



» JEFF BOYLE

Vice President  
Fidelity Bank

jeffb@fidelitybankmn.com  
www.fidelitybankmn.com

## Managing Your Aging Receivables

**MANAGING YOUR BUSINESS** through a recession is difficult, but the current recession seems particularly challenging. Businesses are trimming staff and focusing resources on income producing divisions. This has compelled management to assign collections to staff also responsible for a number of other administrative duties. Day to day management of these responsibilities is paper intensive, time consuming and costly if not managed well. Whether you decide to manage collections internally or outsource to an agency, effective management of your company's accounts receivables is crucial to maintaining positive cash flow for your business.

For some, keeping the collection process in-house can allow more control over the customer relationship. By directly servicing the client, you will gain more client contact, and customers feel included and known.

For those businesses that choose to handle their collections in-house, here are a few key factors to keep in mind:

Stay on top of outstanding invoice statements.

Most businesses like to hold on to cash as long as possible and the customer may just be using this method to manage its cash flow. Those that pay later just may be trying to hold out as long as possible and one notice or call from the company is all that is needed to release a check.

**Check credit on both new and existing customers.**

Because of the changing economic environment, it is important to have a current understanding of the financial position of your customers. Their financial position may have changed drastically since they originally became customers.

**Consider incentives for early payment.**

A Fidelity Bank customer recently began to provide a 2% discount on balances owed if the outstanding invoice is paid early. They have found that this incentive pushes their company to the top of the "to be paid" list.

If you elect to outsource your collections, look to local agencies that fit your business' needs and pricing structure. With the right agency, companies can realize a more streamlined, automated operation that actually gives more control of finance and accounting information, and frees up existing staff to do other things.

**When deciding whether or not to outsource your receivables, here are a few things to take into account:**

Your sales staff's focus should be generating revenue.

When salespeople are pressured to collect money from customers, they not only risk alienating customer relationships, but also take time away from activities that help to generate future revenue.

**Keep the door open for additional business from existing customers.**

When a company is able to separate the debt collection process from its business practices, relationships can still lead to additional revenue. And, strong relationships may motivate the customer to pay more quickly when that first collection notice arrives.

**Save money by paying only for results.**

Many agencies are paid only when they collect, ensuring your business can maximize the value of this relationship. Make sure the agency provides you with the services that fit your business model. There is no sense in paying for something that you aren't going to use.

There is really nothing positive about aging receivables and if a company can maximize collections while maintaining customers and driving new revenue, the opportunity to remain profitable during these economic times is achievable.