

Stevens & Ricci, Inc.

BUSINESS CREDIT SOLUTIONS



2017 CASH FLOW STRATEGY GUIDE

**STEP 1: Collection Letter Series
FIRST COLLECTION LETTER**

Contents

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- ✓ Sample Letter
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CONTENTS:

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Stevens & Ricci has developed this First Collection Letter to maximize your first follow-up success rate. Using a unique format based on debtor psychology, this letter has been tested in a true commercial collection environment for several years.

Collection Letter or Phone Call?

As a general rule in early collections, a phone call is ten times more effective than a written letter. This is mainly because at this state a two-way dialogue is far more effective than a one-way communication.

But like many rules in collections, there are exceptions:

- You might need to send first collection letters vs. calling for smaller balances accounts because letters can be automated whereas phone calls are manual and more time consuming.
- If you do not have trained telephone collectors, it is better to use well-written letters and less telephone contact.
- You may want to use a 1-2 combination. Mail or e-mail first collection letters to your selected past-dues at 45 days followed by a phone call 7-10 days later on the ones that don't respond.

Your early collection response rate using a letter with the format provided in our template should increase drastically.

The smaller the business you are sending it to, the more success you are likely to have. The larger the business, the less success you are likely to have (because their A/P departments are larger and automated).

The important thing with a first contact letter is to ask for the REASON FOR NON-PAYMENT.

What a First Letter Should Do

Your first letter should indirectly ask for payment by means of asking for the reason for non-payment. The sample format letter on the following side gives your customer the benefit of the doubt by asking for the reason for non-payment using check-box style common reasons at the bottom and making demand for a response to the inquiry.

Further, you are adding interest to the total, which give you instant priority over most other creditors you are competing with for payment. On a judgmental basis, you can put “waived” instead of the interest amount for certain key customers, etc. Letters of the most part are trashed and ignored. The first letter should not directly ask for or demand payment. First, you are assuming that a payment is due. Many times, the customer has put the invoice on hold awaiting your call to discuss something they feel is wrong with your product, service, and/or delivery. In cases like this, most will

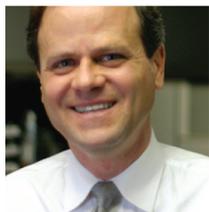
not contact you --they’ll wait for you to contact them. Unless you know the situation, always give your customer the benefit of the doubt.

The important thing with a first contact letter is NOT to ask for payment, but to ask for the REASON FOR NON-PAYMENT.

Following on page 3 is a sample First Collection Letter. It identifies a problem, asks for a resolution or other information and provides a check box style of replying.

- You may set up this letter to print out on your company letterhead, computer, word-processor, etc.
- Add or delete check box reasons to fit common excuses for your particular industry.

About the Author: Ben Ricci



In the face of today’s changing economic climate, recognizing and managing future risks becomes a priority for credit professionals, Stevens and Ricci Commercial Debt Recovery can provide a business with products and services to control risk and enhance cash flow. Founder Ben Ricci brings a strong credit management foundation into his current client relationships. As a corporate credit manager in the early ‘90s, he developed the IRS Advantage™, other collection letters, call strategies, and short-term payment plans that “cash-in” on slow paying customers. To learn more, please visit our website, www.stevensricci.com.

Stevens & Ricci, Inc.

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Month/Day/Year

ABC Company
Attn: Accounts Payable
1234 North Street
Anywhere, USA 12345

Re:	<u>Invoice</u>	<u>Date</u>	<u>Amount</u>
	229253	M/D/Y	1,452.75
	Interest to Date:		<u>75.94</u>
	TOTAL NOW DUE:		1,528.69

To Whom It May Concern:

The above invoice appears on our records as past due. We need to clear this item and would appreciate a few moments of your time to help us do this.

Would you kindly fill out the bottom portion of this letter and return it to me right away? Fax it to *[insert fax number]*, or give me a quick call at *[insert phone number]*.

Unless payment is currently on its way, I will need to hear from you one way or another. If payment has already been sent, please accept our thanks.

Thank you in advance for your attention to this matter.

Sincerely,

Your Name
Your Title

****** Please check the appropriate box(es) ******

- Was paid on check# _____ dated _____ mailed _____
- Payment will be mailed to you on _____
- Please sent us a copy of the above invoice _____
- Please send a copy of work order for the above invoice(s) _____
- Other: _____