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How to Nudge Your Customers to Settle Their Accounts



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SUMMARY

What can you do to get paid quickly when cash-flow constraints are affecting everyone? Here are a few options.



Businesses looking to maximize cash flow can explore accounts receivable by asking their customers to make good on outstanding invoices. The trouble is that some of those companies may be struggling with cash flow themselves, making them reluctant, unwilling or incapable of settling their debts until certainty is restored to the economic climate.

A 2020 report from Deloitte, "[COVID-19: Managing cash flow during a period of crisis](#)," notes that "companies tend to get lax about receivables when the economy is booming, interest rates are relatively low, and cash flow is not a concern." But, in times of crisis when supply chains are affected and cash flow is squeezed, "it's worth taking a hard look at how your receivables are being managed." You might be considering delaying payments to suppliers to improve cash flow in your business, so "don't be surprised if your customers are thinking about doing the same thing to you," the report warns.

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This is why now is a good time to make your collection process more rigorous and look at which of your customers might be changing their own payment practices.

1. Empathize with their position.

A little empathy goes a long way. Everyone is in the same boat and most of your clients will be honestly struggling rather than purposefully trying to wiggle out of paying. When this crisis is over, you will still need your customers and you will want to maintain your reputation as a business that tried to do the right thing. So, if you can afford to give customers breathing space, do. You could consider putting a payment plan in place so customers can clear a debt gradually in installments, or allowing them a grace period on the understanding that the invoice will be settled by a mutually agreed date.

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If you can't do this, it's better to start off using the 'carrot' rather than the 'stick' approach: Offer a discount for immediate payment or payment within a short timeframe. Pledge to make a donation to charity for every invoice settled on time.

If this doesn't yield results, you could introduce a new policy of adding interest or late fees to overdue invoices. Just the thought of a larger bill may be enough to make your invoice more of a priority. But rather than add new charges to existing bills, you'll need to warn customers this policy will apply to all future invoices, so they can't argue you've changed your terms without informing them.

2. Call them, don't email them.

Communication is important in this situation so don't be afraid to call up your customers—it's much easier to ignore an emailed request for payment. It also means you'll know sooner if your customers need more time to pay, perhaps because they themselves are also chasing outstanding payments, and you can plan accordingly. Taking this more personal approach could help you come to a solution which works for both parties. If you don't have the time or manpower to contact everyone, just focus on the high value invoices.

3. Make it easy for them to pay you.

Make it as easy as possible for customers to pay your invoices, ideally with just one or two clicks. Check if your cloud-based accounting software has automated regular payment reminders or automated late fee charges for customers.

If someone receives an electronic invoice in their email inbox with a 'Pay Now' button clearly displayed, they may be more likely to settle. Paper invoices that require more effort can end up filed away under 'to deal with later,' and that may mean much later or not at all. Offer a range of different payment options and display them on every invoice so customers can pay you in whichever way they find easiest.

Offer a discount for immediate payment or payment within a short timeframe. Pledge to make a donation to charity for every invoice settled on time.



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If all else fails, you could consider selling your invoices to a factoring or finance company who will either give you a loan based on the value of your accounts receivable, or purchase them from you, less a percentage fee, and then chase the invoices itself.

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