is money so at some point it becomes unprofitable to keep spending time on this follow up) you may decide to cut ties with your customer and not do any more work for them. You need to value your time and energy by not wasting either on bad customers.

Top 10 Tips

Follow up outstanding payments



2. Be annoyingly persistent.

Keep sending your polite follow up emails and phone calls, every day, until they pay. The amount of time you spend on this should be worth the result. You will need to make sure you keep your cool during these emails and phone calls because it'll be easier now to get angry at them. Stay polite. Eventually you hope that the customer wants to stop your follow up and pays.

3. Consider a collection agency.

For very large payments that are outstanding you may have to resort to a collection agency. Only use this option when you really, really have to and you have no other choices. Make sure you have records of what is owing and all your follow up communications on file. Make sure you use a reputable agency.



Get in touch

Many Rivers clients can contact their local business coach directly or via 1300 626 974.

For new clients, Many Rivers is here to help people start small businesses and grow existing businesses. Visit manyrivers.org.au for more information.

