



TOP 5 TIPS FOR OPTIMIZING YOUR INVOICING PROCESS

As your trusted partner in invoice financing, we at IPS have developed best practices over the past two decades to help businesses optimize their invoicing processes.

Efficient invoicing is critical for seamless invoice processes, and these strategies can enhance your cash flow management and financial stability.

1. Streamline Your Invoicing Process

The importance of clear and accurate invoices is paramount. Ensure each invoice includes:

1. *Your Company Information:* Name, address, contact details, and tax identification number.

2. *Client Information:* Client's name, address, and contact details.

3. *Invoice Number:* A unique identifier for tracking and reference purposes.

4. *Invoice Date and Due Date:* Clearly state when the invoice was issued and when payment is due.

5. *Detailed List of Services/Products:* Itemize the goods or services provided, including quantities, rates, and total amounts.

6. *Payment Terms and Methods:* Specify payment terms (e.g., Net 30) and accepted payment methods (bank transfer, credit card, etc.).

7. *Total Amount Due:* Highlight the total amount to be paid, including taxes and any applicable discounts.

8. Utilize automated invoicing tools to streamline the process, reducing errors and expediting payment processing.

2. Maintain Strong Client Relationships

Building and maintaining strong relationships with your clients facilitates faster invoice approval and payment. Communicate invoicing procedures and payment terms upfront to avoid misunderstandings. Address any discrepancies or client inquiries promptly to prevent delays in the financing process.

3. Negotiate Favorable Terms with Financing Providers

When choosing an invoice financing provider, seek competitive rates, flexible financing options, and transparent fee structures. Understand the terms of the agreement, including recourse and non-recourse financing, to make informed decisions.

4. Optimize Cash Flow Management

Strategically use invoice financing to optimize cash flow. Identify periods of high cash flow need and utilize financing to bridge gaps in working capital effectively. Regularly monitor cash flow projections to determine optimal times for leveraging invoice financing.

5. Monitor and Manage Invoice Aging

Monitor invoice aging closely. Implement a robust system to track payment statuses and promptly follow up on overdue invoices. Proactively managing invoice aging minimizes the need for emergency financing and ensures a steady cash flow.

Implementing these strategies can streamline the invoice financing processes, enhance cash flow management, and maintain financial stability. Effective use of invoice financing can provide the liquidity needed for business growth and resilience in fluctuating market conditions.

HOW TO GET CUSTOMERS WHO PAY ON TIME

“Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.”-- Ayn Rand

Before banks extend credit, they undergo a due diligence process to ensure the applicant can repay the debt. When you sell on credit and extend 30/60/90-day terms, you practically lend money as part of the trade finance industry. Assessing creditworthiness should also be applied in this sector, but that is unfortunately not the norm. As a result, it is too familiar for companies to find themselves with bad debts and losses on their invoice receivables.

In this month's InfoPays, we are listing a few suggestions that you can implement in your business to ensure that you minimize any losses when selling on credit:

1. Check trade references.

When extending credit to customers, it is important to check the customer's trade references. This helps assess the customer's ability and willingness to pay and can help you make an informed decision. Checking references is a simple process that takes only a few minutes, but it can save you time and money in the long run.

When checking references, contact both current and past trade references to get a better understanding of their payment history. Ask questions about how long they have been doing business with the customer and their payment record. In addition, you should ask if there are any past due payments. This can give you an indication of how reliable the customer is when it comes to timely payment.

2. Research the company.

When offering credit to customers, a business must take the time to research each customer's credit history. This will help them determine whether the customer is a reliable borrower and if they can repay the loan. By taking this step, businesses can decide how much credit to extend and the repayment terms.

3. Access credit agencies' data.

Finally, you should also consider running a credit report through companies like DnB, Equifax and TransUnion. This allows you to verify the customer's credit history and get an overall picture of their financial standing. A credit report can provide you with more robust information, such as payment history and any public records that may be associated with the customer.

Our current clients can access the IPS Payment Index (PI) free of charge. Through dealing with thousands of companies across North America, the IPS PI provides the average Days Sales Outstanding (DSO), or the average number of days a company takes to pay its receivables. We encourage anyone seeking to extend credit to a new customer to check with us for information from our growing database as this can offer some information about a company's credit standing. A PI of 120 days will at the very least give you an alert, whereas a PI of 36 days will provide you with the much-needed reassurance to go ahead with the opportunity.

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