
6 HACKS FOR WHOLESALERS TO GET PAID FASTER

(Plus a bonus ROI calculator)



ezyCollect

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01

Late payments and the wholesale industry

Whether you're a wholesale business selling coffee or gifts or supplies, cash flow is a key factor in your business' success. You've got a lot of cash tied up in stock, you extend credit to your customers, you sell in bulk, cash flow is tight. You manage risks like dollar fluctuations, seasonality and inventory obsolescence. You have staff to pay. You have plans for growth. The last thing you need is late paying customers locking away your cash.

Wholesalers in Australia are made more vulnerable by big business customers with long payment times, some taking as long as 90 days to pay. And with average payment times in Australian trade hovering around the 45-day mark [Dun and Bradstreet, Australian trade payments analysis Q3 2016], some companies will pay faster, and some much, much slower.

A 2016 global survey by UK finance company MarketInvoice found Australia the worst offender for late payments, paying invoices an average of 26.4 days late [prompt payment being 30 days or less].

Yet Australia relies heavily on a robust wholesale industry. The Australian Bureau of Statistics reports that at end June 2013, the wholesale industry:

- employed over 550,000 people
 - paid annual wages and salaries of \$34.7billion
 - generated annual total income of \$493.1billion
- [ABS, Retail and Wholesale Industries, 2012-13].

So why aren't we doing more to protect wholesale businesses from bad debt?

In this guide, we give your wholesale business actionable strategies to simply get paid. Faster. We've picked just six best practice methods that you can accelerate with automation, so you're in the driver's seat of debtor management.

Because you've earned the right to be paid on time.

About ezyCollect

ezyCollect helps businesses simply get paid, faster.

ezyCollect is a web-based debtor management solution that easily integrates with MYOB and Xero accounting software. ezyCollect's smart software empowers users to quickly take control of overdue debt by mapping and tracking accounts receivables then automating the consistent, persistent follow-up that gets invoices paid. The software is built on proactive principles of accounts receivable and with a deep understanding of SMEs, including the importance of close customer relationships. ezyCollect saves on labour costs and works in the background to get the cash in the door.

Late payments are a huge blockage to business growth and profitability.

Is your business suffering because of a late payments problem?

Check for these warning signs:

- You don't have the cash or certainty to pursue growth opportunities
- You spend too much time chasing unpaid invoices
- You are late to pay your own suppliers
- You delay paying your own rent, utilities, even staff wages
- You spend too much time chasing unpaid invoices
- Lack of cash is curbing your entrepreneurial aspirations
- Your customer relationships are suffering
- Your competitiveness in the marketplace is compromised
- You are constantly stressed by financial worries
- You dip into personal finances to pay company bills
- You rely on your business credit card to cover expenses
- You need to use invoice financing services
- You write-off too many bad debts because you don't have the resources to pursue them.

The stress of late payments problems is keeping business owners up at night.

But what if getting the cash flowing back into your business is quicker and easier than you think?

02

Calculating the cost of unpaid invoices on your cash cycle

Your company's cash cycle tells you the number of days between disbursing cash and collecting cash in relation to moving your inventory. It's an important indicator to know—because it's within your power to change.

Let's take a look at a simplified example of fictitious wholesale company, Medical Supplies XYZ:

Medical Supplies XYZ sells latex gloves, gowns, catheters and a large inventory list of other hospital needs.

- Annual revenue: \$5,000,000
- Average accounts receivable: 45 days
- Balance of accounts receivables at end of year: \$625,000
- Inventory turns every 75 days.
- Balance inventory at end of year: \$636,500
- Average accounts payable: 20 days
- Balance of accounts payable at end of year: \$425,000

Cash cycle = [Days in accounts receivables + Days inventory] - Days in accounts payable

Cash cycle = [45 days + 75 days] - 20 days = 100 days.

The cash cycle for Medical Supplies XYZ is 100 days.

You can see from the example above that **reducing the average time to collect accounts receivables will improve the cash cycle, even if nothing else changes.**

Time is money—the daily cost of accounts receivables (A/R)

Every day that an invoice is unpaid costs your business money.

