Great Lakes Graphics Association
Illinois • Indiana • Wisconsin

I am looking to see what type of policies others have in place regarding accounts receivable. Our standard terms are Net/30. On average we have approximately 25% of our AR that is paid 1 - 30 days late. Another 5-10% is paid 31-60 days late. What are others experiencing?

Are your customers paying finance charges? These just seem to be a negotiating tool for us, and are credited back more than they are paid.

Most of our offenders are long-term customers that have somehow become slow payers, and we seem reluctant to ask them to change. Any suggestions?

Summary: 27 responses. Net 30 was the mostly commonly mentioned, although some of you no longer believe Net 30 is feasible, especially with national accounts that dictate their own terms and older accounts that have negotiated longer terms or pay late out of habit.

Some of the suggestions:

- **No finance charges (5)**
- **Tie a discount to early payment within a set number of days (4)**
- **Tie sales rep's commission to customer payment**
- **Be very diligent with calls to the customer after a set number of days**
- **Provide a discount when the customer pays electronically**
- **Start sending statements every other week after 60-90 days out**
- **Require customers to use credit cards**
- **Receivables insurance**
- **Request prepayment on projects with large out-of-pocket expenses**

Tie the Salesperson Commission to how their customers pay. Deduct a Percentage off there commission for every fraction of 30 days the customer pays late. First 10 days are a grace period. For Example, Customer A pays in 40 days, no commission deduction. Customer B pays in 45 days, 1% off of commission. It is the responsibility of the salesperson as much as Finance to vet customers and to monitor customers as well.

Our terms are 2%/10 Net 30. We have quite a few customers that take the 2% discount.

We are even a bit worse than your customer base. Although we are Net30 as well, some of our larger accounts have extended terms negotiated long ago. Our DSO always looks bad. Luckily these larger customers are a steady pay and are not trending slower. Like you I have never had much success with finance charges and was doing annual write offs. We work the other accounts hard and simply try to keep our over 90 day balances under 5%. Not much too offer but thought misery might like company.

Our policies are the same, and we experience exactly the same. Except we are very fortunate, probably 80% of our accounts pay within the 30 days. We have some long-term accounts that pay slow, but we work very hard on not letting any new accounts get in a habit of paying slow.

Most of our finance charges are credited back, but they do help to encourage the payments.

We're probably about the same ratio.

But we've seen an improvement over 3 years ago, although we have been more diligent with calling at 45 days.

We have almost the same situation, but do not charge finance charges.

Our standard terms are Net 30.
We offer early pay discounts only if paid electronically. This has had a positive impact on our accounts receivable balances.
We do not charge finance charges.

Our invoices are due net/15. We hope that people pay within 30 days. Some of our customers will pay the finance charge. Others just won't pay it.

We have 12% 31-60days 2% 61-90 days & 1% over 91days. When someone gets 60-90 days behind I will send them statements every other week instead of once a month. This seems to help getting payment faster.

If someone is always paying late we will contact them to set-up different terms if needed or find out why they are always late. This seems to help them get caught up.
When all else fails. I will also email/call the person that ordered to let them know the accounts payable is behind. We usually get paid right away when this happens.

We are 2% net 10 days, balance on 30 days. After that we send reminders and call

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We gave up on finance charges several years ago for this exact reason. Nobody pays them, so we were issuing credits to get rid of them. It's just more work for us and little or no return.

Our standard terms are Net 30. We have 76.4% of our AR that is current, 22.5% pay 1-30 days late and 1.1% is paid 31-60 days late. Pretty good!

Four years ago, we started working with TermSync (GLGA members save 25 percent off of TermSync's accounts receivable management solution.). Basically, they send reminder emails to our customers 7 days prior to the invoice due date and again on the due date if they haven't paid. There's more to it than that, but the low pressure reminder emails keep us near the top of the list of people to get paid.

We also looked at all of our customers and have stopped doing work for some of the worst offenders or we make them pay with a credit card upon delivery. They aren't your biggest customers. They're the ones who shop around and beat you up on price. They're more trouble than they're worth and you're not getting much in return from them.

We have a similar payment experience. Our standard terms are Net 30. We also offer 1%10/Net 30 to some customers. Still our “number of days of sales in AR” runs between 50 and 60 days.

We don’t charge finance charges since they usually don’t end up getting paid anyway.

