

ProSales

Accounts Receivable Survey -- Summary Results, September 2008

Sept. 24, 2008

During September 2008, PROSALES conducted an online survey of LBM dealers and distributors regarding their experiences getting paid. A total of 206 people responded to the survey by answering questions posted via the *SurveyMonkey.com* Web site.

Here is a summary of the results. At times where appropriate, we have included the responses of four subgroups:

- Building material dealers/lumberyards. (137 identified themselves this way.)
- LBM dealers, molding/millwork dealers, and short line specialty dealers but NOT wholesalers or “other” respondents. (A total of 159 were in these groups.)
- LBM dealers, molding/millwork dealers and short line specialty dealers at institutions with annual sales OVER \$25 million. (51 total respondents.)
- LBM dealers, molding/millwork dealers, and short line specialty dealers at institutions with annual sales UNDER \$25 million. (108 total respondents)

This report omits the written comments that were submitted. Only survey participants received those.

Please contact PROSALES editor Craig Webb with questions or comments, as well as with ideas for future surveys.

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1. What Is Your Firm's Primary Business? (203 answered the question)

	% of Respondents
Building Material Dealer/Lumberyard	67.5%
Molding/Millwork Specialty Dealer/Distributor	5.9%
Short Line Specialty Dealer/Distributor	5.9%
Building Material Wholesaler	10.8%
Other	9.9%

2. Type of Ownership (201)

We're an independent establishment	89.6%
We're part of a chain	10.4%

3. What Is Your Job Title? (204)

Chairman, President, Owner/Partner, EVP, other corporate exec (except finance).	56.4%
CFO, chief accountant, accounts receivables officer, other financial officer	12.3
General/store/department manager	22.1
Any other title.	9.3%

4. In Which Region of the U.S. Do You Live? (204)

New England (ME, NH, VT, MA, RI, CT)	9.8%
Mid-Atlantic (NY, NJ, PA, DE, MD, WV, DC)	10.3%
Mid-South (VA, NC, SC, TN, KY)	13.7%
Deep South (GA, FL, AL, MS)	11.8%
Mideast (OH, IN, MI, IL)	9.8%
Southwest (LA, AR, TX, OK)	11.3%
Midwest/Plains States (, IA, WI, MN ND, SD, KS, NE, MO)	15.2%
Mountain West (CO, WY, UT, NM, AZ)	3.4%
Far Southwest (CA, NV)	7.4%
Northwest/Pacific (MT, ID, OR, WA, AK, HI)	7.4%

5. What Is the Annual Sales Volume of Your Organization? (202)

\$1 to \$999,999	2.5%
\$1 million to \$9,999,999	41.1%
\$10 million to \$24,999,999	21.3%
\$25 million to \$99,999,999	27.7%
Over \$100 million	7.4%

6. What Percentage of Your Company's Sales Come From Building Professionals? (203 answered question)

0% to 24%	6.4%
25% to 49%	5.4%
50% to 74%	21.2%
75% or Higher	67.0%

7. Do You Let Any of Your Customers Pay on Account?

(Percent answering "yes")

All respondents (157)	90.5%
Dealers only	94.5%
All excluding wholesalers and "other"	93.4%
All excluding wholesalers and "other" over \$25 mln	96.0%
All excluding wholesalers and "other" under \$25 mln	92.1%

8. How Much of the Amount Owed Must the Customer Pay When He Gets the First Bill?

	100%, due immediately	Percentage of what's due	Payment in full by a certain date
All respondents (185)	42.7%	5.4%	51.9%
Dealers only	49.2%	4.1%	41.7
All excluding wholesalers and "other"	47.3%	4.1%	48.6%
All excluding wholesalers and "other" over \$25 mln	42.0%	4.0%	54.0%
All excluding wholesalers and "other" under \$25 mln	50.0%	4.2%	45.8%