In Medical Supplies XYZ, for a \$5 million annual revenue, each day that receivables remain uncollected costs the company \$13,698 in operating capital. **Every day costs \$13,698.**

[Annual Revenue / 365 days]

Note: Many businesses will look to financing options to cover shortfalls in cash, so on top of lost operating capital, a business could also be paying interest rates on a short term loan or other debt facility.

Plus: Too often, wholesalers are not including the cost of late payment into pricing OR adding late payment interest/fees to terms and conditions and invoices.

Q: So if pricing is not affected by the cost of accounts receivables, what is?
A: Net profit margin is reduced.

Wholesalers may respond to cash flow problems caused by late payments with a knee-jerk reaction to increase sales by lowering margins. While increasing sales can make revenue look good, until the cash comes in, you still can't pay the bills. Plus, you now have the costs of making the extra sales in the first place.

Let's see what happens to cash flow when Medical Supplies XYZ improves collections by 5 days

When days in accounts receivables reduces from 45 to 40 days:

The impact formula: [Average days outstanding — desirable number of days outstanding] X daily cost of accounts receivables.

$$[45-40] \times \$13,698 = \$68,490$$

By reducing debtor days from 45 to 40, Medical Supplies XYZ could provide an **additional \$68,490** in operating capital.

Improving collections will improve your cash flow.

03

ezyCollect Return on Investment Calculator

Use our ezyCollect [Return on Investment Calculator](#) to see how improving your collections with automation will:

- improve your working capital
- reduce your interest expense
- reduce your labour costs
- reduce your bad debts

Here's an example report from our ROI calculator:

Your current days to collect (average debtor days) is

52

Using ezyCollect, a 5 day reduction in your average debtor days will:

Improve your Working Capital in the first year by:

\$ 13,698.63

Reduce your Interest Expense every year by:

\$ 1,369.86

Reduce your labor costs every year by:

\$ 12,480.00

Reduce your bad debts by:

\$ 1,500.00



04

Six accounts receivables duties to automate easily

So how can you improve collections?

- **Proactivity** and **prevention** are the key principles to improving collections and safeguarding your wholesale business from bad debts.
- Keep these in mind as we look at **Six Ways to Improve Collections and Reduce Overdue Debts**. You can do these manually or automation will accelerate cash recovery for you and cut out labour-intensive tasks.

1

Systematically send reminders

Each overdue debtor should be receiving a reminder communication on Day 1 of an account becoming overdue. Remember that some businesses will routinely not pay until they have received one or more reminders (even consumers will do this when trying to hang on to their cash for longer).

Be prepared with a systematic plan to send a number of follow-up reminders using a variety of methods to reach each of your customers.










Your customised reminder plan should be personalised for each customer and should include:

- your intended message
- mode of communication (e.g. email, SMS, email, phone call)
- timeframe between follow-ups.

Your customers will soon learn that your business consistently follows up all unpaid invoices, large or small—with consequences.

Automation can give you the systematic follow-up required and will allow you to send a large volume of personalised reminders easily (saving labour and administration costs). A sample of ezyCollect users found that on average, SME customers are each generating 619 reminders (email, SMS, phone calls) for overdue invoices per month. Imagine doing that manually! [Read](#) how system-generated reminders helped this wholesaler halve the percentage of overdue accounts.

Proactively follow up overdue invoices [✓]
Prevent invoices from ageing [✓]

COMMUNICATION WORKFLOW				
	First Follow-Up Email	7 Days	Disable	View & Edit
	Second Follow-Up Call	7 Days	Disable	View & Edit
	Third Follow-Up Fax	7 Days	Disable	View & Edit
	Fourth Follow-Up Call	7 Days	Disable	View & Edit
	Fifth Follow-Up Email	7 Days	Disable	View & Edit
	Sixth Follow-Up Mail	7 Days	Disable	View & Edit
EMAIL MONTHLY CLIENT STATEMENT				
	Type Email	1 st of the month	Disable	View & Edit
CALL CONFIRMATION MESSAGE				
	Type Email	On Call Completion	Disable	View & Edit
THANK YOU PAYMENT MESSAGE				
	Type Email	On Payment	Disable	View & Edit

Example multi modal communications plan in ezyCollect

2

Credit risk assessments

Top and tail credit risk assessments of customers by starting with business credit checks, then continue the risk management path with ongoing credit monitoring.

