



Guide

Improve cash collection for your service business

Cash is king, and in most cases it's the lifeblood of any company. Employees, customers, and efficient processes are essential to running a successful service business, but without healthy cash flow, you may find your business struggling to make ends meet.

That's why we're focusing on cash flow.

- Why it's important to invoice your customers as fast as possible.
- The importance of automating the time collection process.
- Why you should set a credit limit for your customers.
- Why you should build an accounts receivable team.
- Why you should have a customer's credit card on file.
- The importance of measuring your service coordinator's non-billable time.
- How collecting signatures on site can protect you in the long run.

Sage



Cash collection tip #1: Invoice your customers as fast as possible

In most cases, commercial service techs do not collect payments while on-site. Typically, while on-site, the tech gathers customer information and sends it back to the office, and the office must take several steps before they can invoice the customer.

From a commercial perspective, it's important to bill as quickly as possible. The longer you wait, the less likely you are to collect payment and increase credit risk that can create a stressful dynamic when trying to float payroll and pay your vendors.

From what we've learned, most service businesses try to collect payments in 70 days or less. In our opinion, that's too long.

Here are two ways to invoice faster:

- First and foremost, your techs should be able to electronically find the right part, receive approval from the back office, and easily document work performed while on-site. This allows the office to quickly review and invoice the customer.
- Have a tool that automatically calculates the right billing and tax rates based on the client's contract. This will save back-office time.



Cash collection tip #2: Automate the time collection process

Have you ever billed a customer the wrong amount? You don't have to admit it because it's okay, we all have.

To help prevent this from happening, your time and attendance solution should support both payroll needs and billing needs. For example, your technicians shouldn't have to enter time in two separate places. They should have a solution that streamlines this process making your invoices more accurate and timelier.

Additionally, make sure you have a proper time review and approval process, as well as a billing review and approval process in place so that invoices sent to customers are accurate.



Cash collection tip #3: Set a credit limit for your customers

We've heard shocking stories about customers continuing to rack up their bills without showing any signs of paying.

For all the companies who have risked their cash flow and experiencing situations like this, please add these practices into your business moving forward:

- Set a credit limit for customers you're concerned about (and enforce it!)
- Set a rule tied to the credit limit so that when a customer exceeds their limit, they are prevented from requesting additional service.
- Do a credit check with DNB or some third party you trust.
- If something seems too good to be true and they're giving you all this work, call other vendors to see if they got paid on time.
- Don't get caught with a customer who can't pay.



Cash collection tip #4: Create an accounts receivable team

Regardless of company size, every service business should have an accounts receivable team as this is one of the most effective ways to improve your cash flow. An accounts receivable team will:

- Make sure statements are sent to customers on time.
- Follow up with accounts who haven't paid on time to quickly resolve payment.
- Be the ones who monitor and manage your cash flow. A.K.A your company's lifeblood.



Cash collection tip #5: Make sure customers have a credit card on file or use a lockbox

To protect your cash flow, make sure that you have your customer's credit card on file and that you follow PCI compliance best practices. This allows your team to charge for work without having to get your customer on the phone.

Another tip for improving your cash flow is to use a lockbox to collect payments. Have your customers send their payments directly to your bank and they'll scan the check and deposit it right away. This is a huge time saver.

What is a lockbox?

A lockbox is a service that most banks offer to companies. It allows for your customers to send payments directly to a special post office box instead of sending their payment directly to you. The bank goes to the box, picks up the payment, and processes and deposits the funds directly into your bank account. There are fees associated with this service, but as a whole, it's an efficient way of depositing customer payments.



Cash collection tip #6: Collect signatures on site and provide backup documentation on the invoice

To prevent a customer from questioning your invoice and delaying payment, we recommend two things:

- When your tech is on-site, make sure they collect the customer's signature at the end of the job. That way it proves you were there, someone witnessed it, and you completed the work. The signature page should indicate the date, who the tech is, and how many hours they were there.
- Include backup documentation on your invoices such as photos of the completed work or a completed preventative checklist. This way if the customer doesn't know what they were billed for they can refer to these documents. On the flip side, if they need to call because they don't understand the bill or don't know what they were charged for, they'll be less likely to pay you.

These two practices are a good one-two punch for improving your cash flow.

Greater service profitability is right within reach!



A Sage Partner



✉ info@altavistatech.com

🌐 altavistatech.com

☎ 855.913.3228



Sage

©2023 The Sage Group plc or its licensors. All rights reserved. Sage, Sage logos, and Sage product and service names mentioned herein are the trademarks of Sage Global Services Limited or its licensors. All other trademarks are the property of their respective owners.