



PAYMENT SYSTEMS MADE SIMPLE: HOW TO GET CASH FLOWING IN YOUR SME

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Introduction

Even successful business owners can struggle with cashflow. According to a Dun & Bradstreet Business Expectations Survey from 2014, [26% of firms believe cashflow is the factor most likely to influence their operations](#), ahead of interest rates, the Australian dollar, fuel prices, and access to credit.

Highlighting the difficulty facing businesses in regulating their cashflow, the same survey found 41% of respondents would miss payments to their trade suppliers if unable to meet all of their obligations, followed by other bills including credit cards, loans, telephones, mortgages, and the internet.

Dun & Bradstreet Australia & New Zealand chief executive Gareth Jones says the research shows it takes businesses an average of 53.4 days to have commercial invoices paid, with just 47.3% of invoices being paid within a 30-day period during the second quarter of 2014.

"The prompt payment of invoices is critical to healthy cashflow, which has been an issue of significant concern to businesses," says Jones.

This is backed up by similar research undertaken by debtor finance firm Bibby Financial Services, which found slow-paying customers are one of the [top five reasons SMEs run out of cash](#).

Bibby Financial Service's Australia & New Zealand managing director Mark Cleaver says SMEs need to make sure their accounts and bad debtors are under control. Key to this is assuring that cashflow is strong, and risk-management procedures are in place. This ensures there is a stable platform from which to execute further timesaving innovations, such as payment automation.

"Sometimes, late payments occur because they have agreed to longer-than-average terms to work with a major customer. Other times, it's because an industry has extended production times and a long collections cycle. Most often though, the customers simply won't – or can't – pay on time, and not all small businesses have the manpower to thoroughly follow up on late invoices," says Cleaver.

With these challenges in mind, this eBook explores how SMEs can set up multiple options for customers seeking to settle bills on time and with ease, so that cash within your company does what it should – flow smoothly and efficiently.

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1. Ticket to cashflow: get your payment systems right

Small business owners often think about the payment process as something that occurs at the point of sale. However, it is a much more layered ecosystem and one that can make or break your success.

Ezidebit managing director Charlie Holland says it's about considering the full lifecycle of the payment, including what happens after payment.

"It includes the process of collecting, receiving, and reconciling the money, then looking at the tax percentage of your earnings. Only then can you truly be a force to be reckoned with."

Business growth hinges on your ability to resolve any cashflow issues, and good payment systems are a key step in this process.

The first thing you should do when a customer hasn't paid on time is communicate with them as soon as the payment due date has passed, advising them of the issue and providing options to help them rectify the problem, says Holland.

"Another option is to introduce the customer to direct debit, which will provide the business control of when the payment is received and also remove the effort of the payer to physically make the payment."

Offering BPAY capabilities, easy-to-follow payment steps on your eCommerce site, and a fully integrated cloud operating system are also all part of the approach – elements that will be explored further in the following chapters.



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2. Managing recurring payments

Don't waste time handling recurring payments manually. Instead, automate repeat transactions and [get your customers to pay on time](#) by implementing a direct debit system. The amount doesn't have to be the same each time – you can change it as necessary – and not only will it help you forecast cashflow, it puts you in control of when you are paid, freeing up valuable time to spend on building relationships and improving your products and services.

"Direct debit is a great thing, because you want those funds to be paid easily," Holland says. "Think about it. If a customer has made the engagement to work with your business, they want the process to be made simple."

Recurring payment removes the headache: the payment is made automatically, your customers don't have to remember to pay you every month, and your accounting department stays on top of invoices.

"Automation is the perfect solution for small- and medium-sized businesses, because suddenly, you've freed up all the time to actually run your business, rather than work in it."

Business owner Sarah Riegelhuth implemented Ezidebit to handle her business's monthly payments from the very beginning. The Melbourne-based creator of an eight-week money makeover program asked her web developer to handle the plug-in, which also links to her customer database.

"I wouldn't be able to run the business without having this sort of built-in money-handling process in place," she says. "Once it's set up, the compliance aspect handles everything for you. And it plugs into Xero so it's all there working for you."

Setting up a direct debit solution can enable faster financial interactions and customer management, so it's important when evaluating your options to look for flexibility, support, and business technology.



3. Making things simple with BPAY

A critical Australian payments network linking individuals, businesses, and financial institutions, BPAY launched in 1997 and is used by [73% of adult Australians for online purchases](#), account top ups, and business to business payments.

More than 870,000 BPAY payments are made each day, with 93% done via internet or mobile banking. Each month BPAY helps process more than 30 million bills worth over \$24 billion, with around 92% of these paid through a customer's internet or mobile banking account.

Holland explains that the system has a level of trust that means people are generally happy to use it.

"You can do it 24 hours a day. It's very safe and done through your own banking portal... You've got a lot of protection there, and you're not worried about putting in the wrong bank account number or paying someone else."

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4. Online payments via eCommerce sites

Thanks to eCommerce, it's no longer about where you sell your products, but how easy you make it for people to access and pay for them. The reality is if you don't keep your customers happy with convenient buying options and excellent customer service, they will take their business elsewhere.

