

Overdue Bills

>Abstract

This case is about testing a hypothesis related to collection on open accounts. The firm profiled is Quick Stab Collection Agency (QSCA). It is contemplating a change in its company slogan, or tagline. It needs research to substantiate the anticipated claim. The agency's accountant suspects that the amount of time to collect an account is determined by the size of the delinquent account and draws a sample of accounts to find out if he is correct. The student is asked to recommend a slogan to the marketing department based on an analysis of the results.

>The Scenario

Your employer, Quick Stab Collection Agency (QSCA), is a bill-collecting agency in an eastern town. The company specializes in collecting small accounts. QSCA does not deal in large accounts and does not take on risky collections, such as those in which the debtor tends to be chronically late in payments or is known to be hostile.

To distinguish itself from competing collection agencies, the company wants to establish a reputation for collecting delinquent accounts fast. The marketing department has just suggested that QSCA adopt the slogan "Under 60 days or your money back!!!!!" At the last staff meeting in which this slogan was proposed, the marketing department was asked how it arrived at the number 60. You found the reply unsatisfactory at best: "Well, uh, 60 sounded like a nice round number."

Since you work as an accountant at QSCA, you look at account balances all of the time. In fact, you suspect that the number of days to collect the payment is related to the size of the bill. If this is the case, you may be able to estimate how quickly certain accounts are likely to be collected, which, in turn, may assist the marketing department in determining an appropriate level for the money-back guarantee.

To test this theory, you've taken a random sample of accounts closed out during the months of January through June. The data set includes the initial size of the account and the total number of days to collect payment in full. Because QSCA deals in both household and commercial accounts in about the same proportion, you've collected an equal number from both groups. The first 48 observations in the data set are residential accounts and the second 48 are commercial accounts.

The data are in the file named OVERDUE on DVD that accompanies your text.

Overdue Bills

Variable	Label
LATE	Number of days payment is overdue.
BILL	Dollar amount of the overdue bill.

> Discussion

- 1 What must you do during data preparation to enable you to compare commercial and household accounts?
- 2 Is the "60-day" money-back guarantee supported?

> Source

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