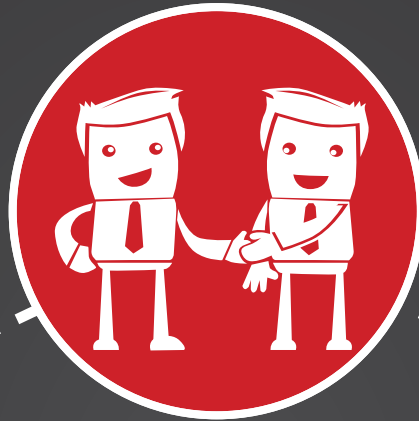




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Experts in cash flow solutions



# **ORDER TO CASH**

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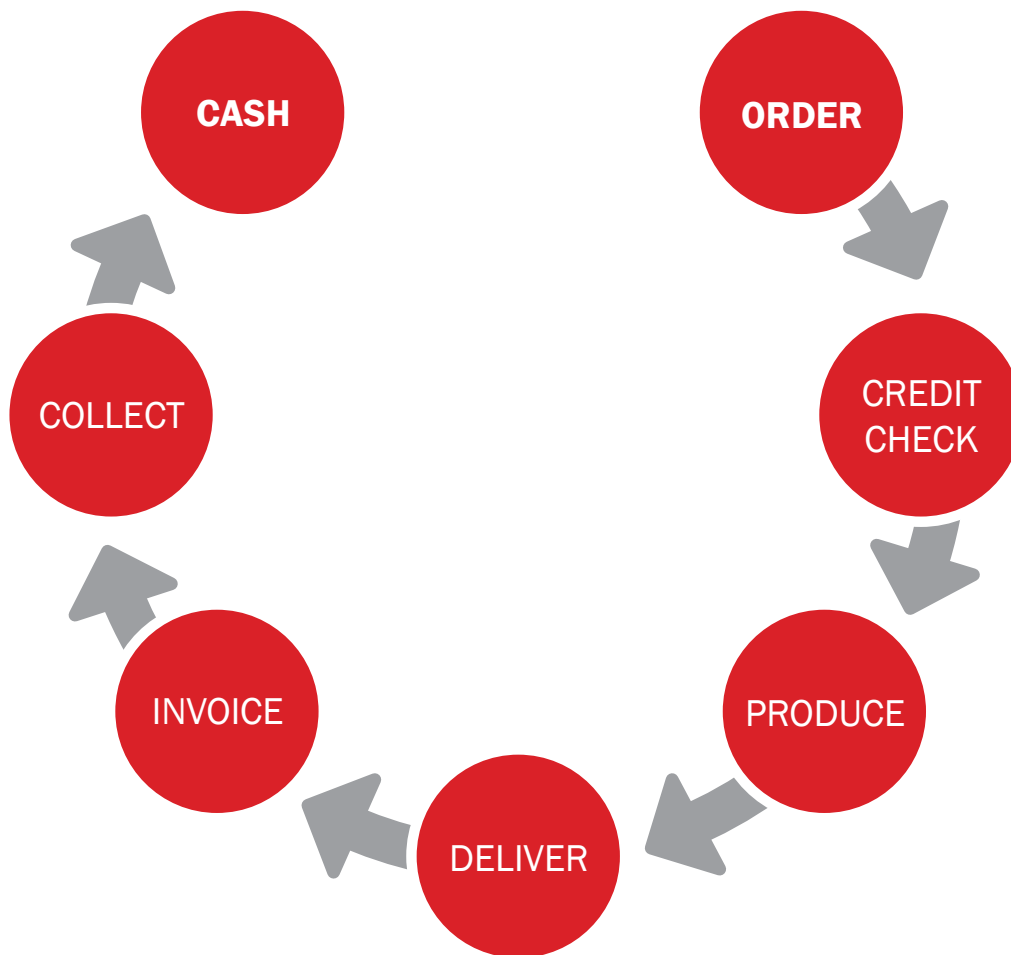
## PROCESS.

**Tips & advice for effective credit management**

**Most people think credit control is just about collecting payment of overdue invoices.**

However, everything that goes before payment is received can affect a company's ability to get paid.

The process starts when you first start talking to a new prospect. This process is often referred to as the **'order to cash'** process.



## So what is the order to cash process?

Here are some basic elements of the process, although they will change depending on the type of company.



