



Ms  
Current Name  
Street Name 1  
70000 City Name

Street Name 1  
70000 City Name  
Tel: 0000 5555555  
E-Mail: emailname@server.com

## Invoice

Invoice-Nr.  
2011042401

Date  
24.04.2011

Clerk name-in:  
Your Name

Dear Ms Current Name,  
I authorize myself to make following Invoice:

Num.	Qty	Units	Article Nr.	Goods, Service	Unit Price	Price
1	1	pcs		Food photography for summer menu. Menu design and printing on glossy cardboard DIN A5 double sided 50 pieces	273,11 €	273,11 €
1	33	pcs		Single product photo on white background	2,52 €	83,16 €
1	1	pcs		Photo Licenses for Certificates	16,80 €	20,00 €
Total						273,11 €
VAT 19%						51,89 €
<b>Total Amount Payable</b>						<b>325,00 €</b>

Your Name  
KTO Nr: 100 000 000  
BLZ: 100 100 00  
Bank Name

Your Name (Privatperson)  
UST-IdNr: 10000000000  
Steuer-Nr: 10000000

FREE EBOOK

# EIGHT WAYS TO SOLVE ACCOUNTS RECEIVABLE

Debtor Daddy weighs up the pros and cons of the common options, so you can decide what's the best approach for your business.

# What's in this **guide**?

03 Introduction

04 Option one: Do Nothing

05 Option two: Do it yourself

06 Option three: Ask Another staff member

07 Option four: Hire a part-time admin person

08 Option five: Automated email reminders

09 Option six: Ask your bookkeeper or accountant

10 Option seven: Ask your sales people

11 The perfect accounts receivable management

12 About Debtor Daddy



## INTRODUCTION

---

Managing receivables is a job that most businesses need to undertake every week or month in order to keep cash flowing.

Failure to manage your receivables function properly results in poor cashflow, strained customer relationships and sleepless nights.

Research by ANZ Bank found that 82 per cent of businesses fail due to poor cashflow.

In this guide, we weigh up the pros and cons of different receivables management solutions, from using an existing staff member to automated email reminders.

This way you can make an informed decision on what will work for your business.



## OPTION ONE

## DO NOTHING

Before you start laughing, doing nothing about following up late payers is a scenario we encounter.

Sometimes it's because the business has plenty of cash sloshing around and the amount sitting away in receivables is inconsequential and not worth worrying about.

Other times the people in the business are just too busy to follow up – instead they spend their time chasing new work and getting current jobs out the door to cover any cashflow shortfalls.

### COMMON EXCUSES

- "It's difficult" - no one enjoys the task of chasing up late payments. The conversations can be stressful.
- "It's time consuming" - most of us are time poor. It's not like we need another task on our list.
- "They'll pay eventually" – why bother with the hassle and stress if most of them will pay any way.
- "I have better things to do with my time" - more money can be made doing something else.
- "I'd rather sell them something instead" – it's easier having fun sales and service focused conversations that keep everything sweet.



## OPTION TWO

# DO IT YOURSELF

This is a very common strategy especially for smaller businesses with less than five staff, although we have seen owners of multi-million dollar businesses include following up late payments in their weekly task list.

## PROS

- An owner carries more weight and can obtain faster payment.
- An owner can agree to a payment arrangement more quickly, without having to seek approval.

## CONS

- It eats up the owners time. Time that could be spent elsewhere in the business for greater returns.
- You risk sullyng your customer relationships by switching between your 'sales hat' and your 'debt recovery hat'. Your customer never knows which hat you're wearing when you call.

You might consider taking on the job of chasing late payment yourself but ask yourself could your time be better spent elsewhere?

How much more value could you create by instead spending a half a day focused on sales or calling your best customers!?



KEY TAKE  
AWAY

## OPTION THREE

# ASK ANOTHER STAFF MEMBER

For most businesses, it's hard to justify hiring a dedicated accounts receivables person, rather it's easier to delegate the task to an existing employee.

From office administrators to sales managers, all kinds of employees can end up with this extra task on their plate.

## PROS

- The business owner doesn't have to do it, they can spend time on other parts of the business.
- An existing employee is already familiar with your business, products and services.
- An existing employee has access to your internal systems to help resolve queries quickly.

## CONS

- An employee may resent being given what's a 'hated task' in a lot of businesses.
- The ability of an employee to perform their existing role may be compromised.
- You may need to update the employees job description and KPIs if you wish to hold them accountable to results.
- Time & money may need to be invested in training the employee and specialised software so they get results from the time they spend.

While an employee may agree to taking on this task, be aware that they may lack the skills, tools and desire which will limit their ability to do a great job.

In fact it may do more harm than good for them and your customers.



