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## Collections count in tough times

### Industry News

By Cynthia Kincaid -- Casual Living, 1/1/2009

Collecting overdue business debts can be one of the more unpleasant aspects of running a business, particularly if customers and distributors stall for more time or outright refuse to pay. But keeping ahead of account receivables is more important than ever in this volatile economic climate, especially when margins are razor thin.

"Collections become more critical with smaller companies, since they don't have breathing room," said Jim Hardiman, a collector with [Cash in USA/Asset Recovery Group](#) in Granada Hills, Calif. "You have to be proactive. A lot of times, companies will stall because they are having hardships, too."

Staying on top of receivables is just as important today as it was years ago, because the more time passes, the less likely payment will be forthcoming, said Brian Cash, office manager, [International Collection Services](#).

"From 30 days to one year is a 90% drop in recovery," Cash said. In fact, he has clients who contact him to recover money shortly after mailing an invoice. "I've got clients that place with me two weeks after the invoice date because they've got a bad feeling," Cash said.

So, what are some things that smart business operators can do to ensure that they get paid in a timely manner?

First and foremost, get an agreement or contract signed by all parties stipulating the terms and conditions of the transaction. If spelled out correctly, collecting on a past due amount can be easier and faster. Cash also recommends including one sentence in the contract to agree the customer will be responsible for collection charges, should things go that far. With the proper paperwork in place, your business can be better protected from people unwilling to pay. If an invoice is past due, make sure you have fulfilled your end of the transaction. Many times, Hardiman said, a company will make mistakes in fulfilling an order or in shipping, which turns out to be the reason the invoice is not being paid.

"A lot times it's the company's negligence as well for messing up," Hardiman said. "Something may have been damaged in shipping and no one made a claim, and it just snowballs from there."

With multiple orders, paperwork sometimes gets lost or misplaced, which can delay the whole process of getting paid on time. "There is all kinds of paperwork that sometimes gets misplaced, so you have to stay on it," Hardiman said. "They may say 'We never got the purchase order' or 'Where is the proof of delivery?' and then it goes back to your end. You don't have time for this because you are trying to run your company." Or companies make a feeble first attempt and then things fall through the crack, Hardiman said. "That's why having someone stay on it is so important," he said.

Follow-up is perhaps the most important aspect of collecting past due money, and, in many cases, can mean the difference between getting paid or not. Stay on a schedule so that the follow-up is timely and frequent.

"Call back and say, 'Did you get my e-mail about the purchase order?'" Hardiman said. "If I make a call, I set my call-back for two days."

Hardman also recommends having consequences attached to non-payment. "If you just say, 'Pay me your money,' they may say, 'no,'" he said. "But if you tell them they have three chances and then we are going to take you to court and hit your credit rating, then that's what you've got to do. There have to be consequences for them ignoring you."

If, repeated attempts to collect your money have been unsuccessful, it is time to bring in a professional debt collector. These agencies make the calls on behalf of your company and can take all the personalization and emotion out of the exchange. "I remain professional and you don't lose customers," Hardiman said. "We let them vent and then ask, 'How do we fix this?'"

Even if you have most of your account receivables under control, Cash still recommends having a professional collection agency waiting in the wings — just in case — because cash flow is the life blood of your business.

"Any company, including a start-up, needs a collection agency at their disposal," Cash said. "We have the capability of running asset searches to find out how the company is doing, who the owners are, and if they have any other businesses out there. So you always want to have the capability of a collection agency because of the knowledge that we have."

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