## 1. Order



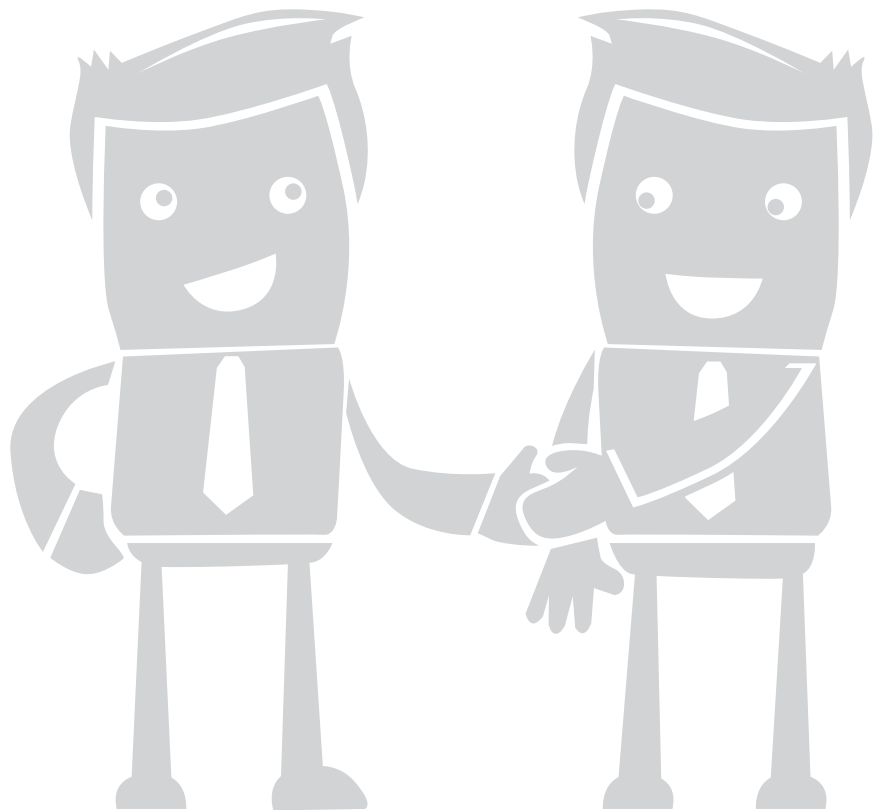
### **It is essential that you read your customers purchase order thoroughly upon receiving it.**

If there are certain conditions on the order that you are not willing to accept then this is the time to address them and negotiate... not **after** you have delivered your product or service.

Are there any specific requirements stipulated in your customer's order that may affect your ability to get paid? E.g. Date invoices must be received by? Date for delivery?

Are your contracts governed by **your customer's** terms and conditions or by **your own**?

(We will cover this in point 3 "Terms & Conditions")





## 2. Credit Risk Assessment



Many businesses focus on sales and have little regard to whether their customer will be around to pay their invoices when they fall due. It is important to implement a credit risk procedure for potential customers and on-going monitoring for existing customers. The credit check procedure should incorporate information from several different sources.

### **Credit application form**

We recommend all businesses get their customers to complete a credit application form before they start trading with them. Make sure you obtain their full legal entity as well as trading styles and their company registration number. If you are trading with sole traders or partnerships, have them complete a different application form that also captures the proprietors of partner's full name and home address. We would also recommend you obtain photo ID & a recent personal utility bill to confirm they are who they say they are.

Unless you know who you are trading with, you may find it difficult to take legal proceedings against them should they not pay your invoices.

Credit application forms are also a good way to get your customer to sign agreement to your terms and conditions.

If you feel it's not appropriate in your line of business to ask your customer to complete a credit application form, instead have a "New account form" for your staff to complete whilst asking the questions from the new customer. Letterheads should also give the full company name and company registration number.

### **Credit check report**

As mentioned above it is important to check your customer at the outset then monitor for any changes, such as CCJ, change in directors, new accounts filed. We would also recommended to carry out a directors search to see if they are directors of any other companies, how those companies are performing, are there several insolvent companies in their history? The credit check report should not be taken in isolation when making a decision to extend credit to a customer, but it is an important part of the process.

### **Trade references**

Trade references are useful, but be aware, most companies have a couple of pet suppliers that they pay on time and use as a reference whilst making all other suppliers wait for payment.

### 3. Terms & Conditions



Are your contracts governed by your customer's terms and conditions or by **your own**?

#### Acceptance

If you want to rely on your terms and conditions, (should you have to resort to litigation to get paid), you need to ensure you can adequately demonstrate that you have made your terms and conditions known to your customer and they have accepted those terms and conditions.



