



Small Business Guide to Getting Paid ... Faster

9 ways to ensure your service business gets to cash flow positive as soon as possible


Cash Is King

In his New York Times article, Jay Goltz lists “poor accounting” and “lack of a cash cushion” as two of the Top 10 Reasons Small Businesses Fail:

- “Poor accounting. You cannot be in control of a business if you don’t know what is going on. With bad numbers, or no numbers, a company is flying blind.”
- “Lack of a cash cushion. Business is cyclical and bad things can and will happen over time — the loss of an important customer or critical employee, the arrival of a new competitor, the filing of a lawsuit. These things can all stress the finances of a company. If that company is already out of cash (and borrowing potential), it may not be able to recover.”

No matter how innovative, sought after or profitable your small business may be, without cash in the bank, you’re going to face some serious struggles.

This is especially true for service-based industries, including: creative agencies, consultants, accountants, lawyers, web designers and IT services. In these industries, the lack of anything tangible being exchanged for cash adds complexity to when and how money comes in.



However, with the right tools and processes in place, you can avoid becoming the financier of your own client work, and get the cash you’ve earned into your bank account faster.

Quicker payment turnaround will give you the ability to:

- Cover your financial obligations.
- Build a little cushion for inevitable ebbs and flows.
- Buy the time needed to overcome the hurdles every business faces.

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Within this guide, you'll find nine tangible tips on how your service business can get paid ... faster.

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1

Invest in the Right Tools

Compared to all the other hats you must wear as an entrepreneur, the financial manager hat may be the most complicated, unpredictable and important. For this reason, your business must invest in the right technologies in order to reach and sustain cash flow positive.

To visualize a complete, real-time financial picture of cash on hand and financial obligations, your technology stack should include the following cloud-based technologies.

“Even the most intelligent and experienced person will fail if they are making business decisions using inaccurate or incomplete cash balances.” – Inc



Online Accounting Software: With an online accounting software program, such as Xero, you can:

- Run the financial side of your business from anywhere.
- View cash flow reports in real time.
- Schedule payments and pay bills.
- Create and send invoices.
- Create expense claims.
- Reconcile bank and credit card transactions.
- Calculate and pay employees.
- File tax forms.
- Claim expenses.



Project Management: Utilize a job or project management tool to stay up-to-date on the progress of client work. By keeping close tabs on this, you can:

- Follow up with employees and/or clients to avoid stalls (and thus delayed payment).
- Make sure work is invoiced as soon as it's completed.



Time Tracking: As a service business, you sell time, so keep track of it. Log time against clients, projects and employees to determine:

- How much to bill a client for each project.
- Profitability of different service offerings.
- Revenue generated by each employee.

This insight will show you which clients and services give you the best path towards positive cash flow, and which employees are best suited to get you there.



Project Expense: In most cases, client campaigns and projects will incur some expenses along the way. Use technology to consolidate them in one place, and apply the necessary markup automatically. Ideally, the same technology can feed these costs directly into your client invoices—which eliminates the possibility of duplicate entry, and lessens the opportunity for error.

Integrate Cloud-Based Software

There are a variety of comprehensive platforms that can accomplish the items listed above, but when shopping around, look for three things:

Integrations: When possible, look for a technology that wraps as many of the items above under one platform, such as WorkflowMax. This level of integration allows for seamless communication of information between features, so no data is lost, misinterpreted or needs to be manually re-entered elsewhere.

API / App Store: In most cases, cloud-based programs offer API connectivity. If this is the case, there is likely a collection of prebuilt add-ons or apps you can tap into, or opportunities to connect disparate technologies.

Cloud-Based: With cloud-based technologies, you can access the entire system from anywhere, as long as you have a browser and an internet connection. Considering the long-hours and crazy schedules of most entrepreneurs, flexible access to financial information is important.



2

Set Appropriate Due Dates and Penalties

Xero analyzed more than 12 million small business invoices issued globally between Jan. 1, 2009 and Sep. 1, 2012. They found that regardless of whether payment terms were due immediately or in 30 days, ***on average, invoices were paid two weeks late.***

While you may have full faith in your client's willingness and ability to pay on time, it doesn't hurt to take some precautions.

Do so by setting your due dates earlier than you need payment by. If you want to get paid in 30 days, make your payment "*due in 14 days.*" Or if you'd like to get paid in 15 days, set the invoice to be "*due upon receipt.*"



Overdue Fees

Consider adding overdue fees or finance charges into your contract—for example, 15% APR. This added penalty fee continues to get more severe the longer the payment is overdue, thus incentivizing clients to pay as soon as possible.

If you have account software, overdue fees may be automatically calculated. That said, if you need to explain to customers how overdue fees work, consider the following formula:

-or-

$$10 \text{ days past due} * \$10,000 * 15\% / 365 = \$41.01.$$

Client Payment Processes

When setting your payment terms, consider the client and their payment processes. Depending on the organization, they may not be able to issue payment until after a certain timeframe (i.e. 90 days). If this timeframe is beyond what you're comfortable with, **negotiate**.