An [effective eCommerce strategy will complement your existing business software](#), providing you with the ability to accept one-off payments or schedule regular recurring payments, and be notified after payments have been made, saving hours in administration time.

In addition to easy payment solutions, your online portal must be supported by great customer service. Successful Australian online retailer Milan Direct has worked hard on this, and founder and chief executive Dean Ramler tells *SmartCompany* the key is having a dedicated customer service team in place.

"We have live chat functionality on our website, so customers can jump on the chat and get an instant response from one of our customer service team, and we also offer 24/7 customer support."



5. Payments in the cloud: don't get left behind

Payments and cloud accounting: it's a match made in heaven. The online integration of payment systems and accounting records means smarter automated solutions, with no laborious paperwork required.

"Once upon a time...it was a manual task to reconcile or take payments from one to the other, and it was double handled. Now with cloud integration we're making it very efficient," says Holland.

Xero Australia managing director Chris Ridd says cloud computing allows small businesses to do their accounting anytime, anywhere. A recent Xero survey found that 46% of the small businesses not already using cloud systems plan to adopt them over the next 12 months.

"We recently surveyed some of our small business users, and they specifically said that the ability to do accounting on the go (71%), reconcile their banking (50%), and get software updates quickly and easily (34%) were key benefits to Xero and online accounting software."

He says businesses need to select a cloud accounting and invoicing solution that provides an open platform with plenty of choice to take advantage of various payment systems.

"Switching costs are low, so businesses can cancel a subscription and move over to a new cloud system as the needs of the business dictate. It means small businesses can punch above their weight, and the technology that used to be the domain of big business, because it was so expensive, has now been democratised and is available for all to reap the benefits."

Holland says for [SMEs concerned about cloud security](#), the best approach is to really understand how your system is operating.

"The best thing is to rely on payment companies that are third-party to the software. Generally, when it's in that method, the security around the cards, your bank account data and all your private information relating to the payment, is actually separated and is with the payments company. This transfers your risk. Payment companies should have the highest level of security. So when you go through that cloud provider and you are giving your customers invoices, they're actually getting directed onto a safe page, and all that data they're entering is stored within an application."

If you use Xero and Ezidebit for instance, payments collected by Ezidebit will automatically reconcile in your Xero accounting platform.

6. Developing a mobile strategy

As a 2014 Dun & Bradstreet Trade Payments Analysis survey shows, [customers holding back payment for an average of 53 days can really squeeze a business's operations.](#)

But could making it more convenient for time-poor parties to submit their payments alleviate this problem?

Global Digital Statistics 2014, a report recently presented by social media agency We Are Social, shows 65% of Australians own a smartphone and use it for an average of nearly two hours each day to search, shop and seek out entertainment.

Further to this, an Australian Communications and Media Authority research snapshot using data sourced from Roy Morgan, released in June 2014, shows 3.4 million Australians used a mobile commerce service during December of 2013, significantly up from just 620,000 for the same month in 2010.

The figures measure the number of consumers banking, paying bills, or buying goods and services online using their smartphones.

According to the report, the local smartphone market is still growing, with 12.07 million Australians owning a smartphone as of May 2014, up 8% from a year earlier.

In terms of mobile shopping transactions, 33% of Australians over 18 participated in online auctions through their phones, 33% used an online mobile payment system and 21% paid for purchases using a credit card.



Meanwhile, the report shows a massive 77% of adults transfer funds using their mobiles, while 46% use them to pay bills, suggesting there's still significant further room for growth in mobile payments.

Overlooking the growing number of customers using mobiles to access business websites could leave your business trailing behind the competition. You could be even more disadvantaged if your site doesn't make payment easy.

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For businesses with an ecommerce arm, implementing a mobile strategy that allows for one-touch buying is key, but don't make the mistake of treating the screen on a smartphone or tablet as a scaled-down version of your desktop store. Ensuring your site is optimised for mobile will improve the customer experience – something that Google's algorithms will reward you for in search result rankings.

Jack in the Box digital marketing agency director Scott Robinson says when going mobile, consider using responsive design to provide a better shopping experience on all devices, from tablets to smart phones, so that you're meeting customer expectations.

A responsive site reacts to changes in different configurations to ensure the text is appropriate and images and sizes are appropriate on all devices available.

"It's the easiest way to future-proof your site because your site has certain break points, say going from a large desktop, to a laptop, to a mobile device. Certain screen widths dictate how a site would react to that user," Robinson says.

Responsive design is also easier to manage, as you won't need to try to cope with separate websites with separate content.

The advertisement features a woman with blonde hair and glasses, wearing a light-colored top, sitting at a desk and smiling. In front of her is a computer monitor. To her left, there is a smartphone and a tablet, both displaying what appears to be a payment or banking application interface. On the left side of the image, there is a green rectangular overlay with white text. The text reads "Simplify your payments with paperless direct debit" and "ezidebit® A division of globalpayments". Below this, another blue rectangular overlay contains the text "Find out how today" and the website "www.ezidebit.com/paperless".

