

Stevens & Ricci, Inc.

BUSINESS CREDIT SOLUTIONS



# 2017

## CASH FLOW STRATEGY GUIDE

### STEP 4: YOUR INVOICE AS A CASH FLOW TOOL

#### Contents

---

- ✓ Fix common mistakes that create payment problems
- ✓ Increase payment response rates by up to 30%
- ✓ Sample Credit Confirmation Letters for Higher Dollar Accounts

**Copyright© 2017 Stevens & Ricci, Inc.**

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or any other means electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the publisher.

# INVOICE AS A CASH FLOW TOOL

---

If sales is the engine of a business, collections is the oil. Cash flow is the life blood of a business, regardless of size. When an invoice goes over 60 or 90 days the reasons can range anywhere from customer cash flow issues, seasonality, product or services disputes to contract problems. And your invoices may be partially to blame.

Companies across the board are taking much longer to pay their receivables. Payment cycles have gone from 45-60 days to 75-90 days or more since 2009. Smaller companies with limited working capital resources are obviously hit the hardest. But companies of all sizes are feeling the pain.

Are customers using your invoice to come up with stall tactics or evasion strategies? It happens more than you might think. This is garden variety A/P procedure, and here is a checklist of items you can review and apply to your invoice to limit this:

1. Terms of Sale: Whether you issue manual or automated invoices, make sure to calculate the specific due date to print out on the invoice, rather than your terms (ie-Net 30), which is subject to various interpretations.

2. Discounts: If you offer a payment discount, it's better to spell everything out in plain English.

Instead of: "2% discount if paid within 10 days" or "2%/10 Net 30"

Be specific: "If paid by M/D/Y, deduct \$275.15"

3. Remit to Address: This one seems simple, but you'd be surprised how many business invoices do not have clearly spelled out the exact payment instructions or mailing address. This is usually not an issue if a business has one location and no PO Box. Don't list both your PO Box and street address, just one or the other. The zip codes can get crossed and your check may end up in a sorting station.

4. Questions & Disputes: Invalid dispute claims are a very common stall tactic. They usually come up when the invoice is past-due, not when the product or service is first delivered. Include language on your invoice to contact your Credit Dept. (or Customer Service, etc.) BEFORE the payment due date if there is a question or problem. On large balances, consider sending a credit confirmation letter or email (see # 5 next).

# INVOICE AS A CASH FLOW TOOL

---

5. Credit Confirmation Letter: When it comes to high dollar invoices, consider sending a credit confirmation letter a few days after invoicing. Then follow-up it up with a phone call. New customers are a great place to start. Not only are you unfamiliar with their pay patterns, but you can establish rapport and thank them for their business at this early stage also. This type of confirmation follow-up has been proven to drastically cut float and payment stall tactics. See Fig. 4 for examples and ideas you can use to create your company's letter.

6. Interest Clause: If you have late charge interest language on you invoice, this can be very effective in applying leverage. Our advanced strategy guide "Using Service Charges to Leverage Your Collections" covers this topic in greater detail. If you eventually forward and account to a collection agency or attorney, this becomes even more valuable, as the third party will have more to work with also.

See Figure 2 for sample Interest Clause language.

7. Other: Make sure to include on your invoice the P.O. number or person's name who placed the order or authorized the purchase, to avoid delays. You may also want to consider adding a message box to your invoice template to thank your customer for their business or include details on upcoming promotions, etc.

8. Increase payment response rates by 30%!: There was a full page ad in the Wall Street Journal by Xerox for their color printers. The bold headline read "How to Get Paid – Faster". And then "Color on customer invoices can get you paid up to 30% faster." Take a look at the Xerox case study in Figure 3 and decide if this is worth pursuing. If you can implement this color solution into your invoicing process cost effectively, one thing's for sure – it won't hurt your cash flow. It can only help. How much will obviously depend on your particular industry and customer base.

