

5 Effective Billing Techniques

Businesses can speed collection of their receivables and avoid late payment problems by developing an effective billing plan. Here are some steps you can take to help protect yourself from slow-paying clients.

1. Create an effective invoice

Make sure that your invoices are clear, accurate, detailed and easy to decipher. Each one should include: the amount due, a purchase order number; customer name and address; and your logo, business' name, address, and ID number. You should also include the name and phone number of a person in your company to contact if there are any questions.

If possible, itemize the charges. It is harder to contest a bill that is itemized, and if there is a dispute over one of the charges, you can legitimately ask to be paid for the uncontested, itemized charges. Invoices should also contain a clause instructing the customer to contact you if there are any problems with your services, and a clear outline of late charges.

2. Mail invoices promptly

The sooner you get send invoices out to your customers, the sooner payments will come in. Some small businesses send invoices out monthly, but this is a mistake since it can delay some receivables by two to three weeks. Instead, try to send invoices within a day or two of delivery of your product or completion of a project.

3. Bill the right person

Sending a bill to the wrong person can push payment off as much as 30 or 60 days as it gets routed around a company. Talk directly with your client and ask to whom you should send your bill. If the bill is going to someone other than your day-to-day contact, call and introduce yourself before you put the bill in the mail. If you are sending a bill to your client's bookkeeper or accounting department, copy your client as well and follow up with a phone call.

4. Follow up

It is easy for a bookkeeper to ignore an invoice if there are no follow up phone calls to check on its status. A quick check-in can confirm that your invoice was received and is being processed. If payment does not arrive by the due date, check in with the bookkeeper again to determine when the invoice will be paid, and follow up weekly until you receive the money.

5. Develop a Collections Process

Ultimately, you are responsible for working with your customer to obtain payment if it is delayed. If you have the customer relationship, it is best if the first call come from you. If payment continues to lag, have the bookkeeper send a late payment notice after the first 30 days and then every 15 days after as a reminder. Ensure that you have procedures in place to stay on top of collections so you don't lose out or worse, end up in a costly legal situation.