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Inc.

Drew Greenblatt | Inc.com contributor

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Getting Paid: 7 Steps to Protect Yourself From Deadbeats

Don't let customers use you as their bank. Prevent late payments before they happen.



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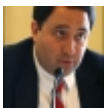
A prospective client was telling us how payments from a big customer are frustratingly slow. Upon inquiring, he discovered that his client's accounts payable employees are rewarded with overtime pay if they delay payment until 90 days after the original invoice. If they pay 45 days after the original invoice, their pay is docked. Ugh.

Here are seven tips to make sure your firm is paid in a timely manner for its hard work.

1. Collecting cash up front or getting a large deposit is best. However, your vendors will want to borrow money from you interest free. You have to assess the situation and draw the line. I sometimes feel like I'm not just selling steel wire baskets and sheet metal fabrications but operating the First National Bank of [Marlin Steel](#).
2. Use the Dun & Bradstreet subscription service to confirm the likelihood of repayment. It's a simple system with green, yellow and red. Green means it's a safe bet to offer terms.

3. Make sure that your invoice matches the purchase order. Have very meticulous clerks. Some firms will reject an invoice with a single error, start the clock ticking again and process the revised invoice 30 days after receipt.
4. Adhere to the client's shipping instructions. We had a shipping clerk who saved our client \$1,000 in shipping fees, but because we did not use the specified carrier, our client's billing department refused to pay for the shipping. We got burned.
5. In the unusual instance when you get double-paid, of course be honest about it and inform the client, but make sure you get paid what you're owed: One of our pharmacy clients recently paid us on time via the Automated Clearing House electronic system, but we also got a check from them for the same amount the same day. We dutifully called to correct the mistake. We soon learned the meaning of the phrase 'no good deed goes unpunished.' We were plugged into an Indian call center that promptly rescinded the ACH payment *and* cancelled the check. Two more reversals of each item occurred even though we were talking with supervisors to try to get paid one way or the other. In similar circumstances, I'd recommend pausing until the ACH cannot be rescinded before you disclose such an oversight.
6. Check with the buyer beforehand to learn the name of the person who signs off on checks when your purchase order goes out. After the fact, when you are chasing down the money, is always a tougher time to ask that question. Establish a relationship with someone in the customer's accounting / finance department as early in the sales process as possible. Then you'll have someone you can go to to help solve a problem if one occurs.
7. Have a consistent collections methodology. Contact the customer five days before the invoice is due to assure that all is good and they have everything they need to process payment. Reach out again five days after payment is due if unpaid. Continue to reach out to the customer every five days until the payment is received. And thank them for their business.

<http://www.inc.com/drew-greenblatt/7-steps-to-protect-yourself-from-deadbeats.html>



***Drew Greenblatt** is the president of **Marlin Steel**, a U.S.-based manufacturer of wire baskets and sheet-metal fabrications. Marlin has grown 25% over the past three years and has a record of 1,422 days without a safety problem.*

<http://www.inc.com/drew-greenblatt/true-cost-of-bureaucracy.html>

Marlin Steel 2640 Merchant Drive, Baltimore, MD, USA 21230-3307

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