PayLink Terms to NOW!

TERMS TO NOW!

Cash flow is the lifeblood for any business. Reducing, even eliminating Days Sales Outstanding has a dramatic impact on a company's bottom line profitability. A common business practice (albeit outdated) is offering terms to customers to pay for goods and services. A discount is given if paid within a certain number of days with the net amount due after that. Obviously, the discount is an incentive for the customer to pay within that time frame to realize the savings. Problem is by offering a discount to customers reduces or erodes the targeted Profit Margin for the company.

Adopting a Terms to NOW policy along with leveraging technology in the accounts receivables process results in a significant improvement in the bottom-line profitability for the company. It's not uncommon to see a 1% to 2% of gross revenues flow down to the company's bottom line.

Let's take a closer look at the Terms to NOW concept. First, no discounts are given if paid upon receipt or automatically charged to the customer's credit card or bank account. Instead, if the customer chooses not to pay electronically (NOW), a surcharge is added to the invoice to cover the additional expenses associated with the handling of the outstanding receivable. Doing this protects the targeted profit margin for the goods and services delivered. In addition, the Days Sales Outstanding is reduced to as low as 1 to 3 days, impacting the cash flow for the company in a positive direction.

The following is the Credit Policy Calculator that PayLink Inc. has developed to show the impact of how an updated Credit Policy and the Terms to NOW concept impacts the bottom-line profitability for companies.

INPUTS

Accounts Revievables & Company Demographics:	Current	Updated
Weighted Cost of Capital or Opportunity Cost	8.25%	
Tax Rate	21.00%	
Actual Days Outstanding (DSO's)	26	
Average Transaction Amount	$1,450.00	
How often are Invoices Created	Daily	
Number of Invoices Per Cycle	10	
Number of Invoicer Per Year	6,897	
How many pages are the invoices.	2	
How much does it cost to produce an invoice.	$2.50	
Do you send out a 2nd invoice after 30 Days.	Yes	
What % of Customers get a 2nd Invoice.	20.00%	
Do you follow up with a Phone Call or other method to collect funds after 30 days.	Yes	
o What does this cost.	$4.00	
Cost of Postage & Envelope	$0.55	
What does it cost to process a check	$6.00	
What were your total revenues last year.	$10,000,000.00	
What were your credit write offs last year	$50,000.00	
Write Off Percentage	0.50%	
Targeted Gross Margin	32.00%	
% of payments by check	75.00%	20.00%
% of payments by ACH	18.00%	40.00%
% of payments by Credit Card	7.00%	40.00%
% of payments by Lockbox	0	0.00%
Do you have a Lock Box	No	
o What do you pay on average to enter data from the Lock Box.	$0.00	
Annual Lockbox Costs	$0.00	
What does it cost you to Credit Risk a single customer	$4.00	
Percentage of Repeat Customers	50.00%	
Number of Days Merchant will receive Payments Faster		
ACH	23	
Credit Card	25	
Check	0	
Lockbox	0	
Current Terms Offered i.e. Discount % if paid within x days:	3.00%	
What % of payments were made within Discount Period	20.00%	
Estimated Effective Rate for Credit Cards	2.50%	
ACH per Transaction Fee	$0.50	
Electronic Invoicing / Payment Enrollment % Expected		80.00%
Electronic Invoicing Efficiency Percentage		12.50%
Term Surcharge for Check Acceptance Payments Only		0.00%

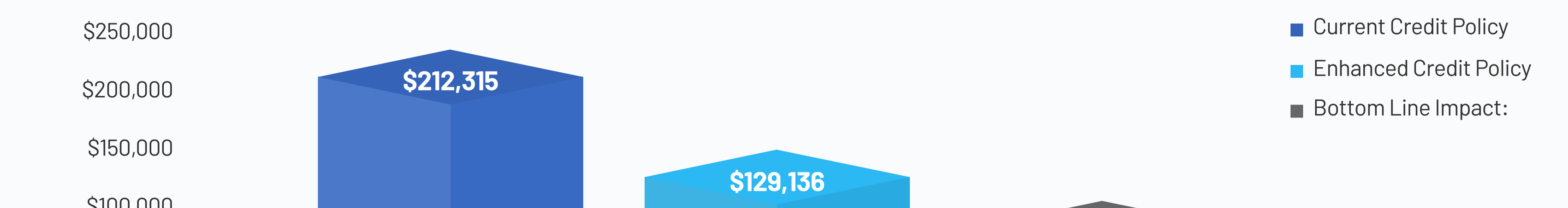
CREDIT POLICY CALCULATOR

Accounts Receivables Costs:	Current Credit Policy	Enhanced Credit Policy
Invoices Per year	6,897	6,897
Cost to Produce Invoice	$17,241.38	$15,086.21
Postage & Envelope Costs	$3,793.10	$758.62
2nd Invoices Costs	$3,448.28	$689.66
2nd Invoice Postage	$758.62	$151.72
Collection Costs	$4,137.93	$1,103.45
Lock Box Costs	$0	$0.00
Credit Risk Customer Costs	$20,689.66	$5,517.24
Check Processing Costs	$31,034.48	$8,275.86
Credit Writeoffs	$50,000.00	$10,000.00
ACH Processing Costs	$620.69	$1,379.31
Credit Card Processing Costs	$17,500.00	$100,000.00
Discounts Taken	$60,000.00	$0.00
Credit Policy Update	$0.00	($60,000.00)
Tax Benefits	($3,805.34)	($21,289.66)
Payment Gateway Costs	$0.00	$566.72
Total Costs	**$212,315**	**$69,136**
	$143,180	