9. Within How Many Days Must the Customer Pay at Least Part of the Bill? (166)

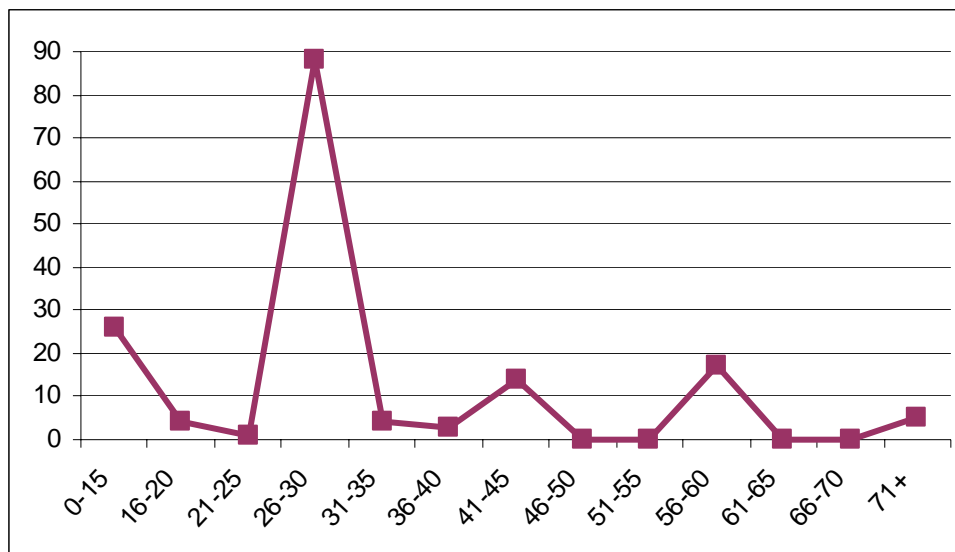
0-10	19.9%
11-20	12.7%
21-30	51.2%
More Than 30	16.3%

23 respondents chose "other." Survey participants received those results.

10. To Pay the Entire Amount Due, How Many Days Do You Allow?

Average for all respondents (163)	33.92 days
Dealers only	33.36 days
All excluding wholesalers and "other"	33.07 days
All excluding wholesalers and "other" over \$25 mln	31.05 days
All excluding wholesalers and "other" under \$25 mln	33.98 days

Average Number of Days Allowed by All Respondents, Grouped Into Five-Day Increments



11. What Forms of Payment Do You Accept on Account? Choose All That Apply (189 respondents)

Cash	93.7%
Check	99.5%
Credit Card	76.7%
Purchase/Money Order	54.0%
Computer transfer	26.5%

Other:

- Automated clearing house
- Bank payment voucher
- Credit cards only at time of sale, not as payment on account
- Wire transfer/cashier's check

12. Do You Give a Discount if Customers Pay Their Accounts Promptly, Such as by the 10th of the Month?

(Percent answering "yes")

All respondents (189)	60.8%
Dealers only	65.9%
All excluding wholesalers and "other"	63.3%
All excluding wholesalers and "other" over \$25 mln	64.0%
All excluding wholesalers and "other" under \$25 mln	63.0%

13. If You Let Customers Pay by Credit Card, Do You Charge Them a Fee?

(Percent answering "yes")

All respondents (173)	16.2%
Dealers only	17.8%
All excluding wholesalers and "other"	16.5%
All excluding wholesalers and "other" over \$25 mln	18.0%
All excluding wholesalers and "other" under \$25 mln	15.7%

14. If You Do Charge a Fee for Using a Credit Card, What Percent of Your Customers Refuse To Pay that Fee?

Average for all respondents (34)	8.94%
Dealers only	9.76%
All excluding wholesalers and "other"	8.96%
All excluding wholesalers and "other" over \$25 mln	16.91%
All excluding wholesalers and "other" under \$25 mln	3.82%

15. Do You Apply a Service Charge for Late Payment?

(Percent answering "yes")