Before offering credit terms to a new customer, first **check** their recorded credit history. Why? Because the warning signs of late or default payment are often present in a business' credit history.

When choosing a business credit report to purchase, look for one that will give you information about a business' payment history (including default and late payments) and the likelihood of a future adverse credit event. For a more detailed analysis of why credit checks are important, read our blog post [here](#).

Round off your credit risk assessment by undertaking ongoing [credit monitoring](#). Receive email alerts about your customer's activities that could be detrimental to your business:

- Court judgements
- Payment defaults
- Insolvency notices
- Mercantile enquiries
- Administrator or liquidator appointments
- ABN/ACN changes
- Address or director changes

The message here: Don't operate in the dark.

Credit checks and credit monitoring are easily enabled with ezyCollect.

Proactively assess credit risks [✓]

Prevent high risk debtors from jeopardising your business [✓]

3

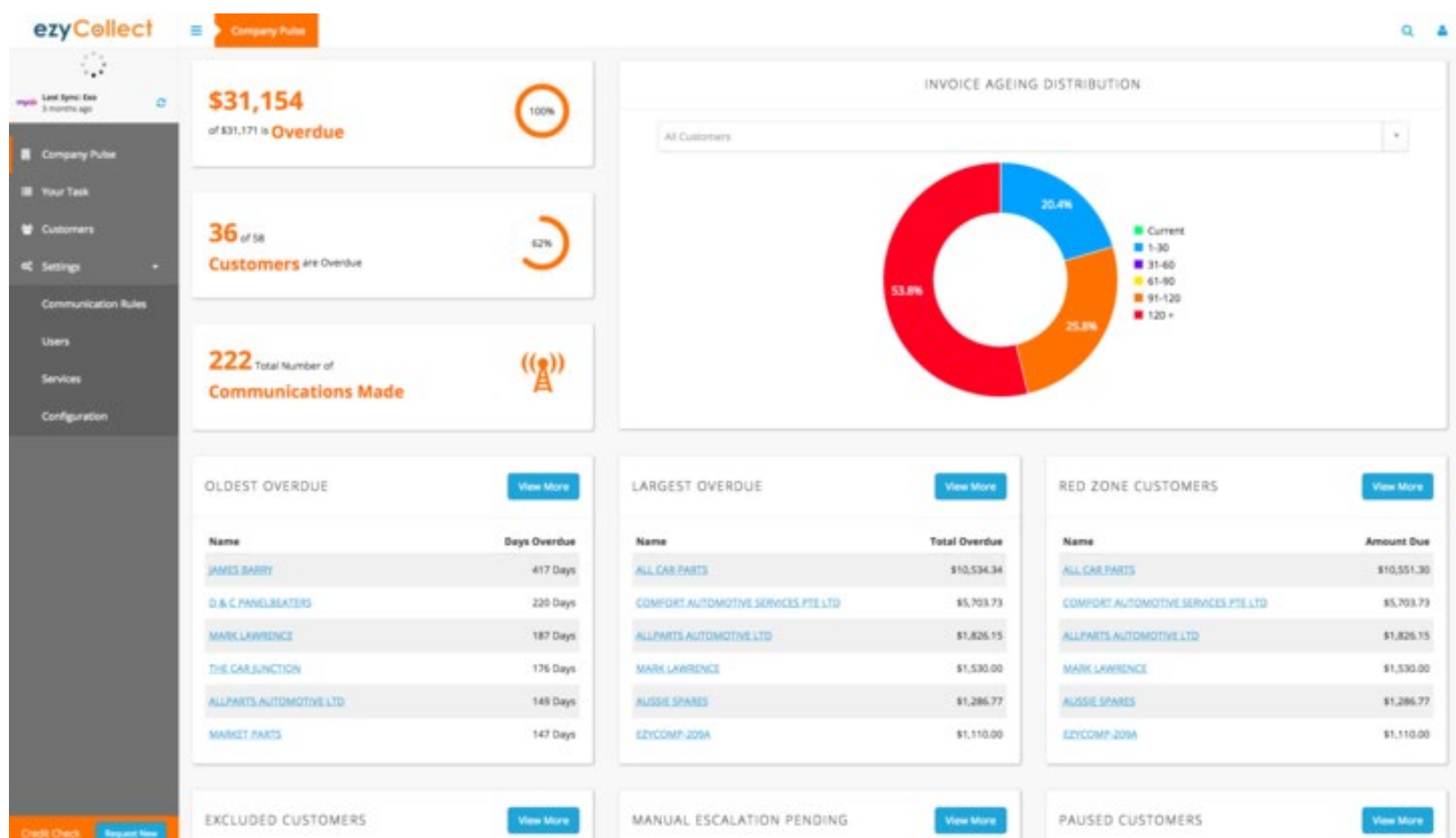
Map and track accounts receivables

Your business needs a clear view of your accounts receivables so you can target problem areas quickly and understand the impact of late payments on your cash flow at any time.

If your accounts receivables are managed efficiently, here are a few questions your business should be able to answer easily:

- What is the total amount owing to my business?
- What is the total overdue amount owing to my business?
- How many accounts are 30 days, 60 days, 90 days etc. overdue?
- Which customers owe me over \$10,000, \$50,000, \$250,000 etc?
- Which of my customers are in the 2nd follow-up, 4th follow-up, legal demand stage?
- Which customers are now taking longer to pay? Why?
- Which customers are close to their credit limit?
- Which customers are we no longer supplying until a payment is made?
- Which customers do our management team need to be alerted about [for example, your management might always want to know about customers who are in your 'red zone' i.e. are over 40 days overdue]
- What is my largest overdue account worth?
- Which is my oldest overdue account?
- Which customers have had recent adverse credit findings?

