

Ask SCORE

I own a successful janitorial/office cleaning business. Over the past year or so, we've begun to experience collection problems, which I assume is a function of the economic slowdown. How can we do a better job of getting the money we're owed?

As a small business owner, you do your best to meet your obligations to your customers. So it's only natural to expect them to pay their bills on time, right?

Unfortunately, the answer is not always yes. Most customers are conscientious about making timely payments, but others may require some extra effort. Though frustrating and time-consuming, collecting from delinquent accounts is not something you should put off or simply hope will work itself out. Every dollar of revenue counts toward keeping your small business afloat.

Obviously, prevention is the best way to avoid having to deal with collections in the first place. Establish a standard payment policy and make your customers aware of it before starting work. Your invoices should also clearly state when the total amount is due and the fee for late payments.

And once those deadlines pass, you need to take action.

Get the facts. Don't assume the customer is entirely wrong. Contact them by phone or e-mail and ask politely for an explanation. It may well be that the invoice has been lost or is awaiting approval. A customer with cash flow problems may also request extra time. How you proceed depends on the situation and your experience with that account. You may feel confident enough to allow extra time or arrange installment payments. Make sure the customer clearly understands any compromise. Be flexible, but firm; and don't hesitate to follow up.

Take stronger action. If your initial collection attempts fail, it may be time to turn to an attorney or collections firm. Terms for these services vary from a flat fee and/or percentage of the invoice amount to a retainer. The Commercial Collection Agency Association at www.ccaacollect.com and Collection Agency Research at www.collectionagencyresearch.com offer guidance on fees and advice for choosing a collections agent for your needs.

Or let it go. You may decide the amount of the overdue account does not justify the cost and effort to collect. If so, write it off as a bad debt and move on.

Don't make the same mistake twice. Should customers with poor payment histories approach you about working for them or restoring credit, don't immediately refuse unless you are absolutely certain they remain bad risks. Ask them to explain how their situation has changed and decide whether it makes sense to restore the relationship. As a precaution, insist on stricter terms such as advance payment or cash-only.

This column is brought to you by the Southern New Hampshire Chapter of SCORE, with more than 65 current and former business executives available to provide free, confidential, one-on-one business counseling and training workshops for area businesses. Call 603-666-7561 or visit www.score-manchester.org for information on counseling, upcoming workshops and volunteer opportunities. SCORE is a national, non-

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*Have a question you'd like answered in this column? E-mail it to
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