

Collection Agencies; Not Just for Big Business

One of the reasons small businesses write off a great deal of loss is that they don't realize how easy and affordably it can be to hire collection agencies to recover bad debt. Developing a success-driven mindset and taking action like your larger competitors is the first step to growing your business. Many of today's collection agencies are small business friendly and can improve your company's bottom line drastically with smart solutions for collecting bad debt.

Look for collection agencies that offer several collection tier levels

Small businesses often don't utilize collection agencies like their larger competitors because they feel the debt owed may be insignificant to large collection agencies. Small businesses should look for collection agencies that offer different collection amount tiers. Debts as low as \$1000, regardless of the size of the contacting business can be easily recovered by collection agencies.

Verify that the collection agency uses legal collection methods

The days of collection agencies harassing friends and family and calling late at night in an attempt to collect unpaid debt is long gone. To comply with today's regulations, collection agencies must adhere to strict laws that require them to use more brains than brawn in an attempt to collect debt. Check to make sure that the collection agencies you're considering belong to either the International Association of Commercial Collectors or the American Collector's Association. Admittance to either requires that collection agencies adhere to the legal standards and ethics of third party collection agencies.

Collecting the debt yourself verses contracting a collection agency

First party collectors (i.e. business owners) are not bound by the same set of federal regulations when it comes to collecting debt. However, attempting to collect debt if not handled properly can result in poor client relations at best and a hefty fine at worst. A systematic, proactive first party collection approach works well for the first 30-60 days of delinquency. If the client hasn't paid by that point, you're at risk statistically for losing a substantial part of the balance.

A timeline of diminishing returns

Statistically, the longer a debt becomes overdue, the less likely that you will ever recover the full amount from the customer. Figures from collection agencies show that after 3 months of non-payment you can expect about a 73% return on every dollar, 50% on every dollar after 6 months, and 25% after one year. If you've got bad debt that's piled up over long periods of time, your time may be better spent by hiring a collection agency to recoup some of your old debt and implementing a plan to prevent new bad debt.

Partnering with a collection agency

Some collection agencies offer an accounts receivable management program to help businesses manage their AR effectively. With this service, collection agencies print and send letters on your letterhead, contact clients under your name, handle disputes, and send the payment directly to your company. Most business owners don't enjoy trying to track down their payments. It's draining, frustrating, and most would rather spend their time working on creative ways to bring in new clients. For collection agencies, securing payments is what they do best.

Small businesses, perhaps more so than their larger competitors, can't afford not to have a solid plan for collecting bad debt. Small businesses often operate on much tighter budgets and just one or two delinquent accounts can stop a small business in its tracks. Fortunately, modern collection agencies are small business friendly and are often just what small businesses need to become more profitable and take their business to the next level.

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