

When Is It Time For Your Customers To Pay

By Bob Brolhorst

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This is one of the hardest parts of the business, I think. And only recently have I had problems in this area. When you put yourself and your company resources into completing work for a client and then that client decides not to pay, you find yourself having to justify your work -- not to your client, but to yourself.

Most companies take cash, check, and major credit cards, and many companies require payment on delivery (COD). Offering terms is tough, though because you need to know you can afford to wait at least 30 days to be paid. Actually, by the time the client gets the bill, it's processed through their accounts payable department, the check is cut, signed, and mailed, it could be 45-60 days. Depending upon your cash flow, this waiting period may not be possible. For many clients, requiring COD is no problem. But what about the government agencies who have their own accounts payable policy or larger companies who have an accounts payable department and set their "own" terms of payment?

When you quote a project, put the payment terms in the quotation. If you get the job, they know what your terms are. If you want more immediate payment, offer a discount for payment within 10 or 15 days. For example, offering a 2% discount if the client pays in 10 calendar days may prompt quick payment. Charge late fees or interest on late payments (check with Truth in Lending laws on this) and make sure you publish your terms on all of your invoices and statements. If you set a policy, for example, that on every project priced at \$500 or more a 50% deposit is required, at least you'll get half your money up front. This works very well with clients who have already worked with you and trust you. New clients may not be willing to put money on the line without seeing the product, but requiring only half up front is acknowledging this and they may be more accepting.

If you offer terms and the due date has come and no check or payment has hit your desk, call the client to tell them you're concerned that their payment got lost in the mail or maybe your bill got lost (we always put the invoice with

the delivered project, if I've given them terms--if they received the work, they received the bill). When you make your day-after-delivery follow-up call to check on their satisfaction with the project, ask if they have any questions about the invoice. They may not have noticed it or may have forgotten to send it to the A/P (Accounts Payable) department. This will serve as a gentle reminder rather than an urge to get immediate payment.

Don't let an account get old. The older it gets, the harder it is to collect. To make sure you always have the correct address for a client, send regular or occasional mailings. If the address changes, the mail will be returned. That's a clue to call them and verify any address or phone changes, particularly if the bills go to an address different from the project delivery address.

Don't be shy about asking to be paid for the work you do. It's your money. It's your time, and you were there for your client when he/she needed you. No one expects a service free. If you start getting late payments from your client or any other clients, immediately stop giving terms until you get a handle on your receivables.

Expect payment for your work. It's your money!

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