

Collecting Receivables Means Collecting Profits

by

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The heating season may be over, but there is still work to be done, particularly if your books still have a significant dollar amount listed under "accounts receivable." By this time of the year, every penny still uncollected from the season just past is a penny delayed from reaching your bottom line. In some cases, a large portion of a company's annual profit may be waiting to be collected.

This year in particular it is important to pay close attention to collecting receivables. The high cost of oil put many customers in a position of extending their credit to the limit - or beyond. While most dealers did all they could to accommodate loyal customers, that should not extend to forgiving debt.

Most customers have every intention of fulfilling their financial obligation to your company. A simple notice may suffice to have them put a check in the mail. But others may feel overwhelmed, or are in no hurry to pay for a commodity that has already been used up. The longer you wait to collect from these "slow payers," the more difficult it will become to collect the full amount. In addition, the "time value" of money means that you may be losing money every day that passes without payment.

Do you have a collection policy in place? If not, make sure you implement one prior to the next heating season. This policy should include all the details of how you plan to go about collecting past due receivables: when "past due" notices will be sent, how they will be delivered (riding with an invoice/statement, or separately), when phone calls begin, who will make the phone calls and at what point (if ever) the account will be turned over to a collections professional.

Past due notices should not assume the customer is a "deadbeat," but rather encourage payment gently. Make it as easy as possible for the customer to at least begin paying down debt. Offering payment via credit card is a great option, as it provides immediate payment for you. Or you may extend a payment plan to the customer, accepting three equal payments over the course of the summer. Some dealers have had success in spurring slow paying accounts to action by offering a 2% discount for immediate payment.

If past due notices do not do the trick, you should contact delinquent accounts by telephone. There are very strict rules and regulations in place to protect consumers from excessive "dunning" and harassment. Still, you have the right to pursue your past due accounts by telephone, so long as you keep the contacts

professional and at a reasonable hour. Above all, do not badger or threaten the customer.

Whether you make the calls yourself or enlist a member of your staff, be sure to take careful notes about the time and duration of the call, what was said to the customer, and what the customer said in reply. Having a record of promises the customer makes in a phone conversation can be helpful in later collection proceedings.

If your attempts to collect receivables fails, you then have to decide whether or not to hire a professional collection agency. Although the collection professional will cost money (usually a percentage of the funds they successfully collect), it may be worth it.

The off season is also the time to put plans in motion to avoid collection problems next year. If you do not accept credit card payments at this time, take steps to open a merchant account now. Many customers today prefer to pay all of their bills using a credit card which allows them to keep track of expenditures.

In addition, you should investigate offering a "direct payment" option, in which payments are withdrawn directly from a customer's bank account. This type of payment plan works especially well for budget plan customers, who know in advance what their monthly payment will be.

The last thing you want to do is ignore your accounts receivable, or put off collection efforts. The longer you wait, the less likely you are to collect the full amount due to you. That's like giving away free product and the delivery costs that go along with it. And no business can survive long on that payment plan.

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