A Deep Dive into the Placement of Delinquent Accounts for Collection in 2017

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As originally published in the Credit Research Foundation 1Q 2018 CRF News

A primary goal of Commercial Collection Agencies of America is to supply the credit and collection community with useful resources, and to supply a barometer for our member commercial collection agencies each quarter. Often times, our members depend on these barometers when evaluating their operations. Credit practitioners are given a scope into the discipline and armed with data with which to share with their sales departments and C-level management.

Becoming the industry resource by furnishing research results to the credit industry regarding commercial collections is a part of the mission of Commercial Collection Agencies of America. So much so, the submission of placement data is amongst the Certification Requirements promulgated by its Independent Standards Board.

Each quarter, agencies participate in the submission of their data which allows us to produce an aggregate, comprehensive, quarter-by-quarter analysis for both industries.

To prepare this report, three indices are examined:

- ✔ *The number of accounts placed for collection (received by agencies)*
- ✔ *The dollar amount of accounts placed for collection (received by agencies)*
- ✔ *The resulting average-sized account*

For the purposes of this analysis, the association has studied the last three (3) years, (twelve [12] quarters) and made notations of historical statistics where applicable. It should be noted that since membership has changed over the years, adjustments have been made to previous reports to reflect additions and deletions of members to give an accurate comparison. Further, when historical numbers are quoted, only current members' historical numbers are utilized when analyzing placements. Over the years, analysis has proven that any change over eight percent (8%) is considered significant.

NUMBER OF ACCOUNTS PLACED FOR COLLECTION

The association studies the *number of accounts placed for collection* and their movements between quarters within a particular year and compares those movements from year to year.

Fourth Quarter

When we compare the *number of accounts placed for collection* in the fourth quarter of 2017 to the fourth quarters of the two previous years, we see a slight decrease of 1.06% from the placements in 4Q 2016, and a 10.36% decrease from placements in 4Q 2015.

Third Quarter

When we compare the *number of accounts placed for collection* in the third quarter of 2017 to the third quarters of the two previous years, the placements decreased at a rate of 12.17% from 3Q 2016 to 3Q 2017, yet increased 13.02% when 3Q 2017 is compared to 3Q 2015.

Second Quarter

When we compare the *number of accounts placed for collection* in the second quarter of 2017 to the second quarters of the two previous years, the placements stayed constant from 2Q 2016 to 2Q 2017, yet an increase of 10.48% was realized when 2Q 2017 is compared to 2Q 2015.

First Quarter

When we compare the *number of accounts placed for collection* in the first quarter of 2017 to the first quarters of the two previous years, we see an increase of 6.36% from the placements in

NUMBER OF ACCOUNTS PLACED FOR COLLECTION

An increase from 2007-2009
A significant decline from 2010-2013
Numerous fluctuations between quarters in 2014 and 2015
A steady increase in 2016 until the fourth quarter
In 2017 a consistent decrease

1Q 2016, and a marked increase of 26.51% from placements in 1Q 2015.

Comparison of Third Quarters to Fourth Quarters

In 2017, placements in the third and fourth quarters were relatively the same, experiencing only a modest decrease of .05% from 3Q 2017 to 4Q 2017.

Our research has shown that the third quarter of the year typically registers as the quarter with the lowest number of accounts placed for collection and the fourth quarter holds the largest number of accounts placed for collection because credit practitioners place accounts with third party agencies prior to year-end to accommodate write-off policies.

Case in point: In 2015, there was a strong 26% gain in the *number of accounts placed for collection* in the fourth quarter when compared to the third quarter.

However, in 2016 we actually saw a drop when comparing fourth quarter placements to third quarter placements: 11.27%.

Full Year Encapsulated

Although the *number of accounts placed for collection* exceeded the 400,000-account benchmark in each quarter of 2017, it decreased consistently from 1Q 2017 to 4Q 2017.

When compared to the two previous years, we found that the total annual *number of accounts placed for collection* in 2017 was slightly lower than 2016 by 2.03%, yet it was considerably higher than 2015 by 8.57%.

DOLLAR AMOUNT OF ACCOUNTS PLACED FOR COLLECTION

We then turn our attention to analyzing the dollar amount of accounts placed for collection. For 2017 the results were as follows:

Fourth Quarter

When we compare the *dollar amount of accounts placed for collection* in the fourth quarter of 2017 to the fourth quarters of the two previous years, we see a decline in the number of placements; a sharp 13.7% decline from the placements in 4Q 2016 and a smaller decrease of 8.81% from placements in 4Q 2015.

Third Quarter

As with the fourth quarter, the *dollar amount of accounts placed for collection* in the third quarter of 2017 was lower than the third quarters of the two previous years; the placements in 2017 decreased 8.19% when compared to 3Q 2016 and 4.31% when compared to 3Q 2015.