KEY TAKE AWAY

## OPTION FOUR

# HIRE A PART-TIME ADMIN PERSON

The idea here is that you hire a part-time admin person for a few hours a week to complete a number of administration tasks including the job of following up late payments.

However before you hire, you'll need to figure out how many hours you want to give the employee each week? How will that affect your taxes, their employment benefits, and the overall cost of the hire?

## PROS

- You and your team can offload a range of typically menial tasks they dislike or don't have time for.
- You can train the person according to your company culture.
- An existing employee has access to your internal systems to resolve queries quickly.

## CONS

- The time and expense of advertising, hiring and training.
- Office administrator roles can experience high turnover rates.
- When your Office Administrator moves on, you can lose momentum with your late payment follow up.
- Depending on your office's needs, work available could fluctuate significantly, so you might not be able to guarantee regular hours.

Hiring an Office Administrator can save others in the business allowing them to get on with the job they were hired for.

Consider carefully whether it's worth the risk of adding a cashflow-critical job like receivables management to their job description.



KEY TAKE  
AWAY

## OPTION FIVE

# AUTOMATED EMAIL REMINDERS

Most accounting and invoicing software include the ability to automatically send email reminders to customers when an invoice becomes overdue.

Automated invoice reminders can be awesome because they go out like clockwork every week or month without requiring too much effort, but they do have their limitations.

## PROS

- You can “set and forget” – reminders are sent out automatically, saving you time.
- You can tailor the reminder content as invoices become increasingly overdue.
- You don't have to use any other software to follow up late payers.

## CONS

- Repeat customers can end up receiving too many emails each month, reducing reminder effectiveness and causing inbox overload.
- Reminder effectiveness decreases over several months as your customers become ‘numb’.
- No options to tailor your reminders for large ‘monthly accounts’ versus smaller ‘7 day accounts’ - it's one size fits all.
- Out-of-the-box reminders from your accounting software look similar to other emails and can get overlooked.

Automated reminders are an essential part of any invoice follow up process, they save time and help you achieve a more consistent follow up process. However it's also important to think about:

1. What happens to invoices that remain unpaid after the final reminder?
2. Are impersonal repetitive reminders actually harming your customer relationships?
3. How will you be alerted when customers are unhappy?
4. How will you know when overdue accounts require firmer action?



KEY TAKE  
AWAY



## OPTION SIX

# ASK YOUR BOOKKEEPER OR ACCOUNTANT

Talking to your accountant or bookkeeper is a logical starting point when it comes to getting help with managing your receivables. Most will understand the importance of having a good process in place and some may even offer to do it for you.

## PROS

- Your accountant or bookkeeper may already understand your products and services.
- As an independent third party your accountant or bookkeeper may get better results, especially with difficult customers.
- Your accountant or bookkeeper may have access to your accounting or invoicing software so they can resolve queries, re-send invoices, and send statements on your behalf.

## CONS

- Following up late payments is not typically a core service offered by accountants or bookkeepers, meaning they lack the experience and tools to do a great job.
- Often they'll send you a spreadsheet with notes, which is time consuming for both you and them to keep up-to-date.
- Some may only offer a partial service and they won't make calls on your behalf.
- Like most people, accountants and bookkeepers don't like phoning debtors, plus they can usually make more money doing other things.

Asking your accountant or bookkeeper to help out with receivables may save you time, however, if it's not a core skill or passion then you may not get the results you hope for.



KEY TAKE  
AWAY

## OPTION SEVEN

# ASK YOUR SALES PEOPLE

Creating sales is all about relationship building. Nothing can cause a rift in a carefully-created relationship like calling about an overdue invoice. Your salesperson will have to find a way to not burn bridges while still conveying the urgency of paying up.

## PROS

- They have intimate knowledge of your customer and their history so they can resolve any disputes or issues quickly.
- They can enforce stop credit rules by refusing to supply past due accounts.
- Sales people are known for their gift-of-the-gab, so they can use their smooth-talking skills to effectively follow-up overdue payments.

## CONS

- There is a risk of sullyng your customer relationships as your sales people switch between their 'sales hat' and their 'debt recovery hat'. Your customer never knows which hat they're wearing when they call.
- Your sales people feel more comfortable selling or solving your customer's problems so they avoid the topic of past due accounts altogether.
- The communication between your finance team and your account managers can take time. Often your finance team will end up chasing your salespeople to chase your customers, burning even more time!
- Sales KPIs and therefore your salespeople's behaviour is usually focused on growing revenue, not keeping debtors in check.

Some of your salespeople will find it easy to talk to customers about overdue invoices, others will struggle and avoid the topic. Overall, if you want to achieve consistent results and hold people accountable to good receivables performance then your sales team may not be the best option.