Your accounts receivables staff member might manually deliver this type of data or automation software can produce these types of reports in seconds. [[Watch](#) an ezyCollect demo of how to find the largest debtors in seconds]



Proactively target problem areas quickly [✓]
Prevent your business from losing sight of overdue debtors [✓]

4

Make it easy to pay you

Your wholesale business may be very efficient at invoicing—ezyCollect’s best practice invoicing tips are [here](#)—but if a customer still needs to dig out a cheque book, envelope and stamp in order to settle their bill, expect delays.

Most businesses prefer to transact online now, including making payments online. Offer your customers credit card and direct debit options. A ‘Pay Now’ button on your invoice or email, linking to your online payment gateway means your customer is one click away from depositing money into your bank account, at any time of day or night. And paying by credit card means they don’t need to rely on having cash in their bank account in order to pay you.

ezyCollect can help you set up an online payment gateway quickly.

Proactively offer online payments [✓]

Prevent debtor excuses for not completing payment [✓]

5

Consolidate outstanding invoices

Present information easily and in a streamlined way to your customer. Avoid bombarding their inbox with multiple overdue statements.

Customers can get irritated and confused by multiple statements that they need to study and tally. Group all outstanding invoices into one clear statement and reduce the likelihood of a customer delaying payment because they didn’t understand your invoices.

Automating this task makes it look like you have done the compilation work for your customer, but the system has done it for you!

Proactively deliver succinct information your customer needs [✓]

Prevent customer confusion and irritation [✓]

6

Thank your customer for payment

Manners never go out of style. Your simple thank you is positive reinforcement that you are monitoring your accounts and that you appreciate your customers’ business. Your thank you email also gives you the opportunity to round off the transaction with a good customer experience and sets the tone for your next transaction.

