



BETTER PAYMENT HELPS BUILD A BETTER BUSINESS

This is one of a series of +points on The Journey – a route map designed to help you build a business that people value. Check out other +points on www.smallbusinessjourney.com

WHAT'S THE POINT?

- You CAN gain in reputation and buying power when you commit to prompt payment.

WHY?

- Suppliers will be keen to work with you.
- You avoid costly late payment charges or compensation claims.
- You save on fire fighting and strained relationships.
- You approach suppliers and customers on confident terms and build their confidence in you.

EXTRA BENEFIT TO YOUR COMPANY

- Your suppliers' incentive for reliability will enable you to give reliable service to customers and help you to improve your terms.
- Closer cooperation with your suppliers can lead to wider benefits like suggestions for more efficient delivery patterns, or new insight into alternatives for components or supplies.
- Customers with concern for efficiency and responsibility in business practice will reward your commitment.

LIVING PROOF

MEDIA MATTERS

A small public relations and marketing consultancy with less than five employees. Based in Surrey, the company helps many international hi-tech companies with all aspects of marketing,

from press relations to implementing marketing campaigns. Good relations with the publications with which it places advertising are fundamental to the success of the business. A prompt payment policy underpins these relationships. The prompt payment policy has been upheld since the start and is therefore viewed as 'part of the package' by suppliers. In addition, the consultancy pays attention to settling invoice disputes quickly, thereby helping to build its reputation of conducting fair and honest dealings.

THE RESULTS

The prompt payment policy helps the company provide its clients with substantially discounted advertising rates. Because publishers have confidence that they will be paid promptly they are keen to encourage more business from Media Matters clients. It also encourages publishers to 'pull out the stops' when last minute changes to advertising copy and design are required. The positive impact of good supplier relationships contributes to Media Matters high client retention rates which are far in excess of the industry norm of two to three years.

WHO ELSE IS MAKING A POINT?

Over 1000 companies have already made the commitment to prompt payment for the benefit of their business.

They have signed up to the Better Payment Practice Code which business and government established together in 1998 to help improve the payment culture amongst organisations trading in the UK. The Code is supported by public as well as private sector organisations. Collectively they represent about 20% of UK Gross Domestic Product.

This simple code details the following obligations of a business to its suppliers:

- Agree payment terms at the outset of a deal and stick to them.
- Explain your payment procedures to suppliers.
- Pay bills in accordance with any contract agreed with the supplier or as required by law.
- Tell suppliers without delay when an invoice is contested, and settle disputes quickly.

To see who has signed up to the Code you can find the complete list of current signatories at www.payontime.co.uk.

The results: "Businesses need to remember that prompt payment can be as beneficial to them as it is to their suppliers. The way businesses manage their purchasing and sales relationships can have a direct effect on their profit margins. A commitment to prompt payment can result in more co-operative partnerships and a better service from suppliers, with more attractive credit terms." Dave Tyler, Fontasia Ltd, Better Payment Practice Code signatory.

There are wider results too. By working together to change a culture of late payment, businesses that pay promptly are keeping existing suppliers healthy, encouraging new suppliers and helping to make the UK economy more competitive in the world market.

WHY IS THIS IMPORTANT?

- One in four business failures are a direct result of interruptions to cash flow.
Source: Federation of Small Businesses 2003
- 90% of business owners say that they would pay their suppliers on time if their customers paid them on time.

- Source: Better Payment Practice Group 2003
- Over 40% of small to medium sized enterprises would stop doing business with a customer that paid them late.
Source: DTI Small Business Survey 2003
 - Only one third of plcs pay their bills within 30 days and over four years there has been no improvement in average payment times of plcs.
Source: Companies House 2003

HOW TO GET STARTED IN A SMALL WAY

- Have a top management policy on prompt payment of bills. Ensure that all staff are aware of it –especially but not only those in finance and purchasing.
- Agree terms of payment at the start of all contracts.
- Monitor your payment system regularly for timely payment.
- Have a good system for clearing disputes quickly.
- Foster good relationships with suppliers by informing them of your payment procedures and who is responsible.
- Promote healthy cash flow in both directions with efficient collection for your own sales.

WHO CAN HELP YOU TO GO FURTHER?

Strengthening the performance of your business in this way is really just a matter of common sense. But if you are committed to achieving major business benefits, then it often helps to get help.

National help

The Better Payment Practice Group provide comprehensive free information on their website. It gives everything you need to know about ensuring you pay and get paid on time and you can learn more about the competitive advantage you can gain from the Better Payment Practice Code. Details can be found on: www.payontime.co.uk.

The Institute of Credit Management (ICM) is the professional body representing the interests of people in all sectors of credit management. The ICM works through a network of 26 branches nationwide. It can help you learn more about credit management and the techniques that will help you pay and get paid on time. Details can be found on: www.icm.org.uk.

Local help

Check with your local Business Link for advice on payment issues and other aspects of running a business that people value. Details at www.businesslink.gov.uk (England), www.bgateway.com (Scotland), www.businessseye.co.uk (Wales) www.investni.com (Northern Ireland).

IT'S COMMON SENSE

This briefing paper is one in a series of +points that make up The Journey – a route map designed to help you build a business that people value. You need only do one if you like. It's your journey. It doesn't have to be time consuming or complicated. It's basically common sense.

SMALL BUSINESS CONSORTIUM MEMBERS:

The Small Business Consortium is a group of organisations who share a common goal:

