Getting Paid on Time

How up-to-date is your invoicing system these days? Josef Busuttil details the importance of this activity.

Doing business in highly competitive and saturated markets obliges businesses to focus their resources on meeting the needs and expectations of their customers even more. But firms may tend to emphasise on providing high quality products augmented with good customer service in order to attract more business, and maintain market share, whilst perhaps perceiving administrative paperwork as less important. Nevertheless, back office duties are also critical for the smooth running of the business itself as well as continuing to sustain good customer relationships.

From a marketing perspective, satisfying and exceeding customers' needs is surely essential for the success of a business, but proper administration is of equal significance and cannot be held over until 'there is time for doing it'. This applies to the invoicing process in particular.

Lacking an efficient and accurate invoicing process may lead to late payment and disputes with customers with the consequence of thwarting the hard earned good customer relationship, and also prompting cash flow difficulties to the firm supplying the goods or services. Therefore, businesses should recognise the importance of the invoicing process and must perceive it as part of the whole business transaction to the benefit of both the seller and the buyer.

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The invoice

An invoice may serve as an official record of the sale to a customer, but from a credit management point of view, the main and sole scope of an invoice is to facilitate payment for the goods and services provided to the customer. This implies that an invoice should specify clearly the amount owed by the customer, by when it should be paid and to whom the payment should be made.

Good credit management practice suggests that a firm supplying goods or services to customers should assist its clientele to complete the sale by paying their dues on time. This can only be possible if the invoice served to the customer is:

1. **Timely** – *No invoice, no payment!* Absurd and obvious as it may sound, some firms issue invoices late or by the end of the month and then expect to get paid on time or according to the agreed credit terms. An invoice should be issued and served to the customer upon the delivery of the goods purchased, mainly for two main reasons:

a. *Prompt Payment:* Experience shows us that the longer the invoice takes to be issued and served to the customer, the longer the customer takes to pay that invoice. Firms should always keep in mind that their customers may have other suppliers that are requesting payment. Firms are competing not only when they are selling but also when they are getting paid. Therefore, efficiency in the billing process may help the supplier to get paid before his competitors.

b. *Sound Cash Flow Management:* When credit terms are involved and the invoice is issued late, the supplier him/herself extends the agreed credit terms unintentionally to the detriment of his cash flow and profit. For example, if 30-days credit terms are agreed between the seller and the buyer and the goods are delivered in the beginning of the month, but the invoice is only served by the end of that month, credit terms may well be extended to 60 days by the supplier with a negative effect on the bottom line!

2. **Accuracy** – Customers will only pay undisputed invoices. If customers disagree with any detail that features in the invoice, they just won't pay. Disputed invoices do not only cause late payment and cash flow difficulties but also operational inefficiencies to both the seller and the buyer as resolving disputes take time and requires further internal resources.

3. **Completeness** – The invoice should include the supplier's details with the correct VAT number as well as all contact details which should be prominently provided including a telephone number. It is important to keep in mind that some customers may still prefer to make contact with their suppliers by phone and not electronically.

The invoice should describe precisely the goods and services purchased together with the number of units purchased. The contact details of the customer and the address of the delivery of goods supplied should also be illustrated. The correct VAT number of the customer should be provided and checked for its validity.

Clauses referring to the agreed credit terms and to late payment interest and charges, including any action taken by the supplier in case of late payment are always commendable and MACM members should also include the caveat provided by the Association to adhere to the Data Protection provisions.

4. **Understandable** – The invoice should be clearly printed on good quality paper with no advertising clutters for better effectiveness. It should be simple to read and easy to follow by the customer receiving it. Any discounts granted should be shown and clearly calculated for ease of reference.

Living in an electronic era, it is suggested to include the Bankers' details of the supplier, the supplier's account number, IBAN and the BIC in case the customer prefers to pay electronically.

Issuing an invoice to customers may seem to be trivial to some firms but in actual fact it is an important document for both the customer and the supplier alike. Invoice customers late, be inaccurate in the figures provided, be incomplete with the required information and send invoices that cannot be understood and you will drive up the cost of doing business for your customer and your firm to say the least! ■

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