7. Integrating your software doesn't have to be hard

Once you've made the decision to get serious about best practice payment systems, you need to think about how to integrate it with your existing software.

The system you choose needs to offer a central dashboard where you can manage everything, explains Jac Gallagher – owner of Brisbane's Notch Above Bookkeeping.

She also suggests ensuring you're offered local customer service support, so you're able to pick up the phone and speak to a real person if a problem occurs or you're unsure about something.

"While it may seem daunting at first, making the move onto an integrated payment system will

end up saving you in admin and will increase your cashflow. Getting cash in from your customers is the number one most important thing in business. If collections can be quicker, the entire business will run easier, so don't delay in moving ahead with this technology.

"I would ensure that the payment solution you're looking at integrates into your accounting system, which reduces the workload, as payments are automatically applied to invoices on payment."

Cost is the other thing to consider, so compare monthly fixed fees, merchant bank account fees and transaction fees to get an estimated total cost of the solution.



8. Data compliance matters

If you are implementing payment systems and are therefore keeping customer data, such as bank account numbers and addresses on file, you need to be aware of data compliance laws.

The law imposes standards of conduct on organisations when it comes to collecting personal data and using it for economic gain. This means [data protection is a legal requirement under Australian Privacy Principles](#), something it's worth familiarising yourself with in order to avoid a hefty fine.

The Association for Data-driven Marketing and Advertising (ADMA) regulatory and legal affairs director Daad Soufi explains that apart from being a legal requirement, data compliance also promotes intercompany trust and signals to the broader industry that the SME in question is a good corporate citizen.

There are a range of IT security safeguards that can be implemented, ranging from passwords, monitoring, firewalls, limitation of access, and physical security practices, he explains.

"SMEs should consider the nature of the business and the data, as well as the range of security options that are available for their type of business. Then they can develop a risk profile and then move to customising security standards proportional to any identified weaknesses within the business data flow."

Generally speaking, customers aren't averse to sharing their personal data with a company that adequately lets them know the manner in which their data will be used.

The ramifications for not considering data compliance include losing the trust of customers and other SMEs you deal with.



It also means the organisation is likely to come under scrutiny from the privacy regulator.

If data compliance appears to be a challenge, the best approach is to partner with a payment provider experienced in setting up secure, protected systems.

"Minimising and avoiding complaints, and being in a position to be able to demonstrate business practices that avoid the unnecessary

business interruption and costs involved in attending to such an investigation, is important," says Soufi.

It's also important to mention Payment Card Industry compliance and how essential it is to ensure the payment system you use has the highest standards of this possible. This level of compliance will ensure that your customers' personal information, as well as bank and credit card data is protected continuously.

TOP 5 TIPS FOR CASHFLOW

Try implementing some of our experts' top tips to position cashflow on everyone's radar in your business:

- 1.** Share monthly cashflow reports with senior staff, explaining how the numbers in those reports affect the business, and encourage discussion among the group.
- 2.** Provide guidance to your staff for discussing payment terms with your customers.
- 3.** Be clear when communicating terms and penalties for late payers.



- 4.** Look for ways to increase the speed of your inbound cashflow by asking your customers to pay you faster, and having the right systems in place to make it easy for them to pay.
- 5.** Consider setting up a recurring payment system with the help of an expert provider for your customers. This way, their payments are automatic, you don't have to chase them and you can forecast what money is coming in, and exactly when it will hit your account.



CASE STUDY: KX PILATES

When Aaron Smith launched KX Pilates in Melbourne five years ago, the market was passionate about his style of boutique fitness. He runs 14 studios across Sydney and Melbourne, and has his sights set on growing that to 20 studios by the end of this year.

"Initially, I was running the bookings and payments through Excel, which was hard to manage even in the first year. I spent my day taking about 40 phone calls for classes and processing credit card payments by phone, it was really tedious," he says.

"I cringe when I look back at it, although I think that's often how a lot of people running a small business start out."

Smith knew he needed to look at a system that would give him the freedom to step away from the phone. He asked other fitness studios what they used and considered what sort of future growth he was hoping to achieve.

He settled on MINDBODY, which is used by fitness centres, personal trainers, yoga instructors, spas and salons to help users with bookings, scheduling and sales. MINDBODY has partnered with Ezidebit since 2007 to provide local customers with a simple cloud-based payment processing facility. A new mobile platform was built using Ezidebit's powerful Application



Programming Interface (API) to ensure that MINDBODY customers had access to the same easy payment systems that they would on desktop devices.

"I wanted something that would work across our current number of studios, but that would also work if we had 50 studios. I asked others running similar businesses both here and overseas for a recommendation, and this was one of the best on the market. The system links bookings to payments, simplifying the entire process."

Smith also has iPads in all studios so staff can teach students how to schedule and pay for future classes.

"Our students love it, because they can book ahead and don't need to bring credit cards into the classes."