

Everything you wanted to know about collecting money but were afraid to ask!



NACM Collection Services

National and International Service

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Risk Reduction

- **Ensure credit and collection policies are in writing**
- **Conduct credit checks on new credit customers**
- **Separate the accounts receivable function & cash receipts**
- **Have a well documented and strict policy for the follow up of overdue accounts**
- **Review credit balances on a regular basis**
- **Prepare trial balance of individual accounts receivable regularly**
- **Reconcile trial balances with general ledger**

In the next 60 minutes...



360 businesses will have a lien filed against them

150 phone numbers will be disconnected

20 corporations will fail

15 new businesses will open

So in a year.....

- **20% of all addresses change**
- **21% of all CEO's change**
- **18% of all phone numbers change**

Current Trends & Statistics

(year ending 2019)

- 1. Days Sales Outstanding (DSO)**
 - 31 days
- 2. Average Days Delinquent (ADD)**
 - 8.2 days
- 3. Accounts Current**
 - 82.1% of all accounts current
- 4. Accounts over 90**
 - 1.8% of all accounts over 90 days past due
- 5. Bankruptcies**
 - 5,084 Chapter 11 bankruptcies

How your dollar shrinks when there are delays in collecting from your customers:

Current accounts



3 months overdue



\$.73

6 months overdue



\$.50

1 year overdue



\$.25

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Internal Collection Suggestions

- a) **Know your customers**
- b) **Keep credit records current**
- c) **Review and tighten collection procedures**
- d) **Discourage extended payments**
- e) **Take partial payments only w/ final payment commitment**

Internal Collection Suggestions

- f) Shorten the collection schedule
- g) Keep communication open
- h) Attempt to resolve disputes

Using Credit & Collections to increase sales

- a) **Sell more to your best customers**
- b) **Be aggressive in your collection strategy**
- c) **Sales & Credit as PARTNERS**

Keys to building successful relationships with Sales

- 1) **Positive Image**
- 2) **Effective Communications**
- 3) **Accountability**
- 4) **Education**

Collecting **PAST DUE** accounts

- a) **Negotiating (using Logic & Emotions)**
- b) **Positive Resolutions for both sides**
- c) **How to collect on the phone**
- d) **“INFLUENCING” the customer**
- e) **EXCUSES**

EXCUSES

“The job isn’t finished”

“I haven’t received an invoice”

“The money isn’t due yet”

“The bill payer is out”

“We will pay you in a lump sum”

“We are a loyal customer so you should give us more time”

“We don’t have the money right now”

“The check is in the mail”

“You are on the NEXT check run”

When to place accounts

Use 90-120 days as a guideline unless:

- a) Two or more broken promises
- b) Telephone is disconnected and e-mail is no longer good
- c) Customer REPEATEDLY requests documentation

When to place accounts

- d) **Customer will not adhere to YOUR terms**
- e) **No ability for customer to pay**
- f) **No commitment to a payment schedule**
- g) **Sudden dispute (to payment requests) not previously raised**

What to look for when choosing a Collection Agency/3rd party

- a) **Licensed in the jurisdiction they do business**
- b) **Collect Internationally and provided multi-lingual staff**
- c) **Maintain required bond & insurance requirements**
- d) **Subscribe to a strict Code of Ethics**
- e) **Members of a Trade Association**

What to look for when choosing a Collection Agency/3rd party

- f) Established at least 5 years**
- g) Provide timely status reports**
- h) Keep up on education & changes in collection laws**
- i) Provides ALL of the services YOU need**
- j) Contingent Rates**

Questions



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