

5 Tips for Collecting on Past Due Accounts

Oftentimes, business spend almost 100% of their time focusing on how to get new business in the door but have no specific process for collecting on past due accounts. Business owners might be surprised at how much revenue is waiting to be collected in the form of past due accounts. With these 5 steps, you'll be on your way to recovering a great deal of found money:

Take Inventory

The first step is to find out just how much revenue you're missing from past due accounts. Flag any accounts that are more than 30 days over due along with the date that the last payment was made. Enter the customer's name in column A and the date of the last payment in column B. Label column C "days overdue and insert the Excel formula =TODAY()-B2, which will return the exact number of days it has been since each customer made a payment. This free and simple organizational tool will help you prioritize your collection efforts.

Call the Customer

You don't have to be a collection agency to give your customers a ring. Try calling your customers to find out why they haven't paid their bill. Many times when the customer realizes that their lack of payment is affecting a person, not just a faceless business, they are likely to make their payment. Unfortunately, making calls doesn't always turn out positive and you'll need to take further measures like hiring a collection agency.

Send Ten Day Demand Letters

In the collection business, it's critical to move quickly. According to collection agency statistics, once an account becomes 3 months past due, you will most likely collect only 73 cents of every dollar. After one year, you're likely to collect only 25 cents of every dollar owed. The most efficient way to start the collection process is to send a 10 day demand letter. Aguirre, Aikman, and Brown collection agency offers a free 10 day demand letter which is sent on official collection agency letterhead after you fill out a simple online form. Through AABUSA, printing and mailing are all free of charge. Oftentimes, a 10 day demand letter from a collection agency is enough to get a customer to pay.

Contact a Collection Agency

Just like you are a specialist in your field, a collection agency knows what works when it comes to collecting overdue payments. There are very specific rules and regulations around the permissible methods of contacting a debtor to collect on a past due balance. A collection agency stays up to date on consumer rights laws to keep them and you out of trouble while still achieving the desired results. No debtor likes the idea of owing money to a collection agency and debtors are more likely to pay once contacted by a collection agency.

Set up an Alert System

Since the longer payments are overdue the less you are likely to collect, it's critical to set up some type of alert system to let you and your associates know when an account is overdue. Whether this is by constantly updating your Excel sheet or by using more sophisticated software, having some sort of alert system is a critical piece of running a profitable business. Once a payment becomes a certain number of days overdue, get in the habit of making a phone call or sending a demand letter and you'll be surprised at how much less revenue you'll lose as a result of deadbeat clients.

Source: <http://www.articlecircle.com>

About the Author

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