

# 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](http://www.dnb.com)

Provides commercial information on businesses

## Moody's

[www.moody.com](http://www.moody.com)

Provides credit ratings, risk analysis and research

## Hoover's Inc.

[www.hoovers.com](http://www.hoovers.com)

Provides information primarily on publicly held companies

## Bernard Sands

[www.bernardsands.com](http://www.bernardsands.com)

Provides information on companies in the retail industry

## Ansonia Credit Data

[www.ansoniacreditdata.com](http://www.ansoniacreditdata.com)

Co-op for credit information, members provide their credit history to be shared

## TransCredit

[www.transcredit.com](http://www.transcredit.com)

Provides information on the transportation industry

## Experian

[www.experian.com](http://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](http://www.bc-rcs.com)

Provides background information on businesses and individuals

Mike Semanco  
248.658.3201  
[msemanco@hennesseycap.com](mailto:msemanco@hennesseycap.com)



Candi Pavliscak  
248.658.3204  
[cpavliscak@hennesseycap.com](mailto:cpavliscak@hennesseycap.com)