# INVOICE AS A CASH FLOW TOOL-Fig 1

[Your Company Logo]

**PLEASE REMIT TO:**

Your Company  
Your Remit To Address  
City, State ZIP

**INVOICE**

No. 12345600

Buyer: John Doe  
Date: 6/1/2015

Bill To: Sample Company  
Attn: Accounts Payable  
123 First Avenue  
Anytown, USA 12345

Ship To: Same

Cust PO#: Verbal	Contact: John Doe	Phone:
Salesman 05	Shp Via:	Terms: On Compl.
Ord Clerk: SE	Cust No.: 56789	Tax: Order Type:

Quantity	Unit	Description	Price	Ext Price
1	ea	For interest incurred on the following invoice:  Invoice #: 12345601 Date: 11/10/2015 Amount: \$2,675.43  Paid: 2/7/2016 Check #: 12345		117.43

Note: This interest amount is not a late charge or penalty. It is a pass-through cost which we incurred in financing this receivable beyond terms.

Total state tax ----- N/A

**INVOICE TOTAL -----> \$117.43**

**PYMT DUE DATE: 7/1/15**

<p><b>QUESTIONS OR PROBLEMS ABOUT THIS INVOICE?</b> PLEASE CALL OUR CREDIT DEPT. BEFORE INVOICE DUE DATE: PHONE: (123) 456-7890 FAX: (234) 567-8901</p>	<p>PAYMENT IN FULL OF INVOICE TOTAL IS DUE UPON RECEIPT. IF PAYMENT IS NOT RECEIVED WITHIN 15 DAYS OF THE INVOICE DATE (PYMT DUE DATE), A FINANCE CHARGE OF 1.5% PER MONTH WILL BE ACCRUED ON UNPAID BALANCE.</p>
---	---

## Credit Application – Essential Clauses

Include on Invoice Also . . .

### **SAMPLE FINANCE CHARGE POLICY**

Payment in full of invoice total is due within 30 days from date of this invoice. If payment is not received within 30 days of the invoice date (payment due date), a finance charge of 1.5% per month will be accrued on unpaid balance.

### **SAMPLE BREACH CLAUSE**

**BREACH:** In the event it becomes necessary to pursue any delinquent balance owed, Customer stipulates to being responsible for all costs of collections, including agency or attorney fees not to exceed 35% of the outstanding account balance, plus all other court costs.

---



## 20 Ways to Share the Color Knowledge

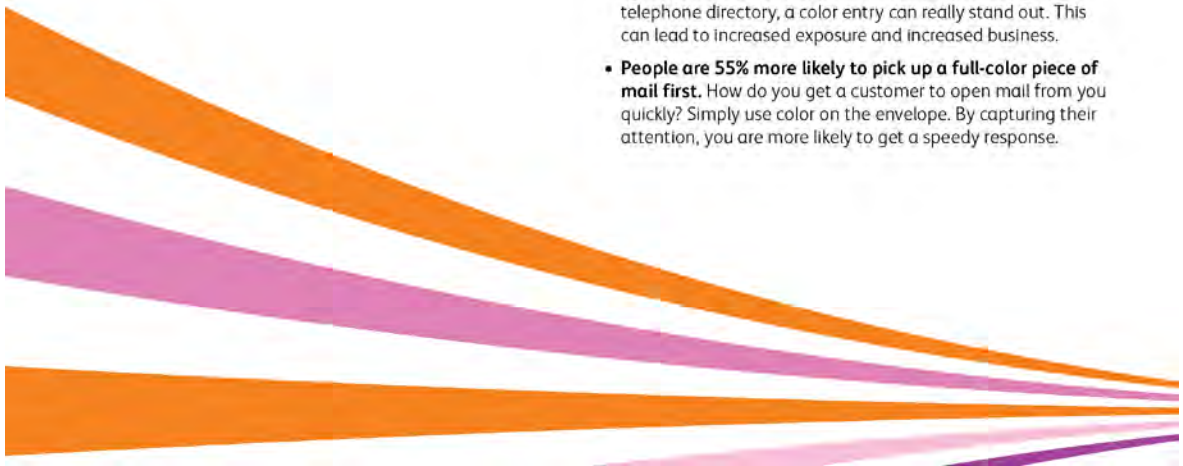
Color captures attention, enhances productivity, improves communications and helps boost sales.