Thank you emails can be personalised and generated from automation software, saving time, but importantly, nurturing the customer relationship.

Proactively acknowledge payments [✓]

Prevent a missed opportunity to thank your customer [✓]

ezyCollect

Settings Communication Rules Email Templates System Currently: Active Last Sync: exo months ago

Friendly Reminder

17th March 2017
CASH SALES

Dear Valued Customer,

This is a courtesy reminder to advise you that your oldest invoice, 10019 for \$74.80 is now more than 511 days overdue.

Your total overdue debt is currently \$1,341.74, made up of the following invoices:

Invoice Number	Date of Invoice	Numbers of Days Overdue	Amount of Invoice	Amount Owing on Invoice
10019	23/08/2015	511	\$74.80	\$74.80
	23/08/2015	114	-\$74.80	-\$74.80
10025	26/08/2015	508	\$83.15	\$83.15
	26/08/2015	114	-\$83.15	-\$83.15
10023	28/08/2015	506	\$83.15	\$83.15
	28/08/2015	114	-\$83.15	-\$83.15
10024	28/08/2015	505	\$77.46	\$77.46
	28/08/2015	114	-\$77.46	-\$77.46
10026	28/08/2015	505	\$37.87	\$37.87
	28/08/2015	114	-\$37.87	-\$37.87
CR10042	04/10/2015	438	-\$112.58	-\$112.58
10049	10/10/2015	432	\$4.19	\$4.19
	10/10/2015	114	-\$4.19	-\$4.19
10042	24/10/2015	449	\$112.58	\$112.58
10044	28/10/2015	445	\$55.30	\$55.30
CR10044	28/10/2015	445	-\$55.30	-\$55.30
10148	11/06/2016	218	\$248.48	\$248.48
	14/06/2016	114	-\$559.16	-\$559.16
10150	16/06/2016	213	\$227.53	\$227.53
10153	23/06/2016	206	\$83.15	\$83.15
10174	11/07/2016	157	\$266.50	\$266.50
	11/07/2016	114	-\$266.50	-\$266.50
10165	21/07/2016	177	\$77.46	\$77.46
	21/07/2016	114	-\$77.46	-\$77.46
1009	12/10/2016	156	\$415.58	\$415.58
1010	12/10/2016	156	\$722.79	\$722.79
1011	12/10/2016	156	\$203.37	\$203.37
TOTAL			\$1,341.74	\$1,341.74

Should you require a copy of any invoices, please click [here](#) and detail the invoice numbers required.

If you have already paid these invoices or have any questions, please reply to this email or contact me on the details below. Otherwise we would appreciate payment of the outstanding invoices as soon as possible.

[Pay Now](#)

Kind Regards,
Accounts Team

[Reminders powered by ezyCollect](#)

Credit Check [Request New](#)

Consolidate outstanding invoices into one statement.
Add a Pay Now button

05

The impact of prompt payments

It's important to efficiently manage accounts receivables because it delivers one very important, very measureable outcome: getting paid on time!

Outcomes are great, but impact tells the story of change—what is now different because you have been paid on time. So what is the impact of getting paid on time? Here are just a few:

- You maintain a trusting and respectful relationship with your customers
- You can pay your own suppliers on time
- You save time spent chasing invoices
- You have one less cash flow problem keeping you up at night
- Your team is empowered to get on with the jobs that grow your business
- The money is in your bank, earning interest
- You reduce the interest payable on your debt facility
- You reduce bad debt write-offs
- You have a predictable cash flow to do your cash forecasting with confidence
- Your business is more attractive to investors or buyers
- You have the cash to plan for growth and innovation

For more on ezyCollect's best practice collections framework, [read our blog post](#)

Summary

Prevention and proactivity are key to managing the risk of late or default payments. Risk management activities are done before a customer is offered credit terms; systematic follow up of unpaid invoices should be persistent, consistent, polite.

Automating debtor management processes allows businesses to stop wasting time chasing payments and instead, accelerate cash recovery.

Prompt payment practices enacted across your business can lead to significant improvements in cash flow.