Diane Nicosia, of D.E. Nicosia & Associates found that some organizations are willing to negotiate on their payment schedules.

They simply have to, “*push a little button that says pay in 10, 30 or 60 days, and that gets your invoice in the queue.*”

3

Define Payment Terms and Details at the Onset

Prior to entering into any client relationship, have a conversation about your payment process and terms. Specifically address:

- Due dates.
- Finance charges.
- Actions to be taken on overdue invoices.

Include all of this information in the service contract so you have a signed record that they are aware of your terms.



Keep Detailed Time Records

As a service business, you sell time packaged as an estimate, value-based price or hourly rate. However, when your invoices are based on the number of hours spent on each client or project, you may run into problems. For instance:

- A client may not be willing to pay the invoice because they think you are overcharging them.
- You may want to reduce the invoiced amount because you feel the number of recorded hours is not entirely accurate.

*So how do you avoid these predicaments, and collect the money you have earned? **Keep a detailed record of time tracked for every client and every project.***

This sounds simple, but unless your time tracking process is efficient and adopted across your entire company, you will continue to face the likelihood of inaccurate invoices (and unhappy wallets).



3 tips for keeping detailed records

Tip 1:

Avoid using a manual inputting system, such as Excel.

Instead, look for affordable time tracking tools built specifically to track employee time against clients, campaigns and projects - such as WorkflowMax. Many come with a variety of recording options to fit employee preference, including stopwatches and smartphone apps.

Tip 2:

Implement one time tracking system across your entire company.

Everyone should be tracking their time the same way! If you're all using one system, you can:

- Eliminate the need for duplicate entry.
- Correctly account for every minute spent on each project.
- Avoid inaccurately recording time.
- Sleep better at night.

Tip 3:

Keep timesheets easily accessible and transparent.

This tip is especially important if you run into a disgruntled customer who insists on understanding the ins and outs of each invoice. Having easy access to your timesheet reports enables you to confirm your invoice fees with concrete evidence of billable time.

Make Invoices Easy to Understand

The simpler and more straightforward you make your invoices, the lower your chances are of experiencing delays caused by confusion.

Put yourself in your clients' shoes. You wouldn't want to dig through complex designs or fluffy descriptions to find out what is being invoiced for, and what is owed—so don't make them do it.

The most important information to keep upfront and center:

- 1 Who / where to address the payment to.
- 2 The purchase order number (if required).
- 3 The exact cost of each charge within the invoice.
- 4 The total amount due.
- 5 The date the invoice is due.


TAX INVOICE

1 300 Pty Ltd
300 Rundle Street
ADELAIDE

2 Purchase Order 4560409

Service	Amount
3 Brief	360.00
Concept	600.00
Design	2,080.00
Print	1,000.00
Subtotal	4,040.00
GST	606.00
4 Total	4,646.00

5 **Due Date: 20 April 2014**
PLEASE NOTE THE DUE DATE FOR PAYMENT FOR 10% INTEREST PER ANNUM WILL BE CHARGED FOR LATE PAYMENT



Keep it Simple!

We all love looking at pretty documents, but when it comes to creating an invoice, **avoid over designing**. While unintentional, the overuse of different font styles, colors and graphics may accidentally hide or avert attention away from the information above.

Finally, find out if invoices need to include a purchase order number (larger companies typically require this component in all invoices).

According to the New York Times, “not having [a purchase order] number can leave invoices lingering in accounts-payable purgatory, and it’s unlikely that accounts payable will call to tell you.”

Don’t be *that* guy.

Keep your invoices consistent, clear and encompassing of each client’s preferences.



6

Invoice as Soon as Possible

If you completed the work, you deserve the money you are owed—so why wait around? The faster you can get your invoices out, the sooner you'll get paid.

Here are a couple invoice scheduling options to consider:



Retainer Clients

If you charge an ongoing monthly fee, bill for the first month up front and require payment before you start working. This helps motivate the client to get the initial payment completed so your team can get started on their work sooner.



Project Clients

For project-based businesses, consider sending an invoice for 50% of the work up front, and then invoice the other 50% after the work is delivered. Or for longer projects (i.e. website development), invoice 33% up front, 33% after the first month, and 34% upon completion.



Hourly Rate Clients

This may be slightly tricky because it requires time estimate projections.

First, estimate how long you anticipate a project will take to complete. If you have time tracking, run a report on how long similar projects have taken in the past.

Next, invoice for 50% of the estimated time upfront, and then adjust the second invoice to reflect actual hours delivered.

If you opt to invoice after all work is completed, do so as soon as the project is wrapped up. Again, the longer you wait to send the invoice, the longer you'll wait to get paid. Nobody has time for that.