Research has proven that using color in business documents can have measurable results. The following examples have been selected from a variety of sources to demonstrate the power your black-and-white documents can achieve when produced in color.



### Capture Attention

- **Color emphasizes critical information and conveys a sense of professionalism.** Your company's first impression is the most important one. Using color demonstrates that you mean business. The decision whether to read or reject pamphlets and direct mail pieces is made by readers in just 2.5 seconds. Using color can keep your materials on the desk and out of the wastebasket.
- **Color increases readers' attention spans and recall by 82%.** Safety notices, warnings and vital technical information are more likely to be remembered if they stand out in color. That can help decrease costly and time-consuming errors throughout your company.
- **Color gains readership by 80%.** Adding color to product guides can help critical information get read, helping ensure that customers understand how to operate the products they buy from you. That alone can reduce the number of unnecessary service calls and save your company time and money.
- **Color makes an impression that is 39% more memorable.** Direct mail pieces and collateral leave a lasting impression if they're in color. That makes follow-up calls more successful.
- **Telephone listings printed in color can increase response by 44%.** Amidst hundreds of black-and-white listings in a telephone directory, a color entry can really stand out. This can lead to increased exposure and increased business.
- **People are 55% more likely to pick up a full-color piece of mail first.** How do you get a customer to open mail from you quickly? Simply use color on the envelope. By capturing their attention, you are more likely to get a speedy response.



# INVOICE AS A CASH FLOW TOOL – FIG 3

## 20 Ways to Share the Color Knowledge

### Enhance Productivity

- **Color reduces search time by as much as 80%.** Contracts, insurance policies and other lengthy documents can be made more understandable by highlighting the important information with color. Customers will spend less time tying up your customer service representatives with confusing questions, increasing your operation's overall efficiency.
- **Color reduces errors by 80%.** Improperly completed forms and applications can bog down data entry and customer service departments. Highlighting important information and instructions can help customers fill out forms correctly the first time.
- **Information can be located 70% faster if it's in color.** Executives have little time as it is. Speeding up the time it takes to locate and understand important information can significantly improve your company's efficiency. For example, the 1.5 hours an executive spends reading black-and-white documents every week can be cut to a 0.5 hour by using color. That means less nonessential time and more billable time.
- **Document sorting improves by 15% when highlight color is used.** Improving the ease with which documents can be identified, sorted and filed can reduce the number of people assigned to the task. That can mean real cost savings during peak seasons when temporary help is brought on board.

- **Highlight color improves search time by 39% compared to using different fonts.** Administrative personnel can spend less time looking for information and more time performing critical tasks if the information is easier to find. Using color to highlight it can make the difference.
- **Color can increase payment response by up to 30%.** By highlighting the amount owing and the due date with color, a sense of urgency is added to invoices. This can help make your customers pay their bills faster, thereby improving your cash flow.
- **People are 2.5% more likely to pay the full amount when it's shown in color.** Some companies have found that highlighting the amount due on an invoice actually causes customers to pay the full amount owing. That reduces additional invoicing and improves your business' cash flow.

### Improve Communication

- **Color increases comprehension by as much as 73%.** Your prospects and potential customers can understand your message faster and more clearly. That speeds sales presentations and makes the whole process run more effectively.
- **Color increases learning and retention by 78%.** Educating your technical and service staff is a time-consuming process that can be drastically shortened by preparing the materials in color.

- **Color can boost survey participation by 80%.** Low response on customer satisfaction surveys can be dramatically improved and repeat mailings made unnecessary by using color to grab attention.
- **Reader comprehension has been found to be 14% better with highlight color than with bold text.** Training sessions can be more effective when the presentation materials and guides are produced using highlight color, rather than using just bold type.
- **Color increases motivation by up to 80%.** Getting response from employees can often be more difficult than getting response from customers. Using color on memos, correspondence and posted notices from payroll, human resources and personnel can help motivate your employees to respond in a timely fashion.

