

## No More Write Offs

5.14.12

**We're experiencing an unusually high amount of write-offs. It's been increasing with the small accounts, where we used to get paid 100%. We've always had some amount of write-offs with our bigger clients. I'm getting tired of it. Every time we give money back, even on a small job - there goes the profit. Would appreciate any suggestions you can make.**

**Thoughts of the Day:** Make sure it's a payment problem. Set expectations, and follow through. Make sure you have leverage. Keep your cool.

Figure out the source of the problem. Do customers react in surprise to invoices, question the value of what they received, lack ability to pay, or just plain renege on the deal? Each situation requires its own solution.

Going into an agreement, it's important to be clear about what things cost. Unexpected expenses can easily lead to a shortfall in payments. Start with a complete written estimate. Use change order forms to communicate cost increases. Get customer sign-off before work takes place.

Misunderstood payment terms can also lead to delays. Put your payment terms in writing. Email them over to the customer with a return receipt. Ask the customer to initial and send back. That way you both know what you agreed to.

Check if you have a quality problem. Survey recent customers to verify that they were satisfied with what they bought. Pay close attention to any indications of problems. If customers are unhappy with what was delivered, they will likely renegotiate by sending in less than full payment.

Some customers will have the best of intentions, and then run into problems. Other customers intended from the get-go to flout the agreement about what would be paid, when. Either way, it's important to have leverage, and be willing to use it.

Make final payment due before all of the service or product is turned over to the customer. If the customer wants to delay payment until they are satisfied, set up an escrow account. Make sure that "acceptance" standards are in writing, and there's a set timeline for approval and release of escrow.

When payment isn't forthcoming, treat the situation with respect and professionalism. You may be boiling over, and ready to sling four letter words at the client, but that's not likely to accomplish anything. Stow it.

Make a call to the accounting department. Make sure they have a copy of the invoice. If they don't, email one with a return receipt. Follow up with a phone call to make sure it's received.

Ask about payment sign-offs. If someone has to sign off before accounting can take over, find out who that is. Follow up with them directly.

When anyone in the approval chain starts asking about discounts, don't be in a hurry to cave in. The customer may just be asking. Know what is a reasonable fee for your product or service, and stick to your guns when pressured. If it's after the fact, refer to written, signed documents as evidence of what's due.

Be ready to state actions you will take if payment is not received. You can stop all future work. You can escalate the invoice through the buyer's company. Know how to publicize that the company is a late- or non-payer. Refer old invoices to professional collections.

Evaluate every customer once the account is settled. Did they pay on time, in full. Go after more work with the reliable payers. Think twice about continuing with customers who challenge every invoice, who refuse to pay the last % due, or who otherwise try to break the terms of your agreement. No matter how big the customer, if they don't pay, they're not that valuable.

Check references before starting work. Find out if other vendors are getting paid on time, in full. If there's any question, set up a back up financial instrument, such as a credit card or third party leasing. Let the professionals handle the problem accounts.

Looking for a good book? Collections Made Easy: Fast, Efficient, Proven Techniques to Get Cash From Your Customers, by Carol S. Frischer.

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