Payment Methods

Description

Preparing for the end of the cheque as a method of payment

Getting your customers to pay you on time is always a delicate subject and fraught with sensitive issues that can sometimes affect a good business relationship. Business owners, financial managers and book keepers can spend a lot of wasted time chasing unpaid invoices. Added to this, the time spent sending duplicate invoices and payment requests, waiting for customers to come back from holiday or sick leave before a cheque can be signed or a credit card number taken can be very time consuming and stressful.

Offering guidance on payment terms and several ways in which to pay will help stream line the process. In todayâ??s competitive market it is not always feasible to offer a discount for early payment. Besides, all you may be doing is setting up an expectation of reduced costs for future sales. Online payment using BACs will certainly help with the inevitable demise of the cheque book. Processing of credit cards or using PayPal have their place in a modern business world with the added ease of placing convenient links on line and on electronic invoices to encourage customers to make that all important, speedy transaction into your account. Some customers are discouraged by the complexity of an online form and prefer to give card details over the phone or simply have a inherent distrust of all things web based. All this does is add to your administration time and, unless you can authorise in real time, it only takes one erroneous digit to force you through the whole process again. And do you always remember to shred that piece of paper you wrote it on?

Some people may never change their ways until their banks force them to hand back their cheque book or ask them to destroy it. Certainly in the business world, it is only a matter of a few years until the humble cheque will be a distant memory like the Â£1 note. Now it is time for businesses large and small to look at alternative methods if they are not already in place.

The new generation of mobile phones include Near Field Communication (NFC) but this is mainly for the retail market and will replace the card reader at the checkout till. Historically, Direct Debit for regular clients has been out of reach of the smaller business with some banks only offering direct debit facility to their customers with turnovers in excess of Â£2 million. With the average small business turning over about Â£600k in the UK, this excludes most of them.

There is now, however, a cost effective alternative to the standard Direct Debit. It has the potential of changing the financial face of the small business sector when it comes to taking regular payments. It may not be for everyone right away and you may encounter a resistance to change from clients initially but when faced with increased postage costs and the disappearance of the cheque book in the next few years it will be easier to argue your case.

Particularly encouraging is the collaboration between this new service and some of the major cloud accounting systems to make repetitive invoicing and payment processing fully automated. Of course, as with all of these new digital services, there is a cost but when compared with the cost of human resources, postage, stationery and other consumables, it actually makes sense. The less tangible benefit is, of course, the peace of mind that your regular variable payment is coming in on a fixed day of the month and is not dependent on the postage service, annual leave or any other factor outwith your control that you are expected to forgive without compensation or even mention of the word â??penaltyâ?• for fear of losing your customer. Direct Debit is something that the large corporates have been enjoying for years. For a definition of Direct Debit around the world please visit Wikipedia.

As mentioned in the list above, GoCardless can offer the solution currently out of reach to most small businesses turning over less than enough to impress their banks to be trusted with this simple payment method. Besides, most banks are no longer in a position to preach trust worthiness and will eventually have to compete in this market.

Where do we come in? As independent Digital Consultants, we see tools like GoCardless as another channel to reach out to your customers to make it easier to do business with you. More importantly, we see it as a way to free up administrative time to focus on building the business and increasing sales. One of the biggest issues we encounter is lack of time to embrace and learn new technology. Sometimes it is difficult to see beyond the expense. However, here is a tool that only takes 1% of your transaction value but with the potential of saving you hours of administration time. There are some suppliers that will only take payment by direct debit because they know that the alternatives are too costly.

It is entirely possible that smaller companies will see the cost savings very quickly and follow this example set by the corporates and the utilities.

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