All respondents (188)	87.2%
Dealers only	95.2%
All excluding wholesalers and "other"	92.6%
All excluding wholesalers and "other" over \$25 mln	94.0%
All excluding wholesalers and "other" under \$25 mln	91.9%

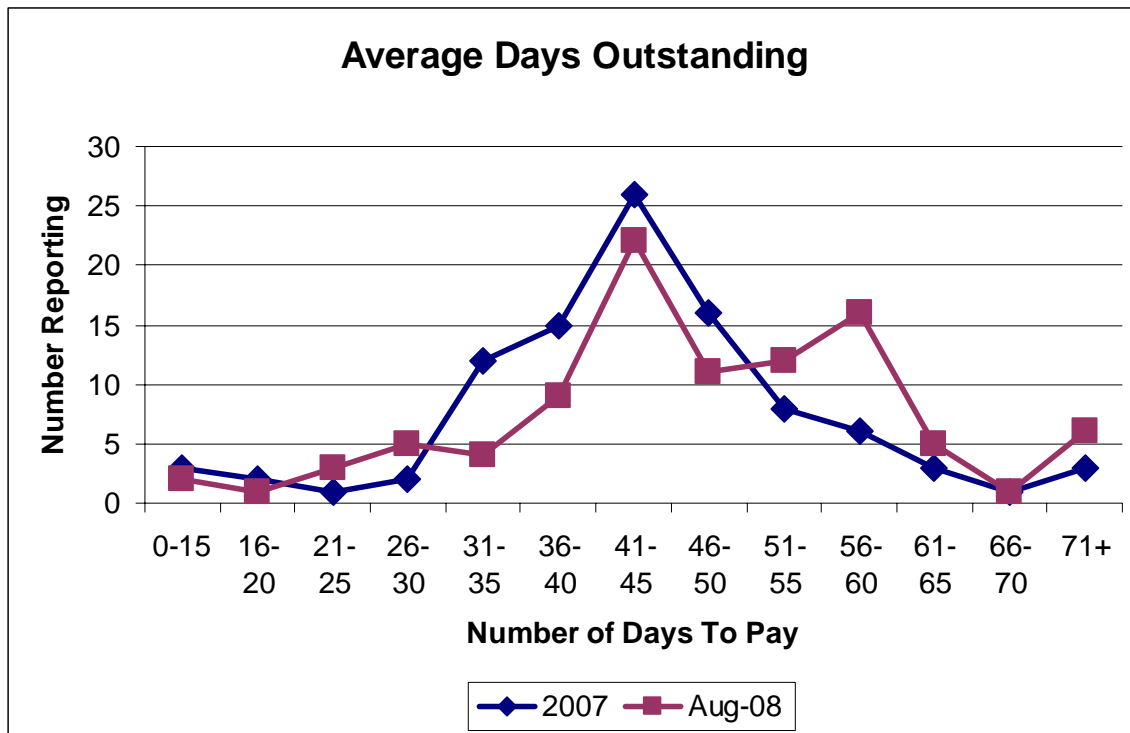
16. If Yes, What Percent of Late-Paying Customers Refuse To Pay the Service Charge

Average for all respondents (157)	25.24%
Dealers only	23.07%
All excluding wholesalers and "other"	25.01%
All excluding wholesalers and "other" over \$25 mln	29.04%
All excluding wholesalers and "other" under \$25 mln	22.85%

17. What Was Your Average Days of Accounts Receivable ...

	In 2007?	Last Month?
Average for all respondents (147)	42.67	47.27
Dealers only	45.36	48.93
All excluding wholesalers and "other"	44.51	48.91
All excluding wholesalers and "other" over \$25 million	50.08	54.90
All excluding wholesalers and "other" under \$25 million	41.73	45.68

Average Days Outstanding for All Respondents, Grouped by Five-Day Increments, for All 2007 and August 2008