For the regular slow payers you can try to proactively call asking if they have scheduled payment. If they regularly continue 90 days + we increase their price (cover some of the cost of money).

We have seen the bigger customers (large firms) tell us that their terms for payment are net 60 regardless that are terms are net 30. It seems to be the attitude of take it or else they will send their work to someone else. With that being said most of our accounts pay within 30 days. Our accounts staff is on the phone at 45 days. In some cases we ask for whatever they can send as partial payment. Accounts are put on COD at 90 days.

Allow your customer to manage their long term debt using their revolving credit from Credit Cards, this is an asset to them which you are tired of providing FREE. To you it is a fast easy deposit to your account by the merchant. Use credit cards & put the AR person on sales follow-ups, offer the old timers who aren’t paying now a discount of 1-2% terms if paid by date or demand the CC, then they can’t complain about card only policy’s. Debt is an asset when points are earned for charges, moving debt to other cards or opening new cards. Paying a small business less than $800- $1000 is a waste of their time they want to own you for the next job & pay once for 2 jobs for the 2nd price. One thing cards are not safe for – deposits on job , they can be recalled in case of dispute – this is a check only if customer is new or in past difficult.

I just looked at an aging for our company from earlier last month, and we are right in line with the experience you delineated. We are N30, with a handful of customers granted N60. We also have another handful that force prompt payment discounts. The aging meets the 65/25/10 fragmentation you described. We work at keeping the receivables as current as possible. But, with today's cost of borrowing working capital, we also avoid being overly aggressive with collections, as not to jeopardize an account's gross margins for the benefit of a fraction of a % carrying cost on receivables. Additionally, we carry receivables insurance, which allows us to take on business which we might otherwise pass up!

In the retail POP/POS market, 30 days went away a long time ago. National retail customers prefer 90 days without any finance charges. They want you to be their bank. And it's one of the requirements to get into the door.

The only way to get paid faster is offer a discount, but that would cut into already low margins and most companies in this space just float a lot of AR.

We're running into the same issues, even with longstanding customers. Our standard terms are also Net 30 and we're reluctant to extend those even though some customers are requesting extensions.

We have extended terms on a few key accounts to Net 40 or 45 after discussions with them and they are paying on time. Their requests were made due to how their internal AP process worked (process traveled through multiple locations and takes additional time).

We've found most of our customers won't pay finance charges either. If we add them to their next statement, they just pay short. While it does create additional administrative work internally to credit the charge, the finance charge does seem to motivate some to pay (even though they don't pay the charge).

One other thing we've done occasionally to help cash flow with some success is to request prepayment on projects with large out-of-pocket expenses or purchases such as freight or non-standard/special order materials. This is somewhat of a gamble as we don't want to make it too complicated and have the customer look to another vendor. This approach also creates some additional administrative time at the final billing to reconcile actual vs. estimated but some of our customers have been understanding and have prepaid when requested.

Two different times in December with two different customers we refused to ship product until accounts were brought current. We felt that was also risky but it worked in both instances.

The other thing we did around the end of 2015 that helped a little was have our sales rep (me) have a discussion with the key decision makers on key accounts, thank them for their business, but also discuss cash flow challenges created by their payment pattern(s). Many times the AP/AR people are just following direction and/or policy and, if you nudge the right person in the right way, (requesting instead of demanding), payments are made in a more timely fashion.

Much of it boils down to the relationship and the proper communication with your customer(s). One thing is certain – it probably won't change if you don't ask.

We do not have any 'written" policy. Our terms are Net 30. Only a handful of our customers pay within our terms. I see Net 60 days on PO"s given to us and our terms are Net 30. I used to get mad that customers where determining when they were paying but now, as long as we are paid and I don't have to bug anyone too much.. I'm ok with it.

I start sending out emails/faxes as friendly reminders to customers when they hit 60 days. Then I make calls at 70 days.

We too have some longtime customers that pay us very slowly… 80+ days What are you to do? You eventually get paid but I've learned that just because a business has been in business a long time doesn't mean they are a 'stable' company today.

When it gets past 90 days and I can't seem to get anywhere with the customer I call Andrea at PICB www.picb-us.com She and her team work diligently to get our money.

Last bit of advice is to take diligent notes as to when you email/call etc with dates who you spoke to and follow up diligently . We rarely have customers paying us in 90+ days and I hope it's because I try to 'stay on' them.

