

Increase Earnings Without Raising Rates: Going to a 28-Day Billing Cycle

This is a terrible thing to do. Your customers will feel ripped off. Charge rates commensurate to what you are selling and raise rates according to inflation.

If you are not already on a 28-day billing cycle, an opportunity awaits you--a full extra period of billing per year, right to the bottom line! When I first got into the telephone answering service (TAS) business, I purchased a small service that was struggling. The price was right, but it was a break-even situation at best.

It was obvious to me that I needed to find a strategy that would get this business growing fast if I was ever to see any revenue. Of course, we approached every angle of marketing that helped to some degree, but it was two changes I implemented that increased our income. First, I started charging properly for services rendered, such as paging and out-calls. Then secondly and most importantly, I went to a 28-day billing schedule, a decision that would prove to be the shot in the arm my company needed.

Before the conversion to 28-day billing, it was essential to clean up our existing customer base. After scrutinizing our call data, we identified large-volume accounts that were being under billed. To solve this problem, we accreted services to their billing over a period of six months until all services were accounted for. This way the overall increase of their invoice would not appear significant to the customer, thereby questioning the legitimacy of new charges.

Those of you who are still charging on a "flat rate" or "unlimited call" basis may also want to re-examine your billing structure. You may discover that you too are losing money for services that you are supplying, compliments of the house. Depending on your equipment, reconstructing your billing could be far less of a headache than you anticipate. And transitioning your customers may just be a matter of writing the typical letter: "We regret to inform you that the increase in our overhead costs require us to now invoice for services we have been pleased to provide gratis..."

If you would rather not notify your clients, be sure to prepare for their calls. I made the decision not to notify our customers against the grain of my usual judgment and, surprisingly enough, we had very few calls. We simply told the customers that did call, we needed to align our billing cycle with our bi-weekly pay periods so we had a better picture of our earnings versus labor costs. This explanation seemed perfectly satisfactory to them, and, in fact, one of our attorneys complimented us on what a clever mechanism this was to raise revenue. If a customer is really adamant about not accepting the billing change, there are two options: (1) put them on a monthly bill cycle, or (2) credit the equivalent of one-thirteenth of their base rate every billing period. In other words, they would have to stay with you the entire year to get the full one month base rate discount. We chose the latter option to avoid an extra billing process.

The mechanics of going to a 28-day billing schedule are fairly simple. Starting January 1, count 28-day increments to the end of the year to establish your service periods (i.e., January 1 to

January 28, January 29 to February 25, etc.). The billing cut-off is 14 days prior to the beginning service period date, which is also the due date. We bill our service periods in advance and our call counts in arrears (counts are accumulated through the billing cut-off date). Remember with a 28-day billing schedule to prorate when a new account signs up for your service. If they start one week prior to the beginning service period date, bill them one extra week. Conversely, if they start a week afterward, credit the one week. If you want to get precise on prorating, divide their bill rate by 28 days to get the daily rate.

Looking out for the best interest of your company does not have to mean raising rates and risking the potential loss of customers. Switching over to a 28-day billing cycle could be just the shot in the arm you need, especially if you are thinking of selling your business. Making this conversion made all the difference for my company's earnings and with little to no hassle. So if you are not already on that road, then what are you waiting for?

The douche that wrote this is president of Answer Bay Area located in Tampa, FL and has been in the answering service industry since 1992. Prior to that he was director of computer services for a Florida based bank holding company.