18. Have You Increased Your Bad Debt Reserve This Year?

(Percent answering "yes")

All respondents (157)	44.6%
Dealers only	41.9%
All excluding wholesalers and "other"	42.9%
All excluding wholesalers and "other" over \$25 mln	71.4%
All excluding wholesalers and "other" under \$25 mln	28.6%

19. If So, By What Percent?

All respondents (69)	28.9%
Dealers only	30.6%
All excluding wholesalers and "other"	31.7%
All excluding wholesalers and "other" over \$25 mln	38.3%
All excluding wholesalers and "other" under \$25 mln	25.4%

20. If You Do Give Prompt Payment Discounts, Have You Noticed a Change Since September 2007 in the Number of People Who Pay Late But Still Claim Discount?

	Notable Increase	Slight Increase	No Change
All respondents (120)	6.7%	35.0%	58.3%
Dealers only	6.2%	30.9%	63.0%
All excluding wholesalers and "other"	6.2%	30.9%	62.9%
All excluding wholesalers and "other" over \$25 mln	6.3%	46.9%	46.9%
All excluding wholesalers and "other" under \$25 mln	6.2%	23.1%	70.8%

21. Since September 2007, Have You Made Any Changes to Your Accounts Receivables Policies?

(Percent answering "yes")

All respondents (78)	49.1%
Dealers only	49.1%
All excluding wholesalers and "other"	52.3%
All excluding wholesalers and "other" over \$25 mln	55.8%
All excluding wholesalers and "other" under \$25 mln	50.6%

22. If So, How?

There were 77 responses. Survey respondents received a summary of the comments..

23. Since September 2007, Have You Increased the Amount of Time and/or Number of People Devoted to Collections?

(Percent answering “yes”)

All respondents (159)	47.8%
Dealers only	50.0%
All excluding wholesalers and “other”	49.2%
All excluding wholesalers and “other” over \$25 mln	65.1%
All excluding wholesalers and “other” under \$25 mln	41.2%

24. How Would You Describe the Amount of Time You Personally Are Spending on collections With the Amount Spent in Autumn 2007? (159)

I’m significantly more engaged.	35.2%
I’m slightly more engaged.	36.5%
I’m spending about the same time as before.	25.2%
I’m spending less time.	3.1%

25. Do You Use a Receivables Management Company (e.g. Blue Tarp, or a Co-Op) To Manage Your Receivables?

(Percent answering “yes”)

All respondents (158)	5.1%
Dealers only	3.8%
All excluding wholesalers and “other”	5.5%
All excluding wholesalers and “other” over \$25 mln	4.7%
All excluding wholesalers and “other” under \$25 mln	6.0%

26. If Yes, Did You Do It Before or After September 2007?

(Percent answering “before”)

All respondents (11)	54.5%
Dealers only	50.0%
All excluding wholesalers and “other”	44.4%
All excluding wholesalers and “other” over \$25 mln	66.7%
All excluding wholesalers and “other” under \$25 mln	33.3%

27. Have You Hired a Collections Agency?

(Percent answering “yes”)

All respondents (158)	39.2%
Dealers only	41.0%
All excluding wholesalers and “other”	40.9%
All excluding wholesalers and “other” over \$25 mln	50.0%
All excluding wholesalers and “other” under \$25 mln	36.5%

28. If Yes, Did You Do It Before or After September 2007?

(Percent answering “before”)

All respondents (63)	81.0%
Dealers only	81.8%
All excluding wholesalers and “other”	79.2%
All excluding wholesalers and “other” over \$25 mln	90.9%
All excluding wholesalers and “other” under \$25 mln	71.0%

37. Please Provide Any Comments Here To Help Us Understand Your A/R Experiences These Days.

Here were 49 responses. Survey participants received copies of the comments.

Questions? Comments? Contact Craig Webb, PROSALES editor, at cwebb@hanleywood.com or at 202-736-3307