Best of luck to you

Net 30 days.

We are also experiencing long-term clients turning into slow payers.

We do not charge finance charges to any clients but we probably should.

Our prompt payment discount terms are 1% - 30 days, net 31 days from invoice date. If they pay by credit card no prompt payment terms are allowed.

Receivables 60 days past due are charged 1.5% per month service charge until paid. For habitual slow pay customers a pre deposit of 50% down is required prior to starting job, then 50% upon delivery.

Our standard terms, if credit is approved, is Net 30 days. As of the end of this month I have 50% of our AR that is 1-30 days. 36% at 31- 60 days. This is pretty typical percentage for us.

We do charge finance charge. Last year I collected 73% of what I billed. I put in writing (email or letter) what the approved credit terms are and if invoices are not paid by agreed to terms we will charge finance charge. It is also noted on the bottom of every invoice.

Although it is extra work I believe it keeps some customers paying timely. We too negotiate, on occasion, forgiving a portion or percentage.

We have someone who calls people who go over their “normal” payment terms. You must keep on it or people will pay later and later.

Our typical terms are net/30 for approximately 80% of our business. We have several accounts that we offer a 1% discount net 15.

For those accounts that we extend longer terms we are less likely to discount and they primarily are larger long term customers. We also have the ability to leverage ongoing work against outstanding invoices.

Our standard terms are net 30. As of today we have 25% in the 1-30 day past due bucket and 2% in the 31-60 day past due bucket.

We do charge customers finance charges. Sometimes we are able to negotiate this upfront or if they don’t pay within 30 days of the due date (or if the payment is not expected soon thereafter) then service charges start. We do have a clause about finance charges in our terms and conditions. I would say a good 50%+ of the time customers are paying these charges. Sometimes I can use the finance charges for negotiating a settlement. But there are some customers who just flat out refuse to pay a dime toward finance charges and we have to adjust them off.

Our company has had some long-term customers that have become slow payers. You definitely want to give them the benefit of the doubt but we have had to write off more than one account as a bad debt under this scenario where they got progressively worse. So I think it is important to keep on top of them. Let them know what you expect and get a payment plan in place if you can. If one strategy does not work try another. Try to find a mutually agreeable way to work with them.

Hope this helps.

Here's what I've found, both in my current and past roles.

Although the sales rep should take responsibility for getting the bill paid, separating the collection process is helpful. It's understandable why a rep is reluctant to be too aggressive in pushing for payment. However, an internal or external accounts receivable person can be more forceful and improve the DSO. It allows the rep to play the role of good cop/bad cop and not jeopardize his relationships.

Although both public and private companies have extended payment terms, I believe working capital comes into play for public companies. As it becomes an even more important investor reporting metric, payment times have worsened significantly.

No matter how you slice it, the days of Net 30 day payment terms are history.

Our company's standard terms are also net 30. Companywide our weighted days over 3 months is about 48 days to pay. As far as our open AR goes, 65% is current under 30 days, followed by 22% 31-60 and 12% aged 61-90 days. We do not charge customers finance charges. Our negotiating tool is that we put customers on credit hold after a certain period of time. When invoices are 15 days past due, we reach out and ask for payment status. At 30 days past due the customer goes on credit hold. We do not release orders unless we have a firm payment promise. When customers do not issue promised payment, the next time they go on credit hold we require the money to be received in house. We also see that long term customers normally are the ones who start to draw out terms. Many times these customers already receive special pricing or extended terms. In these cases we remind them that they receive special treatment due to the longstanding relationship and ask them to try and respect that.

We have the same situation as the person who is asking this question in our payment terms and long-term customers getting later and later on their payments. I look forward to seeing some of the responses.

Interest should be a regular policy and should be established as a part of your stated credit terms.

Charging interest is intended to help companies offset losses attributed to normal everyday business not just bad-debts---such as losses to spoilage, to pilfering, testing, bankruptcy, closures – etc. It is the financial vehicle that can help build financial stability when there is a some profit loss attributed to a non-paying customer.

Remember there will always be bad debt, no matter how well you manage risk, recovering interest from even 5% of your customer base will help defer the cost of collections and/or legal when necessary.

A good solid statement of your terms and conditions, NOT just what interest you charge will only help you protect your company from singing the 'bad-debt, credit loss blues'

Should you need help, feel free to contact me at the below number

Thank You
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