

Solving CASH FLOW problems

Your software can help


By Tom Ross

If you are like a lot of business owners and managers today, collection issues are creating serious cash flow problems for you. However, you don't have to live with this result. Here are a variety of ways modern rental software systems can make your collection efforts a lot more successful and measurable, with less clerical effort and lower costs.

■ **Establishing and monitoring credit limits.** The first step in a good collection process is to set up a credit policy and define credit limits for each customer, typically based upon credit reference checks. Most rental software systems allow you to build this step into your daily processes by making your credit reference website a "favorite place" right in your rental software — one click and you are connected. Once a credit limit has been established, the software monitors the credit limit for each customer and provides a warning whenever a customer approaches that limit. To really stay ahead of the game, you'll want your credit warning system to include the accrued value of all open contracts, so you can enforce credit limits for customers who still have equipment out on rent.

■ **Hyperlinked accounts receivable (A/R) aging reports.** It is critical to respond quickly and know where you stand with your customers in aging intervals, such as 30, 60 and 90 days. You also can pick your own intervals. Some rental operators like to use a 45-day interval as an additional "bucket." With some systems you can review a graphical analysis of your A/R aging in "real-time," instead of waiting for lengthy printouts or an overnight update process. These systems instantly analyze your current aging status compared to measurable goals you set as a percentage for each interval. This is the best way to evaluate overall trends as well as shine the spotlight on the collection efforts of your whole team. With another click on these systems, anyone on your staff with the appropriate security-control level can drill down to problem accounts and start taking corrective actions.

■ **Clear, modern-looking invoices.** An older computer system sometimes limits the wording or the presentation you can use or, even worse, require you to use old-fashioned looking multiple-part forms. Rental software systems now allow you to make your invoices ➤ *Page 32*



CASH FLOW From Page 30 more professional and easier to understand. This can help result in invoices being paid quicker.

■ **Instant mass invoice delivery.** To maximize your cash flow, you need to send out invoices daily. Some rental software systems make this a fast and simple task to perform with a

and faxing systems allow you to quickly assemble and email/fax statements to each of your clients. It's so easy that many rental operators now send statements out at least twice per month. What used to take a day or more is reduced to a few minutes of clerical time, even when the number of statements runs in the hundreds.

What's more, all the snail mail costs of paper, postage and assembly are eliminated.

■ **Getting statements to the right people.** Many of today's rental software systems allow you to record the names and email addresses or fax numbers of the right people to receive these statement mailings. With up-to-date records, you know that the right


people will be receiving this critical information automatically.

■ **Smart billing.** For monthly rentals, on about the 17th day of the month, the amount you will bill your customer for many contracts will not change even if he keeps the rented item for the full month. Accordingly, it's smart to send invoices

Experience shows that the faster you send out invoices, the faster you will be paid. Software systems now can automate this whole process.

few clicks of your mouse, based on the customer's pre-defined preference for delivery method — such as email, fax, snail mail or something else. Even very large companies can now get this job done for all their customers in a few minutes.

■ **Instant mass statement delivery.** Integrated emailing



on the day of the month when no further charges will be due even if the item is kept for the remainder of the month. Experience shows that the faster you send out invoices, the faster you will be paid. Software systems now can automate this whole process.

■ **Instant dunning or "overdue" letters.** It is now possible to instantly generate automatic collection letters to let tardy customers know that you expect to be on the top of their accounts payable, not at the bottom. The first email, letter or fax is typically very friendly. Subsequent reminders can become more insistent.

■ **Automatic finance charges.** Customers don't like finance charges, but they also surely know that you are not a bank. Companies don't stay in business if their customers don't pay their bills in a reasonable time frame for the products and services provided. Rental software now allows you to choose to have finance charges added automatically at the intervals you choose. Of course, you are free to negotiate these charges when it makes sense to do so. Sometimes the offer to remove these finance charges is just the stimulus they need to pay you now. Getting the finance charges on your statements automatically is a good way to start stimulating more timely payments.

■ **Payment plans.** Sometimes the best we can do to prompt a tardy customer is to agree to a payment plan. With some software systems, monthly reminders can be set up to appear automatically. You can even automate the charges to the tardy client's credit card at pre-determined intervals. This

is especially easy when your rental software has integrated recurring charge credit card software.

■ **Credit reference checks.** We often find that tardy payers could have been predicted in advance with a little homework. Credit reference checks will usually expose these customers' tendencies. The American Rental Association (ARA), for example, offers the ARA-Endorsed Credit Report Service. More information is available online at ARARental.org under "Business Resources." Naturally, if a customer is unlikely to pay, it makes no sense to rent or sell to that customer. If a customer is likely to be late in paying, it probably also makes sense to reflect that fact in the rates you charge. Several rental software systems can help you quickly set up "special" rates for problem clients.

Get the payment clock started right away by marking your invoices "DUE ON RECEIPT." At least some of your customers — if not the majority — will honor your terms. Otherwise, the natural temptation is too strong: Your invoices can wind up in the "later" folder for 45 days or more.

By contacting your software developer today, you can find out what they can do to help you overcome your collection issues as well as your cash flow problems. **RM**

Tom Ross is chairman and CEO of Alert Management Systems, Colorado Springs, Colo. Alert is a supplier of Windows® certified rental management software and provides support for thousands of end-users who write millions of rental contracts. Ross can be reached at 800-326-0079 or email tross@alert-ims.com. More information is available at alert-ims.com.