

Late payments. They're the bane of small business owners everywhere, and while dealing with them is never fun, the right approach can [mitigate](#) most of the frustration before it happens in the first place. From making the payment process as easy as possible to automating as much as you can, these five smart and simple practices make collecting late payments less of a headache.

## **Make it as easy as possible for customers to pay**

Sometimes late payments are a result of miscommunication between the business and the customer. Other times, the customer simply does not know how to make the payment. By making the process as streamlined as possible, you can avoid this situation. A good first step is to ask the customer how they would like to pay, and make sure your business can [accept common payment methods](#) like cash, eCheck, credit card and ACH. Working with the customer, and giving them a level of control in the payment process, can drastically reduce the odds of receiving late payments.

## **Automate the process**

Automating the payment process saves time for both you and your customers. Depending on your business, many customers may have payments due on a predictable timetable, such as monthly subscription services. In cases like these, you can automate the entire process by setting up billing schedules to automatically charge [recurring fees](#). If your business model makes it difficult to automate the entire payment process, you can still save yourself some hassle by setting up automatic reminders to give customers a heads-up when it's time to pay. Either way, automating the payment process makes it easier for both parties.

## **Keep track of payment history**

Whether or not your business automates billing, it's important to have detailed records outlining payment history. Ideally, all this information should be in the same place to minimize wasted time spent combing through a litany of spreadsheets. Having a database of customer information also saves time by making it unnecessary to contact customers about payment timetables, and it makes it easier to keep track of late payments. With larger businesses, it can even be hard to know when customers are missing payments unless you keep consolidated records. On top of helping to overcome the burden of collecting late payments, keeping detailed financial records makes it easier to keep track of [cash flow](#).

## Collect payment at the time of service

An easy way to make it next-to-impossible for customers to pay late is to [collect payment](#) at the time of service. If this seems like a daunting task, don't be afraid to get creative. Many businesses use mobile apps to collect payment on the spot, and if you are taking an order over the phone, you can always just plug in the customer's credit card info into your POS. While this is not feasible for every business, take advantage of it when you can. Eliminating the need to send a bill after performing service virtually destroys the possibility of having to go through the process of collecting late payments.

## Plan on collecting late payments

While it's not the most convenient truth, late payments are inevitable. It's better to plan on needing to deal with collecting late payments now and then, than to be surprised, stressed and confused when they occur. Have a plan for how your business handles collecting late payments, and be sure to set aside a monthly [budget](#) to cover them in order to avoid cash flow problems.

You can also issue penalties for collecting late payments, or even offer customers incentives for paying early. Incentives could be anything from a small discount to a monthly customer appreciation gift card. Keep in mind penalties should be symbolic, such as a \$10 charge per week late, rather than another source of revenue. You don't want customers to think your business is trying to unreasonably profit from late payments.

Late payments are unpleasant. They waste time, disrupt cash flow and are just altogether irritating. Collecting late payments is also a reality of business, and that isn't going to change anytime soon. So rather than hope they don't happen, implement practices to reduce their likelihood. And when they happen despite all you've done, keep it cool and handle it professionally.

*This post was contributed by Nell Gable, Content Marketing Manager at [PaySimple](#), a commerce platform that helps small business automate service marketing, management, and payment collection.*

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