



How Credit Card Acceptance Can Improve Cash Flow and Reduce Bad Debt

With a little imagination, almost any company can benefit from credit card acceptance due to improved cash flow and reduced bad debt. See how a dentist extracted \$89,000 from his average receivables and a software company improved cash flow by 60 days.

A dentist in a small city accepted insurance payments, cash and checks. They would bill customers and receive payments back via mail. This labor intensive, time consuming process created a situation where receivables were averaging \$95,000 and from time to time they would have to write off bad debt.

After reviewing the dentist's situation, a credit card processing system designed for his practice was installed. Instead of the old billing process, patients now pay for services before leaving the office either through insurance, cash, check or credit card. Only on rare exceptions is a bill sent to a patient.

The impact on the practice was dramatic.

- Reduced labor associated with the billing and posting of payments
- Reduced postage expense,
- Near elimination of bad debt
- Improved cash flow

And best of all, receivables dropped from \$95,000 to \$6,000. While there is a 2.00% expense for accepting the credit cards, the cash flow and bad debt benefits far out weigh the cost associated with card acceptance.

A small software company was routinely billing customers monthly for license and maintenance fees. The bills ranged from \$100 to \$1,200 per month depending upon the customer's use of the software. Receivables ran at an average of \$36,000 and the average outstanding was about 60 days.

Could credit card acceptance be an answer to their problems? When they saw how simple it is to implement a system, combined with on-site training, they decide to give it a try. Immediately, all new customers were signed up for monthly credit card billing. Over time, a large percentage of their current customers were converted to credit card payment.

Clients also benefit using credit cards; from reduction of checks written (studies have shown that it costs the average company about \$45.00 to go through the process of scrutinizing and paying each bill) to compiling credit card usage incentives (air miles or cash).

In three months receivables were reduced from \$36,000 to \$11,000 even though total revenue was increasing. The approximately 2.50% paid for the credit card processing services was paltry compared to the \$25,000 in cash flow improvement.

These are just two examples of credit card acceptance helping businesses to improve cash flow while reducing bad debt.

Contact TRI for a free, no-obligation analysis to see if credit card acceptance can strengthen your bottom line.