



COLLAGE

A Newsletter of the Commercial Collection Agency Association

IMPACT OF BAD DEBT WRITEOFF ON SALES

Your Write Off	And your net profit is				
	2%	3%	4%	5%	6%
	<i>You will need the following amount of additional sales to offset the loss</i>				
\$ 100,000	\$ 5,000,000	\$ 3,333,333	\$ 2,500,000	\$ 2,000,000	\$ 1,666,666
\$ 250,000	\$12,500,000	\$ 8,333,333	\$ 6,250,000	\$5,000,000	\$4,166,666
\$ 500,000	\$25,000,000	\$16,666,666	\$12,500,000	\$10,000,000	\$8,333,333
\$ 750,000	\$37,500,000	\$25,000,000	\$18,750,000	\$15,000,999	\$12,500,000
\$ 1,000,000	\$50,000,000	\$33,333,333	\$25,000,000	\$20,000,000	\$16,666,666
\$ 1,500,000	\$75,000,000	\$50,000,000	\$37,500,000	\$30,000,000	\$25,000,000
\$ 2,000,000	\$100,000,000	\$66,666,666	\$50,000,000	\$40,000,000	\$33,333,333

Bad debt writeoffs affect more than your company's cash flow and bottom line performance, they also impact its sales and marketing efforts.

The above table shows the "multiplier" impact on sales from bad debt writeoffs. For example, a business with a net profit of 2%, experiencing \$100,000 in writeoffs, would require an additional \$5,000,000 in sales to offset the loss of profit on the \$100,000 in writeoffs.

Look to a member of the Commercial Collection Agency Association to assist you with controlling and lowering your bad debt writeoffs. A roster of our members is available on www.ccaacollect.com. [Click on Member Directory](#).

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