Acceptance in writing, such as a signature at the bottom of the terms is the most effective form of acceptance; however acceptance can also be verbally and by conduct. Verbal acceptance can be difficult to prove and you may need to rely on witness statements. Acceptance by conduct is the most common form of acceptance. Be aware you may have accepted your customers terms and conditions by 'conduct' without realising.

#### Are your terms and conditions right for your business?

Is payment of your invoices "of the essence" of the contract? If not, you may find you are in breach of the contract if you withhold provision of goods or service for non-payment.

Is time of delivery not "of the essence" of the contract? Unless you say you cannot guarantee time of delivery, you may find you have a consequential loss claim against you for late delivery.

#### Do you supply goods?

If so it's vital you have retention of title clause in your terms so you are able to take goods back in the event they have not been paid for.



## 4. Manufacturing Goods



Are your goods as specified on the order or are there quality issues?

Has your client signed off on specific details such as colour at the point of order? Are there any special instructions or verbal agreements between your sales person and the client that is not clearly marked on the order?

If you are making bespoke products, has the client signed off final design drawings before manufacture? Lack of communication can result in poorly managed client expectations, often with costly amendments & reworkings that delay projects being completed (and therefore paid) on time.



### **Amendments to order**

If you / your client make any amendments to an order that differs from the original written purchase order, ensure these amendments are clearly documented, redistributed to everyone involved within production and signed off by both parties before proceeding with any proposed changes



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## 5. Delivering Goods or Service



It is essential to have an effective written checking procedure when goods are both dispatched from your premises and arrive at your client's premises, proving that the correct quantities have been delivered undamaged.

### **POD's**

Often a client will not pay an invoice until you can provide a proof of delivery document (POD) Are the goods damaged on delivery? Do you get your customer to 'sign off' that they have been happy with the service you have provided? Who has taken delivery? (name / job title)

Also are there financial implications to late delivery?







## 6. Invoice



Have you sent the invoice to the correct address? Do you need a purchase order number? Is the discount correct? All invoicing requirements should be obtained at the account opening stage. Each company may be slightly different so ensure your invoice displays all the information they have requested in order to pay you on time.

We recommend you call your new customer shortly after submitting the first invoice as a “customer service” call rather than a collection call to ensure they are happy with the invoice. Any issues can be rectified at this point to ensure you get paid on time.

## 7. Dispute Resolution Process



Typically a customer will withhold payment on an invoice if they have a dispute with it, even if that dispute is only a small part of the whole invoice.

When invoices are disputed, do you measure value and volume of disputes and time taken to resolve disputes? If you get similar disputes time and time again, it may be worth fixing the problem at source to reduce errors. Quick resolution of disputes keeps the cash rolling in and improves customer satisfaction.

## 8. Collect



Do you employ different collection strategies for different customer types? Are your collection procedures ‘customer focused’? We recommend you have a very tight collection strategy for High risk customers. All new customers should be categorised as high risk until they have a payment history with you.

Most businesses rely on repeat business, so you need to strike a balance to make sure you get paid quickly and also that your customers place future orders.

Whilst the courts want to see you have made every attempt to obtain payment before resorting to litigation, you should make the decision for court action quickly. The older the debt, the harder it is to collect. Your client may go out of business whilst you are deliberating about litigation.



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**Credit Management Group UK** provides a **complete solution** for your commercial credit management issues



### **Training Services**

Wide range of courses to enhance yours or your staff's credit management knowledge & skills, instantly improving collection performance.



### **Outsourcing Services**

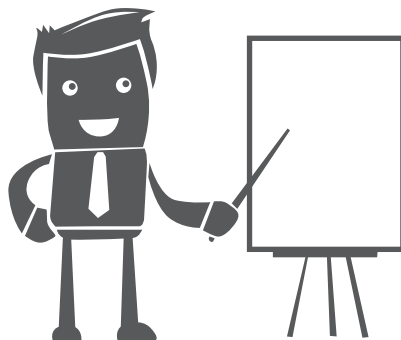
Extremely cost effective and very popular, we seamlessly integrate with your business to act as your "virtual" credit control department.



### **Consultancy Service**

CMG UK have a proven track record in delivering and implementing Credit Management solutions to both large corporate and SME clients.

## **Want to know more?**



Call: **0845 054 0504** or  
Email: [info@cmgroupuk.com](mailto:info@cmgroupuk.com)

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