

# When late grates

FOR a small business, a couple of bad or late payers can be devastating, putting the business under financial stress or potentially dragging it under.

But good credit control from the outset can help minimise bad debts, experts say.

The executive general manager of NAB Business, Daryl Johnson, says "cash is like oxygen for business owners and keeping a close eye on cash flow is important". "Each additional day it takes a business to receive payment has a measurable financial impact," he says.

"The more disciplined a business is in collecting debts, the more likely they are to be paid on time, helping to lower your costs and maximising cash flow."

A survey by Bibby Financial Services last year found 25 per cent of small business experienced serious cash-flow shortages in the previous 12 months because of late payment by customers.

And the problem of late payment by businesses appears to be worsening. The most recent Dun & Bradstreet Trade Payments Analysis – which examines firms' ability to pay bills – found the number of accounts unpaid for 90 days or more grew by 20 per cent in the December quarter, compared with the previous year.

The managing director of the credit checking agency Credit-Watch, Colin Porter, says too often in a business the sales team decides to take on a customer.

But a full credit check should be

done on anyone a firm is planning to invoice before the goods or services are supplied.

"People can be a little naive in chasing that sale and not really doing due diligence before the sale," Porter says. "They just see the dollars." And he warns businesses to be sceptical about a customer from nowhere who seems too good to be true.

Businesses should question why the company has suddenly appeared and is prepared to pay full rate, he says. Often the reason is it has already been cut off by other suppliers for not paying.

Porter says it is crucial small businesses are vigilant from the start about having their creditors pay on time. Even if they are just a day or two late, customers should be followed up to ensure they are happy with the service or product and to be reminded they are yet to pay.

It's almost as if they have to be trained to pay on the due date, he says. "Whoever is paying the accounts will know, 'I'm going to get harassed for this money so I may as well pay it on time.'"

Johnson recommends businesses try to understand a customer's situation "and carefully balance the need to receive payment with your relationship". He also suggests offering discounts for early payments "to make it easy for them to pay on time".

Porter has a final warning: "A sale is not a sale until you've been paid."

Christopher Niesche