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Local spotlight

Faster, kinder approach pays for collection firm

Year-old business also contacts nonpaying customers earlier and offers low-cost options.

By Christine Snyder / Special to The Detroit News

It's the side of doing business that owners don't want to think about: what to do when a customer doesn't pay.

Typically, businesses first do what they can themselves. If that doesn't work, there are a few choices: Go to small claims court, which is time-consuming, and doesn't guarantee payment, even if the case is won. They can write off the debt. But most hire an attorney or a collection agency.

"To go to the outside agencies or attorneys is typically a very costly thing," says Matt Moskowitz, partner, American Profit Recovery. "They will spend anywhere from 33 to 50 percent of any money collected. Looking at it from their perspective -- after six months of not having collected anything -- 50 percent looks pretty good to them."

American Profit Recovery, founded a year and a half ago by five partners with collection agency experience, offers a low-cost alternative. For one, they charge a flat rate, usually under \$15 per account. And their resolution rate is 50 percent as opposed to the average agency's 11 percent.

It has a higher success rate than other agencies because the firm starts the collection process earlier than other agencies, he says.

"They (businesses) have accounts that go 30 days past due, 90 days, 120, 150," Moskowitz says. "What happens is they have a tendency to spend a lot of time and effort on the older accounts 90 to 120 past due because that is more of a concern to them."

The problem is that by doing that, the newer accounts become 60-90 days past due, he explains.

"We took a look at the model and asked how we could encourage these clients to use a third party sooner in the process," Moskowitz says.

American Profit Recovery answered this by offering a flat rate and a diplomatic manner when approaching clients or customers with late bills. "We are acting more as an intermediary."

Moskowitz says while giving customers the benefit of the doubt and encouraging them to make payment arrangements with the company are part of the collectors' tactics, just being contacted by a third party tends to jog late payers. The company has two offices,

American Profit Recovery

- Service: Flat-fee collection agency
 - Location: 34405 W. 12 Mile Road, Suite 379, Farmington Hills
 - Additional offices: Boston
 - Founded: 2004
 - Clients: Any business that extends credit or accepts checks
 - Employees: 24
 - Contact: (248) 848-9670 or www.aprcollections.com
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one in Farmington Hills and one in the Boston area. The owners plan to open a couple more offices in Michigan soon, starting with Grand Rapids and likely Lansing and another in Metro Detroit.

The collection industry also is growing. The Association of Credit Collection Professionals reports that the collection industry's revenues have tripled over the past 10 years, reaching about \$16.5 billion.

Christine Snyder is a Metro Detroit freelance writer.