

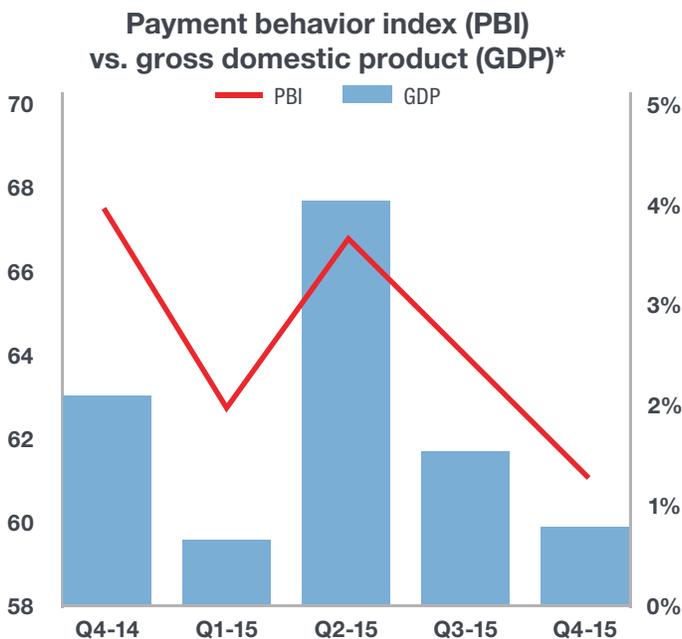


# The late-payment culture

## Tips for getting invoices paid fast

There's a troubling issue plaguing B2B suppliers and service providers. A recent study conducted by Mastercard found that 74% of business owners and employees think late payments are a fact of business life and will always happen, and 57% of those surveyed acknowledged they had actively delayed payments to their suppliers in the last 12 months.

Another report, released by Euler Hermes, corroborates the late-payment trend: their payment behavior index (PBI) for 2015 revealed a 6.4-point decrease in on-time B2B payment behavior in the U.S. from 67.2 to 60.8 (where 50 indicates average payment behavior).



\*Percent change from preceding quarter.

Source: IHS, BEA, Euler Hermes

## Key takeaways



Seventy-four percent of business owners think late payments are a fact of business life.



Fifty-seven percent of those surveyed acknowledged that they had actively delayed payments to their suppliers in the last 12 months.



Late payments, while potentially beneficial to buyers in the short term, could have a negative impact on the broader economy.

Perhaps most concerning is the directly proportional relationship between payment behavior and gross domestic product (GDP).

Given the strong connection, it stands to reason that late payments, while potentially beneficial to buyers in the short term, could have a negative impact on the broader economy.

The impetus behind this late-payment culture can be attributed to cash flow. In the same way accounts receivable teams strive to lower Days Sales Outstanding (DSO), their accounts payable counterparts seek to increase their Days Payable Outstanding (DPO) to maximize working capital.

In a perfect world, suppliers and buyers would strike the perfect trading terms, allowing both parties to reach the best possible DSO and DPO. Unfortunately, that usually isn't the case, as buyers typically have most of the leverage—they've already received the goods or services, and in many cases, the financial penalties incurred from making late payments fail to outweigh the time value of money-on-hand.



## Proven strategies for getting your invoices paid

So how can B2B suppliers and service providers balance the scale? While it's impossible to control when your customers decide to pay you, there are strategies you can implement that increase the likelihood of on-time payments. These six tips could help you tip the scale in your favor:

### 1. Get your invoices into your customers' hands as fast as possible.

Invoice delivery speed is a key rate-limiting factor to faster payments. If your invoices are delivered late, odds are high your customers will return the favor in kind by paying you later. The good news is, invoice delivery is something you can directly control, and the best way to ensure timely delivery is through automation.

Automating print delivery and mailing invoices from multiple locations throughout the country ensure speedy and error-free delivery. And presenting your invoices online, either via email or through an online presentment and payment portal, ensures customers receive their invoices as soon as they're generated.

### 2. Accept credit payments.

Paper check payments are declining year over year as businesses move toward electronic payment options. Commercial card usage in particular is growing rapidly among A/P departments, and the reason is threefold: purchasing cards afford A/P teams robust management controls, streamlined reconciliation and the potential to earn rewards with every purchase. A/P teams have every reason to use their card for purchases, and A/R teams should make it a point to accommodate them to facilitate quicker payments.

Suppliers can even incentivize buyers by accepting card payments only if an invoice is paid within the first week. Buyers will be happy to take advantage of the rewards they'll receive by using their credit cards, and suppliers get to collect payments well before their due date.

### 3. Promote automatic payments.

Setting your customers up for automatic online payments not only eliminates the potential for delinquent payments, it might also help you sell more of your product or service. A study done by Duke University of 16 years of billing records from one utility company found that residential customers using automatic bill payments consumed 4%-6% more power than those who did not. Duke professors attributed the phenomena to reduced salience: being less aware of the costs caused an increase in demand.

### 4. Offer early-payment discounts to late buyers.

Offering early-payment discounts to the usual late payers might incentivize them to pay on time, especially considering today's low interest rates. Taking advantage of a 1%-2% invoice discount will outweigh the interest earned if buyers were to keep that money in a money market account or other interest-bearing asset.

The benefits are mutual—in a study done by the Credit Research Foundation, **68%** of suppliers surveyed noted an **improvement in DSO** due to early-pay discount programs.



## 5. Automate payment reminder notifications.

The manual work and follow-up calls that go into collecting long overdue payments are hard enough. So special attention should be given to those customers who are not yet overdue to avoid a backlog. Leveraging a system that automatically emails reminders to customers decreases the likelihood that they'll miss a payment, meaning you can dedicate more of your time to those hard-to-reach accounts.

## 6. Mitigate losses with automated payment controls.

What's worse than a late payment? A late payment made with a credit card. If you accept card payments from your customers, you'll want to make sure you can prevent them from paying with a card if they're overdue on a payment to avoid being hit with fees. If you know you have certain customers with a history of late payments, you'll want to implement a system that allows you to prohibit those accounts from paying with a card.



### It's time to put an end to late payments.

To learn more about KeyTotal AR<sup>SM</sup>, powered by Billtrust Quantum<sup>®</sup>, and how it could help you, contact your Payments Advisor.

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