CREATING **CASHFLOW** WITH DIRECT DEBIT

Aside from producing a profitable product or service, smoothing the rocky road of business is also dependent on reducing 'debtor days'. Trent Brown, CEO of Ezypay, suggests engaging your customers on pro-active payment channels – such as direct debit or automated credit card payments.

"Many of our businesses use payment channels such as direct debit and reoccurring credit card payments to regulate cashflow by creating a consistent cash injection on a regular basis, sufficient to cover fixed expenses," says Brown.

"More importantly, they often use reoccurring payment channels to increase sales. That is, by taking an expensive item and breaking it down into regular payments, businesses can increase the affordability of their product and therefore their propensity to sell the product," says Brown.

"By moving their product from a fixed cost to a small reoccurring payment this can also have a dramatic impact on their customer's lifespan and lifetime value. By selling on a minimum term contract, for example 12 months, after which debits continue until 30 days notice is given, you reduce the need for any re-sales process which forces reassessment of your product or is often not undertaken due to time constraints."

This, he says, leads to higher renewal rates at lower costs, long customer relationships, and greater revenue generation.

"Ezypay collects approximately 98 percent of all payments on the first attempt and we provide efficient follow-up processes such as TXT and email to collect outstanding payments," explains Brown. "As part of the process we provide customers with convenient phone and Internet payment gateways as a means of making outstanding payments."

Brown says direct debit can be cumbersome for many businesses due to the strict notification requirements to protect consumers.

"Fortunately our system ensures compliance with these regulations as a matter of course."

Direct debit and reoccurring payments have the advantage of creating regular cashflow, reducing debtor days, increasing sales, and maintaining debtor control, says Brown – but doesn't work so well when goods are involved (unless it is a lay-by system).

Ray Morris and Emma Ormsby of Wellington-based financial company Cash Express chose the Ezypay system 12 months ago to manage customer transactions.

"We knew that as our business grew, cashflow would be critical, and the administration around collecting money would become increasingly time consuming. We wanted the most pro-active way to bring in funds and direct debit removes the reliance on the customer making the payment – we simply take the funds on the agreed date.

"This increased cashflow but at the same time reduced debt, and hence reduced the amount of time we needed to spend pursuing debt. On top of that, Ezypay do the follow-up on failed payments on our behalf.

"Best of all, it is less hassle for our customers as they don't need to do anything apart from have the funds in their bank. Less hassle for them means less hassle for us."

retain the relationship with their customers, we have found that businesses have a very positive attitude to debtor finance".

Clients are well established middle-market companies with turnovers of one million plus – and while not legally obliged to send in all their batched up invoicing, Sheen says that in order to provide maximum funding against the asset, it's best if they do.

"It also makes administration easier and simpler."

The purchase fee charged is a percentage of the gross batch value; Sheen says it's invariably less than 0.5 percent and the costs are similar to those associated with running an overdraft.

Typical BNZ debtor finance customers are those companies where the debtor asset is the only major asset on the balance sheet. They cover a wide range of industries, ranging from manufacturing and light engineering, to haulage, distribution and printing. The primary purpose is to free up cash flow and the results can be dramatic;

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