

# GETTING THE CHECK IN THE MAIL

Collecting late accounts involves tact and perseverance.  
And if that fails, there are always collection agencies.

by Ed Wandtke

**M**any companies are not too concerned with their accounts receivable at this time of year, except companies that want to keep cash flowing consistently and avoid having to "write off" sizable balances.

In other words, now is the time to develop a collection system that insures payment for your services soon after they are performed—or even earlier!

Billing as services are performed remains the most popular collection system in the green industry. Yet many companies do not have an effective system for collecting these invoices once they have been left at the customer's property.

## Customer contact

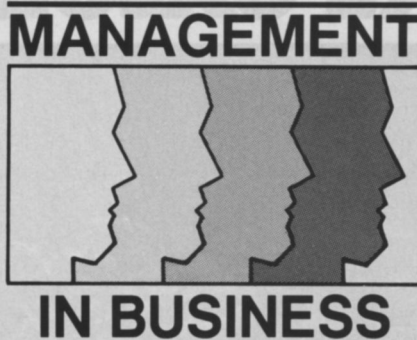
Because landscapers often lack personal contact with their customers, instructing the customer about the acceptable payment method for your invoice is sometimes difficult. Many companies mail customers a confirming invoice once services have been performed. Others wait up to 15 days for payment. If it doesn't come, a statement mailing process begins that repeats every 30 days until the account is paid.

This customer training continues with telephone contact and letters, all of which lead to improved, timely collections of accounts and the avoidance of having to write off or turn accounts over to collection agencies.

At this time of year, many new customers have been brought into the fold. Get them in the habit of making timely payments by calling them about 25 days after services were delivered. Ask them if they were satisfied with your work, and remind them that payment is expected according to the terms agreed upon.

In addition to reducing late payments, this extra effort will give you important feedback on your company's performance.

Monthly maintenance companies can benefit from several new techniques that have helped improve collections.



One such innovative approach used widely today is the early payment plan, which offers customers the option of pre-paying for your services.

Many pre-payment plans include a discount of five to seven percent. A more effective plan rewards customers with a five to 10 percent discount, thereby inducing them to save more money by paying earlier.

Companies are finding that many customers prefer to be billed in even, monthly installments. While this technique diverges from the idea of billing after service delivery, it does offer the customer the convenience and predictability of consistent monthly payment terms.

There is an additional side benefit from having your customers on this payment system: you can pre-bill all your customers on the first of each month, *before* you deliver services. Hence, services can be withheld from problem customers.

If you are in the landscape construction or installation business, a desirable plan would be to collect 33 to 40 percent of the contract when it is signed.

These practices will enable you to maintain a steady billing and collection system that should avoid collection problems later in the year.

Dissatisfied customers often refuse to pay an invoice, yet many choose not to communicate their dissatisfaction to you. Instead, they withhold payment and wait for you to contact them. Therefore, your collection

plans should include a review system that identifies past due customers.

Whether you have a manual or computer-based accounts receivable system, human effort is needed to review past due and slow-paying accounts.

There will always be people in this world who believe that delaying their payment will enable them to make a deal with you later in the year to settle their balance at a lesser payment. These customers demonstrate the need for assessing penalties for late payments.

## Assessing late fees

Interest charges added to a customer's past due balance rarely cause people to pay earlier. However, assessing a monthly administrative fee of \$10 to \$50 for maintaining a past due balance often will get their attention.

Letters to a customer indicating their past due status don't always work. But when you combine letters with a telephone call you often get the balance paid.

If you have been using only one method to collect past due accounts, consider the benefit of two. You'll find the results will be worth the additional effort.

Calling on the services of a collection agency should be the last course of action when dealing with late-paying customers. A collection agency determines its willingness to pursue an account by the size of the outstanding balance.

Collection agencies may create more ill will for your company than the monies they collect for services rendered. Still, collection agencies often remain the only course of action that will result in payment.

Once an account is turned over to a collection agency, you should expect that customer to terminate his relationship with your company. **LM**

Ed Wandtke is a senior consultant with All-Green Management Associates in Columbus, Ohio. He focuses on operations and financial questions.