

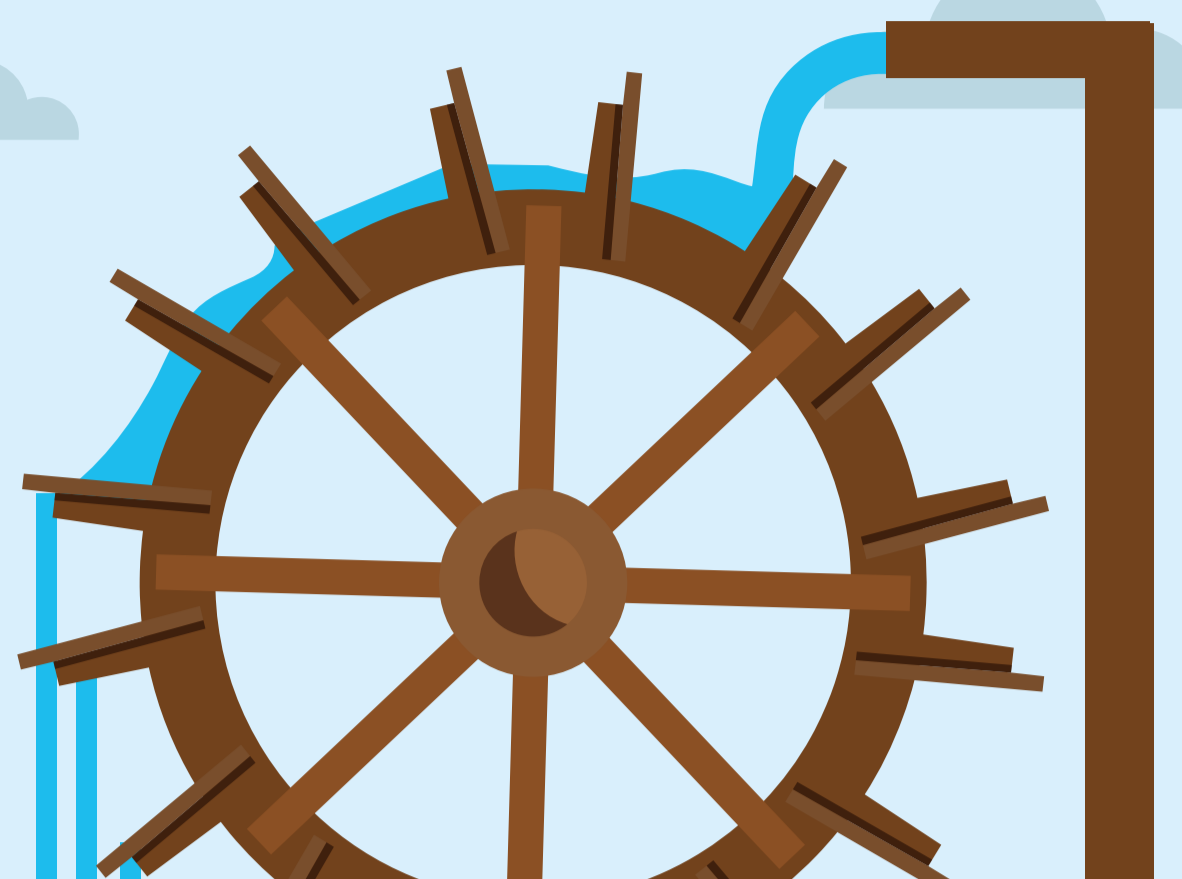
HOW TO GET PAID FASTER AND SPEED UP THE CASH CYCLE

Cash is like water turning a water wheel;
the more water and the faster it flows, the more revolutions.

Your cash flow cycle is the time it takes from you doing the work, to getting paid.

The shorter the time, the faster the cash comes into your business.

Best case scenario you get paid **immediately**.



✓ This works fine for some.

Shoe stores, online subscriptions, cafes, furniture, groceries; any consumer product or service where unless you pay immediately, you don't get it.



✗ But for many it can be a problem.

Builders, trades, designers, professionals; any business to business product or service where you'll usually invoice and then wait for payment. And wait. And wait.



! Caution

A major cause of stress is when you're growing fast. So you scale up, add employees, buy extra inventory and suddenly one, then two customers pay late. This 'overtrading' can actually cause businesses to fail even when they are flat out.



WAYS TO SHORTEN YOUR CASH CYCLE

Ideally these are in order of implementation (though it's often in reverse!)

↓ Reduce the chance of bad customers

Asking for credit worthiness signals to good customers that you run a professional business. If anyone hesitates, then the potential loss of a customer is better than non-payment.

- Run credit checks on the business AND the owners before offering credit.
- Ask customers to sign your credit terms.
- Have minimum credit terms (under a certain \$ amount customers must pay cash)
- Have maximum credit terms (over a certain \$ amount they must pay a portion in advance)
- Ensure staff are aware of your credit terms.
- Know how to reduce the risk of credit card fraud.
- Implement fraud detection training.

📄 Get paid earlier

If you can, get the cash in faster. Ways to get paid faster can vary by industry, understanding the competitive landscape of payment options is also important.

- Try to be paid on the spot. Ask customers to pay via a mobile once you've finished.
- Ask customers to pay directly into your account with online payment.
- Use shorter credit terms. If you invoice, ask for payment in 7 days not 30.
- Give an incentive or discount to pay early.
- Get a deposit to cover your initial costs.
- Ask for progress payments if you have long on-going contracts.

🚩 Prevent bad debt

If anyone is late paying, get onto it fast.

- Use accounting software to red flag late payers and follow up immediately.
- Pay close attention to large outstanding invoices.
- Negotiate part payment or a payment plan if necessary.
- Know your legal rights in collecting debt.
- Get legal advice and consider collection agencies if the worst happens.

🔄 Finally, measure your cash cycle distance and improve it.

> 🔍 Find out how long on average it takes to collect your invoices.

> 💰 Put in place the above strategies to increase the speed of payment.



TO FIND OUT MORE

RBC can help you grow your business and help manage cash flow;

- Visit your nearest RBC Royal Bank® branch
- Call 1-800-ROYAL® 2-0 (1-800-769-2520)
- Visit www.rbcroyalbank.com/business

