KPI ENCYCLOPEDIA

A Comprehensive Collection of KPI Definitions for
COLLECTIONS

opsdog

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Collections

The purpose of the Collections Department is to ensure that delinquent accounts are reconciled and paid in a timely, cost-effective manner. Companies must balance direct credit losses and the costs of debt recovery judiciously. Most companies are willing to allow small debts to lapse if the cost of recovery starts to exceed the amount being collected. Companies can afford to devote considerable time and energy, however, to the collection of larger debts. Typically, collections agencies follow an escalation method based on the number of days the account has been delinquent and the amount owed.

Collections

KPI Encyclopedia

Cost

- **Expense per New Collections Account** – The total operating expense incurred by the Collections function, or agency, divided by the total number of new accounts opened over the same period of time.

- **Collections Expense per Collections Employee** – The total expense incurred by the Collections function, or agency, over a certain period of time divided by the total number of Collections employees.

- **Average Compensation: Collections Managers & Supervisors** – The average total compensation (salary, bonuses, commissions) for managers and supervisors of collections operations at collections agencies over a certain period of time.

- **Average Base Salary: Collections Managers & Supervisors** – The average annual base salary for managers and supervisors of collections operations at collections agencies at a certain point in time.

- **Average Base Salary: Collectors** – The average annual base salary for collectors working for a Collections Agency, or Collections Department, at a certain point in time.

- **Collections Expense as a Percentage of Total Expense** – The total Collections Department-related expense divide by the total, company-wide expense over the same time period, as a percentage.

- **Labor Expense per Dollar Collected** – The total employee compensation-related expense (salaries, wages, bonuses, commissions) divided by the total dollar amount collected over the same period of time.

- **Total Expense: Collections** – The total expense incurred by the Collections Department, or agency, over a given period of time.

- **Collections Expense per Dollar of Sales** – The total expense incurred by the Collections Department divided by the total sales (dollar amount) generated by the company over the same period of time.

Organizational

- **Span of Control: Collections** – The average number of Collections employees (includes agents and support/administrative staff) reporting to each Collections manager.

- **Collections Headcount Ratio** – The number of company-wide employees (FTEs) divided by the total number of Collections Department employees working for the company at the same point in time.

Organizational (Cont.)

- **Management Levels: Collections** – The total number of management levels, or layers, in the Collections Department.

- **Organizational Structure: Collections** – Yes/no metric indicating whether the Collections Department is centralized (all employees in a single location) or decentralized.

- **Total Employees: Collections** – The total number of Collection employees working for the company at a certain point in time.

Productivity

- **Delinquent Accounts per Collections Employee** – The total number of delinquent customer accounts managed by the Collections Department, or agency, divided by the total number of employees working in the Collections Department (includes administrative and support employees as well as Collections agents and managers) at the same point in time.

- **Amount Collected per Collections Employee** – The total dollar amount collected by the Collections Department, or agency, over a certain period of time divided by the total number of Collections employees (include collectors, managers and administrative/support staff).

- **Amount Collected per Account** – The total dollar amount collected by the Collections function divided by the total number of accounts managed by the Collections function over the same period of time.

- **Amount Collected per Collections Agent** – The total dollar amount collected over a certain period of time divided by the total number of Collection agents (does not include administrative or support employees working in the Collections function).

- **Collections Liquidation Rate** – The total dollar amount collected by the Collections function divided by the total dollar amount of new accounts (new business) in collections over the same period of time.

- **60+ DPD Accounts per Collections Employee** – The total number of accounts delinquent for 60 or more days divided by the total number of Collections employees working for the company at a certain point in time.

- **Total Amount Collected** – The total dollar amount collected by the Collections Department, or agency, over a certain period of time.

Productivity (Cont.)

- **Cycle Time: Debt Recovery** – The number of business days required to recover a portion or the entirety of a debt from a delinquent account, from the time the Collections agent successfully contacts the account holder until when the agreed upon amount is paid.

- **Cycle Time: Bad Debt Write Off** – The number of business days required to write off a bad debt, from the time when a debt is deemed unlikely to be collected until when the debt amount is written off (through an accounting journal entry).

- **Percentage of Monthly Debt Recovered** – The percentage of outstanding debts from the previous month that are successfully collected over the course of the next month. Calculated by dividing the current past due amount by the previous month's beginning past due amount and subtracting that from 1 (expressed as a percentage).

- **Percent Change in Past Due Accounts Receivable** – The percent change in total outstanding debt under management from a previous period (week, month, quarter or year) versus another subsequent measurement period of the same frequency.

- **Percent Change in 30-60 DPD Accounts Receivable** – The percent change in total outstanding

Quality

- **Percentage of Accounts Past Due** – The number of customer accounts managed by the company that are past due and require collections action (typically 30+ days past due) divided by the total number of customer accounts managed, as a percentage.

- **Accounts Receivables Beyond 60 Days** – The number of accounts receivable that are 60 days or more past due at a certain point in time divided by the total number of accounts receivable, as a percentage.

- **Bad Debt Write Off Rate** – The total dollar value of accounts receivable that are written off (bad debt that is not likely to be collected) divided by the total value of accounts receivable over the same period of time, as a percentage.

- **Percentage of Activities Outsourced: Collections** – The percentage of collections-related activities that are outsourced to a third party collections agency, or similar.

- **Days Sales Outstanding (DSO)** – The number of days required for customers to pay the company, from when the sale has been completed until the time the customer pays in full. DSO is a component of the cash conversion cycle.