

By Jim Rocchio

# TIPS FOR SUCCESSFUL DEBT COLLECTION



24K Peace of Mind.

Because the economy has been stable and growing over the past years, many companies have extended the time they permit an account receivable to age before instituting formal collection efforts. This false sense of stability can impact your bottom line if you are not diligent. According to the Commercial Collections Agencies of America (CCAA), the probability of getting paid decreases as the account ages.



Current.....	\$1.00
3 Months Overdue....	\$.69
6 Months Overdue....	\$.51
1 Year Overdue.....	\$.21
2 Years Overdue.....	\$.09

## TIPS FOR MANAGING YOUR ACCOUNTS RECEIVABLES

- **Don't assume your customers know what your credit policy is.** Reiteration of that policy, when a payment is first overdue, is the first step in facilitating payment. Include your policy in the terms and conditions of the sales agreement.
- **Get a signed order which should include restocking fees and interest for overdue payments.** Get a personal guarantee when you can. In the event a signed invoice is not workable, get a signed credit application up front detailing your terms and conditions.
- **Keep credit reports current on existing customers and before you ship to new customers.** Companies are not static enterprises. Changing markets and management directions can alter a company's ability to pay.
- **Review and tighten your collection procedures.** Periodic review of collection policies and procedures is always beneficial. You can never eliminate unforeseen events, but you can cut your company's chance of loss by adherence to your policies.
- **Make sure your sales reps have a clear understanding of your credit terms.**
- **Discourage extended payments.** Be very particular about which customers get extended payments. Too many can endanger your company's cash flow and lead to undesirable precedents.
- **Accept partial payments only with final payment commitment.** They may show 'good faith,' but the best practice is to acknowledge them and demand a commitment for the balance.
- **Keep communication open.** Make sure you are getting through to the decision maker and visit the customer if possible.

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In addition to being the Collections Manager, Jim also moderates the Jewelry Credit Interchange Group.

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- **Resolve disputed matters fast.** If a customer is withholding a large payment over a minor dispute, insist that they pay the undisputed part immediately before addressing the dispute.
- **Turn to a collection agency.** A professional agency will be better able to serve you the earlier it receives your claim. Realize the greatest dollar recovery on your past due accounts while safeguarding your on-going relationships with your customers.

Generally, place an account if it is 90 days past due after agreed upon terms, particularly if you do not get a response from the customer.

There may be times the account should be placed earlier, such as:

- Two or more broken promises of payment
- Customer's telephone is disconnected
- Repeated requests for documentation

While some fees are involved, you need to weigh these against the cost of your capital or borrowed funds tied up in receivables; the value of your staff time and the prospect of being last in line to collect. Note, the national average commercial collection agency charges between 20%-50%; claims handled through The Jewelers Board of Trade (JBT) range from 15%-20%.

**JBT has collected the industry's receivables for 135 years and here's how:**

**Claim Visibility** - Approved claims will appear in the debtor's credit report and New Claims & Bankruptcy report. Both are powerful incentives for the debtor to pay.

**15 Day Free Demand** – We notify the debtor on your behalf and if notification and proof of payment is received within 15 days, no fee.

**Collector Action** - JBT Certified Collectors work aggressively to recover your receivable(s). Fee is 15% on amount collected.

**Attorney Services** - Take things to the next level including pursuing legal action. Fees set at a reduced rate by CCAA.

**New Claims & Bankruptcy Report** – A list of claims placed weekly with JBT including industry cases filed with the U.S. Bankruptcy Court.

JBT's mission is to promote the integrity of the industry by providing unique, credible, and relevant data. We encourage you to join and if you're already a member, report payment information AND use the information and resources available to you.

In summary, do your homework upfront to avoid surprises and minimize slow pay situations. Continue communications all along the payment cycle to identify problems and craft solutions early on.