# THE PERFECT RECEIVABLES MANAGEMENT PROCESS

## VISIBLE

You can see progress is being made each week.  
You're alerted when customer or product issues arise.  
You can see who's responsible for each account, nothing slips through the cracks.

## PROFESSIONAL

You have a best-practice follow-up process that everyone understands.  
Your process is followed every time.  
Your process improves over time.

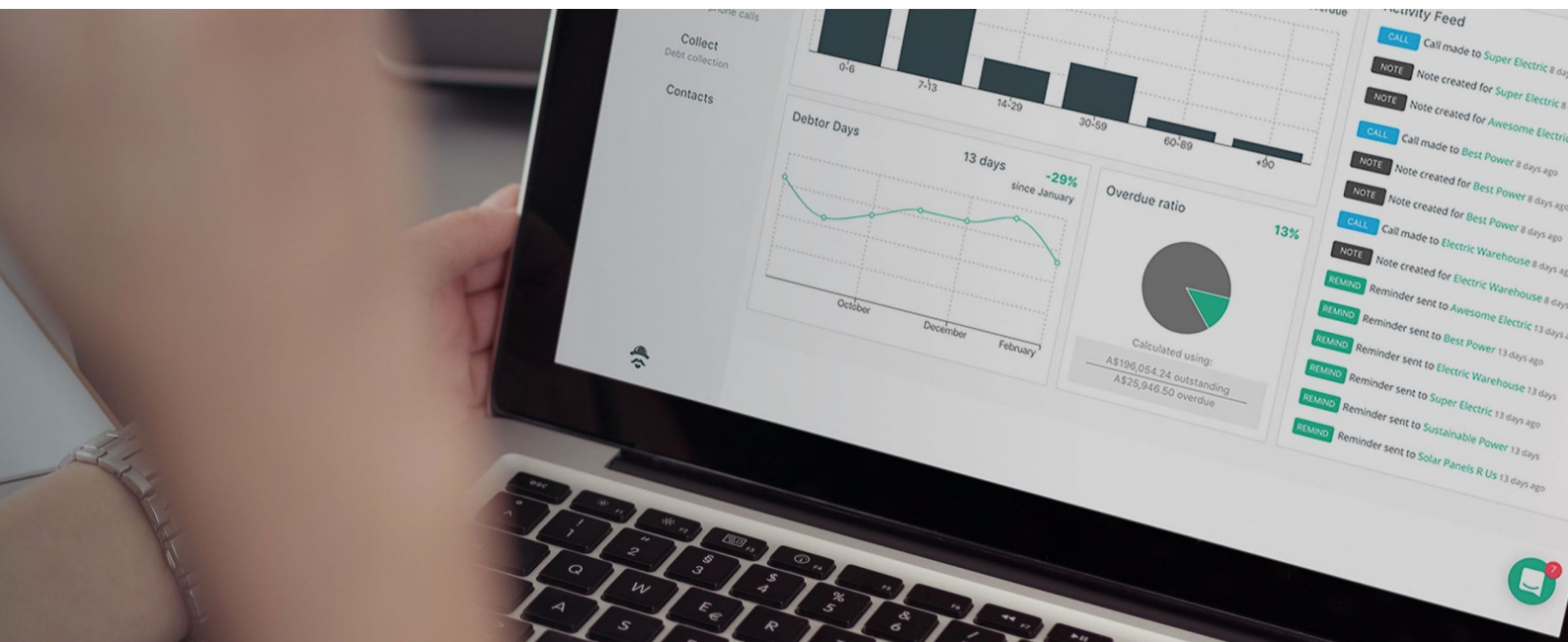
## EFFECTIVE

Cash flows in faster every month. Reduces your average days to paid.  
Less cash is locked up in your invoices. You can invest in other things.  
Problem payers are identified quickly and the appropriate action is taken.

## BETTER EXPERIENCE

Managing your receivables feels easy and it takes less time.  
Your customers are treated with respect and concern.  
Disputes and product service issues are resolved sooner.

What would you say if there's already a solution out there that can do all of this, and more?



## ABOUT DEBTOR DADDY

Many businesses are burning time, money and energy chasing overdue invoices, taking valuable time and energy away from doing what they love. Debtor Daddy offers a better way that will save you hours each week, reduce stress and increase your cashflow.

### REMIND



Automated reminders with a personal touch to help you get paid faster.

### CALL



Our friendly, dedicated professionals make those difficult calls on your behalf.

### COLLECT



When all else fails, escalate to professional debt collection in a single click.

START A FREE  
14-DAY TRIAL

BOOK A CALL WITH  
A SPECIALIST