Key Steps to Improving Your Cash Collections

Prior to the sale

Understand competition and value of your product
- Is your product or service a commodity or a commodity plus?

Know your customer AND your customer's customer
- Who is the ultimate customer and do they have the capacity to pay?
- Can they honor the terms of the PO or are they just guidelines?
- Are invoices subject to paid when paid?

Develop risk tolerance level
- What level of credit risk is acceptable?
- How much are you willing to lose?

Be prepared to say "NO!"
- How many "good" sales need to happen to make up for the "bad" sale?

During the sales cycle

Ask around town
- How do they treat other vendors inside and outside of your industry?

Don't be afraid to negotiate and be creative
- Deposits, percentage of completion billing, increased cost for extended terms.
- Early payment discounts.

Set the rules of engagement
- Be upfront and honest.
- Live up to the mutual expectations.
- Be willing to say "no" to changes in terms.

After the sale

Develop and follow your process
- Know what you can bill, when to bill and where to send.
- Get customer approval and sign off prior to billing.
- Send invoices as soon as possible.

Consistent internal and external communication
- Follow up with customer; A/P is critical.
- Find out early if there is an issue vs. when check is received.
- Work as a team with sales staff.

Build a relationship with your customer
- Understand A/P's role and their authority for invoice and payment approval.

Understand the red flags
- Don't ignore credits, slow payments, rush orders, "no one here to sign checks."

Know your leverage points
- Are you a critical part of the supply chain?
- Cost / benefit of a collection agency.
- Lien filings when appropriate.
- Understand your rights in a bankruptcy.
## Small Business Credit Resources

**Dun & Bradstreet**
www.dnb.com
Provides commercial information on businesses

**Moody's**
www.moodys.com
Provides credit ratings, risk analysis and research

**Hoover's Inc.**
www.hoovers.com
Provides information primarily on publicly held companies

**Bernard Sands**
www.bernardsands.com
Provides information on companies in the retail industry

**Ansonia Credit Data**
www.ansoniacreditdata.com
Co-op for credit information, members provide their credit history to be shared

**TransCredit**
www.transcredit.com
Provides information on the transportation industry

**Experian**
www.experian.com
Known for personal credit reports but also provides information for businesses

**Yahoo Finance**
http://finance.yahoo.com
Business news and credit information, primarily on publicly held companies

**Business Capital Risk Control Services**
www.bc-rcs.com
Provides background information on businesses and individuals

---

Mike Semanco  
248.658.3201  
msemanco@hennesseycap.com

Candi Pavliscak  
248.658.3204  
cpavliscak@hennesseycap.com