

When should I place an account for collection?

As business owners embark into a new year, uncertainty is virtually the only thing that is undeniable to most owners of roofing and building product distribution companies. The saying, “a sale is not a sale until it is paid for” rings more true than ever. With this in mind, the importance of timely placement of past due receivables in the building/roofing industry has never been more prevalent than right now.

Fact

- Placement of accounts to Hunter Warfield (HWI) has skyrocketed
- Contractors have lived “High on the Hog” for several years
- Corporations are going under in record numbers
- Hunter Warfield’s recovery percentages have increased

Fiction

- Holding the accounts longer in-house to collect will get it paid
- Calling your customer time after time after time will get the account resolved
- The non-paying customer just doesn’t have the money to pay
- They are my customer and if I can’t get them to pay, no one can get them to pay.

Now more than ever is the time to develop a stringent internal collection policy and more importantly, stick to the plan. The companies that are taking swift action and utilizing a third party collection agency in a timely fashion are more often than not, getting paid and NOT getting uncollectible judgments.

Handling accounts receivables can easily be likened to the old adage:

“He who hesitates is lost”

Three Stages of a Debtor

Stage One

You will start receiving payments smaller than expected. Customers who previously have paid on time are now sliding into 30 and 60 days past due. HWI’s chance to collect is very high.

Stage Two

Your customer breaks promises of payment and begins to use “red flags” to hint that they are in financial trouble. They are still very positive that resolution will happen in a very short period of time. HWI’s chance to collect is good.

Stage Three

Financing has failed or your customer is now unable to pay a creditor who holds a lifeline to their business: utility, main supplier, bank etc. This stage most often results in closed doors or bankruptcy. HWI chance to collect is poor.

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