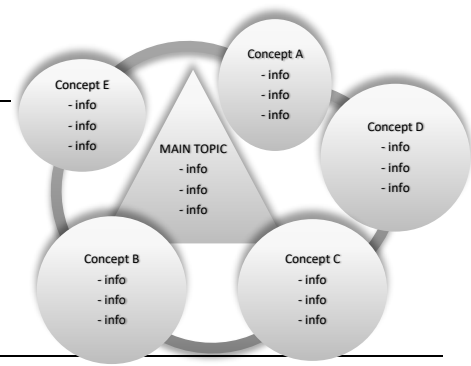


SmartArt: Take Control of Cash Flow

Using a SmartArt diagram in MS Word, summarize the 5 ways that businesses can “Take Control of Cash Flow”.

Include appropriate headings and supporting information for each “box” in the SmartArt.



As a credit manager and former owner of a collection agency, I have seen firsthand that businesses without credit policies in place often suffer—and sometimes even fail. A credit policy protects a business’s most important asset: its cash. If your business extends credit, you need to protect your cash flow and limit your credit risk. If you have customers that aren’t paying you on time, they are destroying your cash flow and your ability to pay your own bills on time as well as your bottom line. Now is the time to take back control of your cash flow with these five steps.

1. Call every past-due customer and ask for payment in full. Always begin every collection call asking for full payment and work your way down from there. In this economy it may not be feasible for someone to make the full payment, so be prepared to offer payment plans. Try asking for half the balance now and the other half in two weeks. Remember to offer a solution to the customer to create a win-win situation for both of you.
2. Stop shipping orders to customers that owe you money. If a customer is past due and places a new order, put that order or account on hold until the balance is paid and you renegotiate payment terms for the new order. Otherwise you may find yourself in the same situation again once payment for this new order becomes due.
3. Check every customer’s credit. Because our economy has changed, your customers’ credit situations have changed, too. Folks who may have had great credit a few years ago may not have such good credit now. Re-evaluate all customers’ credit limits to limit your risk and help keep your customers out of trouble.
4. Re-evaluate your payment terms. Get paid sooner by changing your payment terms from net 30 or net 45 by offering an incentive for customers to pay you early. Offer them an early pay discount, such as a 2 percent discount if they make full payment within 10 days. This way they will pay your bills first since they can save some money. This helps your customers by saving them money and gets you paid faster by moving your invoice to the top of the payment pile, thus increasing your cash flow.
5. Fire some customers. At least once a year you need to take a good look at your customer base and weed out your problematic customers. Any customer that takes up any of your time or resources by not paying on time is not a good quality customer. Fire them. You want a base of customers that order regularly and pay you on time—not customers that pay late, call to place more orders when they owe you money, or waste your time explaining why they can’t pay on time. Once someone doesn’t pay on time, you start losing money.