Bottom Line Impact:
(Term Discount Eliminated and Current % Discount Added to Check Acceptance)

Balances From Above	$212,315	$69,136
Addback - Term Surcharge for Check Acceptance Payments Only		$60,000
	$212,315	$129,136
Bottom Line Impact:	**$83,180**	

(New Term Discount Added for Check Acceptance)



OPERATIONAL EFFICIENCIES

Accounts Receivables Payment Type Efficiencies :	Electronic Payment Operational Efficiencies
Credit Card Volume	$4,000,000.00
ACH Volume	$4,000,000.00
Credit Cards % of Revenue	40.00%
ACH % of Revenue	40.00%
# of Invoices Impacted Credit Cards	2,759
# of Invoices Impacted ACH	2,759
Postage Saved	$3,034.48
Postage Saved 2nd Invoice	$151.72
Collection Cost Savings	$5,518.04
Lock Box Savings	$0.00
Credit Risk Savings/Write Off Reduction	$40,000.00
Total Savings	**$54,221.49**
Total Operational Efficiencies: Basis Points (bp)	**0.68%**

CREDIT CARD NET BENEFIT

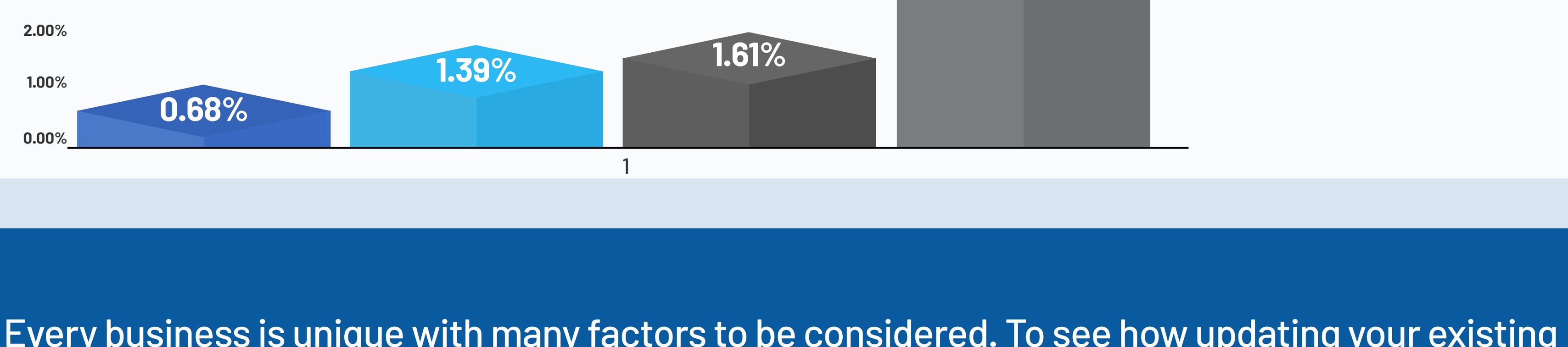
Credit Card Processing Net Costs:	Values
Credit Card Cash/Payment Acceleration in Days	25
Weighted Cost of Capital/Opportunity Cost	8.25%
Days per Year	365
Tax Rate	21%
Average Invoice/Transaction	$1,450.00
Estimated Credit Card Effective Rate	2.50%
Transaction Volume	$4,000,000.00
Account Receivable Efficiencies (bp)	0.68%
Payment Acceleration Benefit	0.57%
Tax Deduction Benefit (bp)	0.53%
Estimated Credit Card Net Transaction Cost-Percentage	0.73%
Estimated Processing Costs	$100,000.00
Current Process Transaction Cost-Perentage	2.12%
Credit Card Net Benefit: Basis Points (bp)	**1.39%**

B2B NET BENEFIT

B2B Cost Benefit	Electronic Payment Operational Efficiencies
Credit Card Cash/Payment Acceleration in Days	25
ACH Cash/Payment Acceleration in Days	23
Weighted Cost of Capital/Opportunity Cost	8.25%
Days per Year	365
Tax Rate	21%
Average Invoice/Transaction	$1,450.00
Estimated Credit Card Effective Rate	2.50%
ACH Transaction Costs	$0.50
Credit Card Volume	$4,000,000.00
ACH Transaction Volume	$4,000,000.00
Account Receivable Efficiencies (bp)	0.68%
Payment Acceleration Benefit	
Credit Card Acceleration	0.57%
ACH Transaction Acceleration	0.52%
Total Cash Acceleration Benefit (bp)	1.08%
Tax Deduction Benefit (bp)	**0.53%**
Total B2B Net Benefit: Basis Points (bp)	**1.61%**

TOTALS

Total Operational Efficiencies: Basis Points (bp)	0.68%
Credit Card Net Benefit:Basis Points (bp)	1.39%
Credit Card Net Benefit:Basis Points (bp)	1.61%
Totals	**3.68%**



Every business is unique with many factors to be considered. To see how updating your existing Credit Policy and adopting Terms to NOW can help improve your bottom line, contact us to discuss your Accounts Receivables process and options to improve your bottom line.

PayLink Inc.
Email: creditpolicy@paylink.cc
Phone: (800) 700-5993 Option 3