### Boost Sales

- **Color helps sell up to 80% more.** Collateral materials, sales brochures and other consumer communications can help generate more sales with the application of color.
- **Color can improve brand recognition by up to 80%.** Local retailers, realtors, consultants and others can cut through the clutter with the help of color. Improved brand recognition can lead to increased sales.

#### Sources:

**Studies:** Loyola College, Maryland, U.S.A., by Ellen Hoadley, Ph.D., Laurette Simmons, Ph.D., and Faith Gilroy, Ph.D. Case & Company, Management Consultants. Bureau of Advertising, Color in Newspaper Advertising. Maritz Motivation, Inc., Southern Illinois.

**Published material:** The Persuasive Properties of Color, Marketing Communications: What's Working in Direct Marketing. How to Use Color to Sell, Cahners Publishing Company. Grasp Facts Fast with Color Copying, Modern Office Procedures.



©2014 Xerox Corporation. All rights reserved. Xerox®, Xerox and Design® are trademarks of Xerox Corporation in the United States and/or other countries. C01FS-02UC



# INVOICE AS A CASH FLOW TOOL – FIG 3

## Color on Invoice – BEFORE & AFTER



Color on customer invoices can get you paid up to 30% faster; color in training manuals can accelerate learning by up to 78%; and in business documents, color can increase motivation and participation by up to 80%.

## Credit Confirmation Letter – Deposit Received

M/D/Y

XYZ Company  
Attn:  
123 Maple St.  
Anytown, USA 12345

Dear Mr./Mrs. Customer:

Thank you for your order (Thank your for choosing us, etc.)

We are in receipt of your check number 14845 dated M/D/Y for \$ 2,002.14 which is being applied as our job deposit to the following:

Job #: 638248 (Please refer to this job #)  
Your PO #: Verbal  
Contract Amt: \$4,500.00 (plus sales tax)  
Agmt Dated: M/D/Y  
Re: [describe the work you're doing for customer, product and/or service, etc.]  
Location:

Your account is approved for an extension of credit subsequent to final invoicing. Our terms on this account balance will be NET 30 from date of final invoice. Please ensure payment is received at our (your remit to address or PO Box) within 30 days from the date of your final invoice.

LATE CHARGES WILL ACCRUE AT 1 1/2% PER MONTH (18% PER ANNUM) ON UNPAID BALANCE AFTER 30TH DAY - ACCRUING FROM DATE OF INVOICE (per Proposal and Security Agreement and/or work order Terms and Conditions, sec. 6).

[delete and substitute your own language from your agreement and section #]

Thanks again for your business, we look forward to serving you and your \_\_\_\_\_ needs.

Sincerely,

Your Name  
Your Title

## Credit Confirmation Letter – No Deposit Rec'd

M/D/Y

XYZ Company

Attn:

123 Maple St.

Anytown, USA 12345

Dear Mr./Mrs. Customer:

Thank you for your order (Thank you for choosing us, etc.)

I have received your order for the following:

Job #: 638248 (Please refer to this job #)  
Your PO #: Verbal  
Contract Amt: \$3,830.00 (plus sales tax)  
Agmt Dated: M/D/Y  
Re: [describe the work you're doing for customer, product and/or service, etc.]  
Location:

Your account is approved for an extension of credit subsequent to final invoicing. Our terms on this account balance will be NET 30 from date of final invoice. Please ensure payment is received at our (your remit to address or PO Box) within 30 days from the date of your final invoice.

LATE CHARGES WILL ACCRUE AT 1 1/2% PER MONTH (18% PER ANNUM) ON UNPAID BALANCE AFTER 30TH DAY - ACCRUING FROM DATE OF INVOICE (per Proposal and Security Agreement and/or work order Terms and Conditions, sec. 6).

[delete and substitute your own language from your agreement and section #]

Thanks again for your business, we look forward to serving you and your \_\_\_\_\_ needs.

Sincerely,

Your Name

Your Title