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Complete Paper Trails to Boost Debt Collection Success, new IACC Survey Says

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MINNEAPOLIS (Nov. 10, 2015) Small cracks in a company's paper trail can be big enough for slow-to-pay debtors to slip through.

A new International Association of Commercial Collectors (IACC) survey, "What I Wish My Clients Knew, What I Wish They Told Me," suggests that by closing any gaps in record-keeping and consistently following credit and collection procedures, commercial creditors would eliminate some of the biggest obstacles to collection.
IACC electronically administered the survey to its members – all of whom are commercial collection professionals – in October. The goal: Identifying actions commercial creditors should and shouldn't take to ease both in-house and third-party collections.

Nearly 37 percent of survey respondents chose missing records as the greatest barrier to successful debt collection. "Documents detailing what the debtor ordered, and what was delivered and when, are commonly missing from the information a commercial collector receives," said Joe Batie, chief commercial officer at Caine & Weiner in Woodland Hills, CA, in a post-survey interview.

"This creates an unnecessary dispute for the debtor that the balance that is placed for collections is wrong, and allows the debtor to prolong the collection cycle." said Al Watson, national collections manager at Altus Global Trade Solutions in Kenner, LA.
Batie conservatively estimates that 55 to 60 percent of clients provide his company with incomplete records. Ironically, pressure to save money contributes to the missing document, money-losing situation, he said. "Companies are trying to give good service, keep prices down and be profitable. So they either don't hire as much administrative help, or they hire less experienced help and hope they've found a diamond in the rough." Sometimes the documents were never generated, he said. "Sometimes the information may be there, but no one has time to go and find it for us," he said.

Two Collectors are NOT Better than One

Nearly a third of the IACC members who took the recent survey identified the hiring of multiple collectors to pursue the same debt as the biggest road block to successful collection.

Usually, the double-teaming is not intentional, but is also tied to gaps in record keeping. "We have seen clients place accounts with competing agencies to put pressure on debtors (but) it appears that poor record keeping may be the biggest culprit," said Altus Global Trade Solutions Manager Rose Hill. "This would include lack of communication in-house between client contacts, where one places the account but another wants it kept in house."

"At times, more than one collections professional is working the same account because a client isn't familiar with, or isn't following, the Triadic Rule," Batie said. The Triadic Rule is the collections organizing principal that says a creditor contacts a collections agency, and the agency will bring in an attorney if necessary.

However it happens, it never makes the process go more smoothly. "One person could be demanding payment in full, and then someone else calls and agrees to a protracted payment arrangement," Batie said. "Of course debtors are going to go for the protracted agreement even if they have the ability to pay in full. The frequency of debtor contacts by multiple collectors not aware of the others' efforts can also result in a harassment complaint," he said.

Establish a Credit and Collections Course. Follow It.
Good record keeping is important, and so is good planning.
More than half of the respondents – 51 percent – said creating a credit and collections procedure and sticking to it was the single most important thing clients could do to clean up receivables.

Hill said in her experience, 35 to 40 percent of clients either lack a policy or have one that they don't always follow. Batie only rarely encounters a company without a written policy, but said not following those procedures is common.

Debts are More Like Bread than Wine: Fresher is Better!
One-third of respondents urged clients not to hesitate too long, ranking "use your agency at the appropriate age of delinquency" as the most important piece of advice they could give.

Most companies' invoices allow a 30-day payment term, called net 30. Typically, companies make no collection contact until between 31 and 40 days, and do not issue a final demand until between 90 and 120 days have passed. Policies often say at that point, the company will turn an account over to a third party collector, but they often don't.

At Caine & Weiner, the average age of past-due amounts ranged from 175 to 180 days prior to the recent recession, but surged to about 270 days during the height of the recession, Batie said. The age of past-due amounts has fallen significantly since economic recovery began, he said, but has yet to reach the pre-recession range. The older the account, the less likely it will be collected in full.

"On net 30, accounts should be sent to collection at 60 days if not paid," advises Altus National Collection Manager Dan Bowen. "Clients can then focus on sales and/or manufacturing to fill new orders."

By making sure their companies are not missing the record-keeping and procedural steps identified in the "What I Wish My Clients Knew, What I Wish They Told Me" survey, "Creditors can both increase the rate of successful in-house collection and make a greater percentage of those debts that ultimately reach third-party collection recoverable," said IACC President Tom Brenan, who is also president of Altus. "Sharing the results is in line with IACC's commitment to helping not only our members, but our members' clients, through education in best practices."

About the International Association of Commercial Collectors (IACC): With members throughout the U.S. and in 25 other countries, IACC is the largest organization of commercial collection specialists in the world. IACC contributes to the growth and profitability of its members by delivering essential educational and professional tools *and services in a highly collaborative and participatory environment. For more information, visit www.commercialcollector.com*