Second Quarter

When we compare the *dollar amount of accounts placed for collection* in the second quarter of 2017 to the second quarters of the two previous years, the placements in 2017 decreased 13.5% when compared to 2Q 2016. In 2Q 2017 we see a small increase of 2.3% over 2Q 2015.

First Quarter

When we compare the *dollar amount of accounts placed for collection* in the first quarter of 2017 to the first quarters of the two previous years, we see a small increase; less than 2% from the placements in 1Q 2016 and a larger increase of 17.62% from placements in 1Q 2015.

Full Year Encapsulated

The first quarter of 2017 exhibited the largest *dollar amount of accounts placed for collection* of any quarter in that year. The third and fourth quarters were relatively flat. There was a significant decline in the *dollar amount of accounts placed for collection* from 1Q 2017 to 4Q 2017: 9.86%.

This is markedly different than previous years:

- From 1Q 2016 to 4Q 2016, the *dollar amount of accounts placed for collection* with members increased by 6.15%.
- From 1Q 2015 to 4Q 2015, the *dollar amount of accounts placed for collection* with members increased 15.38%.

A review of the archives gives us a historical perspective on the *dollar amount of accounts placed for collection:*

DOLLAR AMOUNT OF ACCOUNTS PLACED FOR COLLECTION

A consistent increase for the period of 2007-2009
A consistent decline for the period of 2010 to 2013
Fluctuations from quarter to quarter in 2014
The highest levels of dollar amount of accounts placed in 2015 and 2016
A steady decline in placements in 2017

AVERAGE-SIZED ACCOUNT

Consistent increase between the years 2007 to 2013
In 2014 a decrease from previous years
2015 increased each quarter until the last quarter
2016 consistent with 2015 and higher when compared to the years of 2007-2014
In 2017, the average-sized account stayed consistent throughout the quarters

AVERAGE-SIZED ACCOUNT

During the last twelve (12) quarters, our analysis shows that the *average dollar amount* of a delinquent receivable placed with a certified commercial collection agency ranges from just above $2,400 to slightly less than $3,100.

Fourth Quarter

When compared to 4Q 2016, the *average-sized account* in 4Q 2017 severely declined - 12.76%; when compared to 4Q 2015, the *average-sized account* in 4Q 2017 decreased a slight 1.7%.

Third Quarter

The *average-sized account* in 3Q 2017 was 4.53% higher than in 3Q 2016. It should be noted that the 3Q 2016 *average-sized account* was the lowest in the twelve (12) months studied. When compared to 3Q 2015, the *average-sized account* in 3Q 2017 was 15.33% lower. Conversely, 3Q 2015 exhibited the largest *average-sized account* in the timespan studied.

Second Quarter

When compared to 2Q 2016, the *average-sized account* in 2Q 2017 significantly declined - 13.48%; when compared to 2Q 2015, the *average-sized account* in 2Q 2017 decreased 7.39%.

First Quarter

When compared to 1Q 2016, the *average-sized account* in 1Q 2017 dipped 4.45%; when compared to 1Q 2015, the *average-sized account* in 1Q 2017 decreased 6.23%.

Full Year Overview

In 2017, the *average-sized account* movement was the smallest in the twelve (12) quarter study. The decline from the first quarter to the fourth quarter was a slight 2.35%. The *average-sized account* in 2017 was approximately $200 less than the *average-sized account* for FY 2016 and FY 2015, hovering around the $2600 mark without significant change from quarter to quarter.

A comparison to previous years shows:

- From 1Q 2016 to 4Q 2016, the *average-sized account* increased by 6.93%; the *average-sized account* was $2815.
- From 1Q 2015 to 4Q 2015, the *average-sized account* decreased by 10.02%; the *average-sized account* was $2838.

SUMMARY

Despite the attrition in placements, our members - tenured practitioners in the field of commercial collections - are optimistic that they will see increases in the three indices studied in 2018. However, they realize that in order for that to come to fruition, creditors' sales must increase, especially in the manufacturing sector, as these agencies represent a fair number of the nation's largest manufacturers.

Why the optimism? Perhaps because of the new tax law, which is somewhat stimulative; perhaps because GDP is expected to grow above trend this year; perhaps because manufacturing output is increasing after being unchanged for a number of years and/or perhaps because manufacturing employment has increased over the last twelve months (according to the Fed Open Market Committee as reported by Bill Strauss, Economist at the Federal Reserve Bank of Chicago).

Our members continually advise their clients that the prompt placement of delinquent accounts is vital to maintain a client's healthy cash flow. Studies show that the probability of full collection on a delinquent account drops ***drastically*** according to the length of the delinquency. Coupled with the effective handling of the bad debt accounts by a certified outside collection source, there is a significantly better rate of collectability, no matter the industry.

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