

The Challenges of Invoicing Customers

Nine Steps to Doing Invoicing Well

How much of your cash flow do you want to be outstanding due to invoicing issues? Whether you are a small, medium or large business, the answer is probably “as little as possible.” When businesses talk about what they need for effective customer invoicing, whether they are large and sophisticated or small entrepreneurs, they have similar requests:

- Efficient and effective processing to request and accept payments
- Invoice formats that are consistent and clean in their look
- A system that allows for multiple users (some with “view-only” access)
- Flexible reporting options
- Vendors who not only understand their needs, but who have a solid enough economic foundation that they won’t “disappear” in a shaky economy
- Back-up and service interruption plans so that processing does not stop because of disasters or outages

They also have similar issues:

- The customer moves and you don’t have their new address
- Your email invoice didn’t make it into the customer’s inbox

This may appear to be a demanding list but it doesn’t have to be. An invoice processing system should provide value by having its cost offset by the efficiency it creates in the savings of daily sales outstanding (DSO).

Most of your customers will not send you payment for merchandise/services unless you ask for it. Here are the nine steps to doing invoicing well:

Step 1. Statements or invoices themselves should be readable and easy to understand. Studies indicate that, when mailed, more than 95% of these are opened and read right away. Make sure your due date and amount due are clearly visible in multiple places on the invoice. You don’t want your customer confused about when their payment is due.

If you are using email to send statements and invoices, make the document an attachment. A better solution is to include a link in your email so the customer can access the document on your site.

This can move you in the direction of allowing your customer to pay the invoice online.

Step 2. Take advantage of the extra space on the invoice/statement and inside the envelope. These types of documents can do far more for an organization than simply ask for (or remind about) payment. This correspondence can also be utilized as an opportunity to inform, advertise, and cross-sell other services. You are already paying to mail the correspondence so you can get other messages to your customers at little to no additional cost.

Step 3. Invoices should be sent to recipients either digitally or physically, or both, depending on the choice of the recipient. We'll probably never get away from the physical invoice as there will always be people who are not comfortable with receiving important documents online. Vendors need to help with this planning, from data download and document creation all the way through to the delivery phase, in either format.

Online invoicing can be an effective method of billing because it is convenient and often perceived as less expensive. From an operations perspective, there is not the need to print, fold, insert, post, and mail your invoices. Remember, however, there is still the need to format the invoice on a digital page (or multiple pages), download the customer data quickly and efficiently, create the invoice, and then send it off to the proper destination (i.e. a live email address).

Step 4. When mailing, be sure to include a return envelope for your customer to return payment. This step makes it much easier for your customer to send you money. You can even make it easier by pre-printing your address on the envelope. If you choose a window return envelope, just be sure that your remittance advice has your address printed on it. You should also give the customer instructions to make sure the address shows through the window.

Over time, you may find customers never use the return envelope. Maybe they pay online or in person. Add a field to your invoice processing system database indicating if the customer wants a return envelope.

Just remember that the return envelope will increase the weight of your mailing and may increase your mailing expense.

Step 5. Include information the customer needs to pay the invoice. It may sound simple, but be sure to include the information your customer needs to process the payment through their system. This includes:

- Your contact information
- Billing terms. Having a specific due date leaves no room for questions. Terms of "Payable upon Receipt" and "Within 10 days of Receipt" are subject to interpretation.
- Description of the merchandise/service being billed
- The customer's purchase order number or other internal tracking number. The lack of a purchase order number on an invoice is probably the number one reason invoices aren't paid in a timely manner
- The amount due
- Penalties for late payment

Step 6. Never underestimate the use of paper for "collection." Think about it: most consumers and businesses will notify the post office (if not their vendors) when they physically move. So change of address information is available through the National Change of Address (NCOA) files.

However, almost no one notifies their entire address list when they change their email address. For this reason, digital delivery of invoices can be more problematic than physical delivery. In addition, from the consumer side, many prefer to have the digital *and* the paper delivery, using the paper format as a "reminder" to pay.

Whether you're a small business or a larger one, you may have experienced this need to approach your invoicing system as a "collection" system. In this way, the more traditional, paper invoicing process does work well, hand-in-hand with an online system, to act as a "reminder" notice to customers, if no payments have been received within a given timeframe.

Step 7. Your system should help provide cost savings every step of the way. Multiple users and flexible reporting options are just some of the requirements for a software system that generates statements or invoices. There are many others, depending on your industry.

Your system should allow for different levels of access depending on a person's role in your organization. Only certain groups would need full access, such as Accounts Receivable and Collections. Controls should be added for write-offs and issuing credits. Other people in your organization may only need "view-only" access. For instance, your credit department should review a customer's current state before issuing credit for new purchases.

Reporting will allow you to manage your receivables. Similar to access, different groups will require different reports. Dashboard reports will make it easy for senior management/company owners to quickly see where the company stands. Collectors can manage their high-value accounts quickly and efficiently.

Keep in mind that, in setting up your reporting standards, you should think not only about the information you need, but the return on investment for the invoicing system itself. That is, do you know the cost it takes to generate your invoices? Are you cost-effective in your timing of when you generate them (attaining the best volumes for postal discounts)? Or how you send them (i.e. verifying addresses as often as possible and sorting addresses to attain the best discounts)? Working with postal and mailing experts in this area can be extremely helpful, to ensure you're maximizing your discounts and minimizing your costs.

Step 8. Be sure you have a back-up plan with a dependable vendor so that the engine that fuels the cash for your organization never stops. Disaster recovery is standard operating procedure these days and it should cover not only your regular business but also your accounts receivable processing. If you have any problems, a company such as Pitney Bowes can help.

Step 9. Choose a system from a reputable vendor. Cash flow is the lifeblood of any company. Do the research on what your company needs for a solution. You'll probably want to create a proposal request (RFP) so that the vendors know what your needs are. The RFP can be the start of dialogue to match your requirements with the vendor's solutions.

Select a company that not only provides a good value, but also backs it up with a solid reputation in the business community.

Check the company's Better Business Bureau rating. Ask for references for companies that are similar to your company. Look at the financial strength of the company. You should choose one that has a solid economic foundation that won't disappear next week.

Perform your due diligence so that you choose a solution that will drive your company forward.

A thoughtful, comprehensive approach to your invoice and statement processing can help you find meaningful new ways to cut costs and be even more efficient, as you shorten the days of outstanding cash flow for your organization.