

Five Tips to Speed Up Cash Collections

If your accounts receivable balances are edging up and getting older and older each month, then it might be a good time to bring out the aging reports. But what if we looked earlier in the cycle to see what we could do to collect the sales even sooner? Let's take a look at five potential changes you can consider making that will speed up your cash flow, reduce aging receivables, and possibly reduce lending costs in your business.

1. **Get paid in advance.**

Getting paid in advance manifests itself in a number of ways:

- Prepaid gift cards
- Deposits
- Prepayment plans
- Monthly or project retainers

If it's common to get paid in advance in your industry, then all you need to do is focus on doing more of it. If it's not common in your industry, I encourage you to see how you might apply one of these ideas to your industry. You may be able to invent an entirely new way of doing business for your industry.

2. **Increase your cash-equivalent payment choices.**

If you're not already able to take the following forms of payment, then it's time to sign up for:

- Credit cards, especially MasterCard, Visa, Discover, and American Express
- PayPal
- Wire transfers
- Cloud-based bill payment systems

If you have overseas clients, being able to easily accept wire transfers keeps it simple if the client does not maintain a bank account in your country's currency. And although most wire transfers still need to be handled manually, you can systematize and automate the process as much as you can by having written procedures for your clients.

Offering a cloud-based billing solution such as Bill.com eliminates the physical writing of checks, and you can approve and send payments from anywhere, even if you are on an airplane. The efficiency cannot be beat.

It's surprising how many business-to-business payments come through PayPal, so if you don't have this one as an option, you might want to consider it.

3. **Streamline your time and billing system.**

If you can bill faster, you can collect faster. Take a look at your processes and identify the bottlenecks in your billing system. Is it the partner who keeps the invoices on their desk for days before they are approved to be mailed? Is it an antiquated time system that is not real-time? Is it duplicate data entry that can be streamlined? Once you've determined your bottlenecks, you can take action to eliminate them.

4. Implement eCommerce.

An online shopping cart can help clients serve themselves and cut way down on your customer service. Today's online shopping carts can handle one-time payments, recurring payments, and variable bills. The best of them offer a portal for clients to update their own credit card expiration dates, respond to declined card messages, and basically serve themselves. It's quite fun to come into the office each morning and find loads of cash sales already in your cart from the night before, without any help from you or your staff.

5. Card on file.

For long-time clients, it makes sense to set up automatic approval on a monthly basis by having their card on file. Most busy and successful clients will appreciate the time savings when using this method, and you will have more control and be able to get paid faster. You can also use a hybrid of this method – semi-automatic approval – where a simple email exchange approves the current month's amount.

Try one or more of these five tips to speed up your cash flow, simplify collections, and lower the amount you need to borrow from the bank to finance your business.