Send Invoices to the Appropriate Parties

If you email your invoices, send them directly to your client contact *AND* the person in charge of issuing payment. *Why?*

- By sending the invoice directly to the person who manages payment, you avoid the chances of the invoice getting lost or delayed in your client's inbox.
- By sending to the client contact, you ensure they see it and can authorize what needs to be approved right away. Also, it is easier to follow up with them on late payment if they are aware the invoice was received.

Additional Tip: Using an email marketing tool, such as [Constant Contact](#), [MailChimp](#) or [HubSpot](#), or an accounting system like [Xero](#), you can monitor if your emails were delivered, opened, marked as spam or bounced. This insight can help you identify invoice delivery issues faster.



Diversify Payment Options

If you only accept checks, you'll need to tack on a minimum two-to-four days until you receive payment. Why? Well, checks have to be processed, printed and then snail mailed to you. Yawn.

Instead, diversify your payment options by going digital.

Digital payment options allow for funds to be transferred from a credit card or a bank account directly into your account—often on the same day.



Different ways to be paid

There are several forms of digital payment to consider, but keep in mind that all have a service fee associated with them.

Option 1:



Wire Transfers

Wiring funds between bank accounts is the fastest and most secure form of payment. For larger amounts, it can also be the cheapest digital option.

According to [My Bank Tracker](#), average transfer fees across the top 10 banks are:

- Domestic Incoming: \$15.50
- Domestic Outgoing: \$27.40
- Foreign Incoming: \$18.00
- Foreign Outgoing: \$47.50

You can view [fees for each of the top 10 banks fees here](#).

Option 2:



PayPal

PayPal is, among other things, an online bill payment platform for businesses. With PayPal, your clients can pay in a variety of ways, including credit, debit card or bank transfer. While this flexibility is nice for the customer, it comes at a price. PayPal charges a 2.9% + \$0.30 fee with each transaction.

Option 3:

Credit Cards

Credit cards also charge processing fees, which can range between 3 and 3.5%. Fees differ by credit card, and how the card is processed.

There are two ways to process a credit card:

- Swiping a physical card.
- Keying in, or manually typing, the card number into a terminal.

For service businesses, the latter will likely be the case. Keyed-in credit card payments tend to have a slightly higher fee associated with them since the chance of fraud is greater.

Option 4:

A Check Checklist

Finally, if you *do* accept checks, the U.S. Small Business Association recommends establishing a detailed check-acceptance policy to help identify and void bad checks sooner.

Examine client checks for:

- A current date.
- Bank ID number.
- Customer account number.
- Check number.
- Completed “Pay to the Order Of” section.
- A signature.
- Matching written and numeric dollar amounts.



Next, deposit checks as soon as possible. If the check bounces, contact the customer straightaway to let them know. They may be able to transfer funds and get you a new check quickly. If the issue is not resolved immediately or flat out ignored, consult your local law enforcement agency to understand your rights.

Keep on Track with Debtors

It's your money, so you shouldn't be afraid to ask for it...repeatedly if necessary.

To ensure you get what's rightfully yours, start by defining a strict collections process, and then stick to it. An example includes:

2

days past due:

Send a reminder email from accounting.

5

days past due:

Send a personalized email or call the client directly to enquire about the payment.

15

days past due:

Send a notification that finance charges will be applied if payment is not received in the next 3 business days.

30

days past due:

Halt services until outstanding payment is received.

When Payment is really, REALLY Overdue:

In all honesty, it is never comfortable hounding clients about late payments. To help ease this chore, following is a sample email from our ebook, [“15 Emails to Keep Clients Happy”](#) that may help.

Dear Lowlife-Scumbag-Non-Paying Client,

On October 4th, we sent you an invoice for services rendered. The invoice number was INV-02733 and the total amount was \$3,280.50.

We’ve still not received payment for this project, nor a response to my previous email. According to our payment terms, a late payment penalty now applies, making the new total \$9,134.00.

Please send payment immediately, or contact us if you are having difficulties and we will happily work on a solution together. We’ll contact you to follow up if we haven’t received payment by December 9th.

Yours Sincerely,

One-Broke-and-Living-In-The-Gutter-Web-Developer



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Conclusion

Starting a business is an intimidating feat, especially considering the statistics stacked against entrepreneurs. But **with the right technology, processes and communication**, you can give yourself a fighting chance to endure the largest hurdle you'll face—consistent incoming cash.

By implementing the recommendations outlined in this ebook, you can increase your chances of keeping money rolling in, and concentrate your energy on growing your business.

If you have any questions after reading this ebook, or are looking for more information about [workflow management software](#), please contact WorkflowMax at support@workflowmax.com.





See how WorkflowMax enabled one small business to combine multiple tools into one streamlined system.



Watch this case study on our website at

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