

THE CHANGING WORLD OF BUSINESS CREDIT

Third in a series

"With their dying breath, checks are forcing financial institutions to rethink the most fundamental banking operation — payment processing."

-www.gonzobanker.com

The paper check is dying, say the folks at Cornerstone Advisors, a consulting firm for financial institutions. In *Gonzo Banker*, their irreverent newsletter and weblog, Cornerstone says payments by check have declined 42% since 2002 ... and that the pace has accelerated since Check 21 took effect in 2004. ("Check 21: Time for a Check-up, or Time to Check Out?", September 29, 2006)

Not convinced? Consider these recent news stories.

Wells Fargo, the first bank in the country to offer an Internet-based remote check deposit system, has attracted \$114 billion in remote deposits since 2004. (Minneapolis *Star-Tribune*, 12/4/2006)

In October 2006, banks cleared more electronic images of checks than substitute checks for the first time in the short history of image exchange. (www.digitaltransactions.net, December 20, 2006)

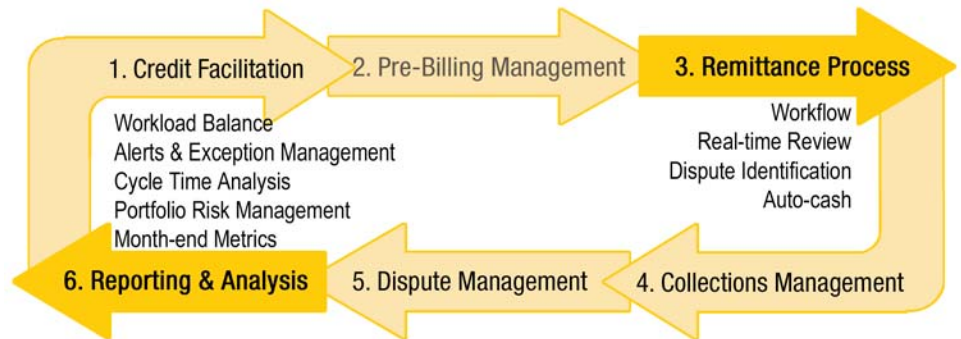
Software giant Intuit Inc. is acquiring Digital Insight Corporation, an online-banking services provider. Industry

TAKE THE FOCUS POLL

How do your company's deductions in 2006 compare with 2005?

Go to www.forius.com/focus to submit your answer. Results in the next issue...

THE ORDER-TO-CASH PROCESS



experts predict the move will enhance the remote-deposit capture service already built into QuickBooks, which has an estimated 89% share of the small-business financial-management software market. (www.digitaltransactions.net, November 30, 2006)

AP And AR Agree

If you're not dealing with electronic payments yet, you will be soon, say CRF (the Credit Research Foundation) and IOMA (the Institute of Management & Administration), both of whom recently released the results of studies predicting an increase in e-payments.

In *AP Department Benchmarks and Analysis 2007*, IOMA reports that nearly half of AP (accounts payable) managers nationwide are using electronic payments, and another 33% plan to do so in the future. The study also suggests that sellers using e-payments had better be ready to deal: 38% of the AP managers in the study plan to renegotiate terms because e-payments get their vendors paid faster.

In *The Evolution of Business To Business Payments*, CRF confirms the e-payment trend. While only 26% of respondents accept payment by EIPP today, about 50% say they plan to adopt EIPP in the next 1-3 years. Primary reasons: AR acceleration and DSO reduction (63%); greater efficiency (58%); reduction in costs (43%); error elimination (29%).

PayStream Advisors, a research and consulting firm focused on financial automation solutions, says the U.S. payment process is ripe for automation (see table).

Cycle Step	1960s	2000s
Order	4-7 days	Same day
Delivery	14-20 days	Next day
Invoicing	4-7 days	3-4 days
Payment	45-60 days	45-60 days

Companies have drastically reduced the time needed to process orders, deliver goods, and send invoices. Yet, payment processing still takes 45-60 days, due largely to paper checks. "Our European counterparts are flabbergasted ... that we still make 80 percent of our business-to-business payments by paper checks," says Henry Ijams, PayStream's managing director. By contrast, 80 percent of B2B payments in Europe are made electronically, thanks to their sophisticated electronic-payment infrastructure. "Here in the U.S.," he says, "we've developed an infrastructure that is extremely effective at managing paper." (CFO.com, February 8, 2005)

Measuring Success

Albert Einstein defined insanity as doing the same thing over and over again and expecting different results. But it's just as insane to embark on a significant change — such as automating any portion of your company's order-to-cash

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BOARD OF DIRECTORS

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THE BUZZ

What are credit professionals talking about? "The Buzz" is a regular feature highlighting noteworthy and stimulating discussions posted in the Forius online communities. The following excerpts are from a recent conversation within the Business Credit Resource Group's online community forum.

"We have used the same collection agency for 20 plus years. We believe they are doing an acceptable job but we are not always sure. The volume of dollars placed is probably not large enough to split between two agencies and do a comparison. I am looking for some ideas on how to make sure the agency I am using is doing the job I expect them to do. Would dropping this agency and using another agency for a year or more make any sense?"

- Gary Haberman, CCE, Fullerton Companies

"A few years ago, the owner of our smaller agency visited my company to review the procedures his agency uses to collect on accounts, and he continues to make a yearly visit from Illinois. Another benefit he provides is on-line access, so I can see the notes on each account. Communication and continual action was key in my agency selection."

-Denise Boock
Vision Ease Lens

"I agree that communication is key. If you're happy with the reporting, ease of submitting claims, turn around in payment of collected balances, I would not change [agencies]."

-Roger Hagerman, CBA
Anchor Block Company

"I have found that an agency that has a local contact is much better than one that does not. It does require some searching to discover an agency that understands that the customer is still a customer and treats them with professional courtesy."

-Dennis Hennessy, CBF
Multek Flexible Circuits

The Business Credit Resource Group is a community for credit professionals to meet online, face-to-face, or both, in order to ask questions, share concerns, and build collaborative resources and intelligence. If you'd like to join this community, send an email to foriuscommunities@forius.com, or contact Cindy Vekas, CCE, Director of Knowledge Networks, at (612) 341-9623.

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cycle — without clearly defining the results you expect.

For example, earlier this year, members of the Forius Business Credit Resource Group had an interesting discussion in their online forum regarding the best ways to measure the effectiveness of the credit function. They focused specifically on the merits of DSO (days sales outstanding) versus CEI (the collection effectiveness index).

In fact, *Measures of Performance*, published by CRF, identifies 23 different performance metrics for credit, collections and accounts receivable, each with its own set of advantages and disadvantages. (Visit www.crfonline.org and click on the "Publications" section to learn more.)

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FORIUS FOCUS POLL

Results from poll #2

MANY HATS

Focus readers apparently wear many different hats. More than 80% of survey respondents say they spend the majority of their time on activities other than credit and collections.

What percentage of your job do you spend on credit and/or collections activities?

33%	Less than 10%
50%	10-50%
0%	51-75%
17%	More than 75%

FORIUS NAMES AND FACES

Four Are Newly Credentialed



Johnson



Stieg



Stohlmann

Mark Hermann
photo unavailable

Four Forius members earned new credentials following November 2006 exams. **Mark Hermann**, BE Aerospace and **Seth Stohlmann**, Eaton Corp earned their CBAs. **Robin Johnson** of Eide Bailly, LLP received her CBF, and **Colleen Stieg**, Medtronic USA is now a CCE.



Wolff

Faye Wolff, CBA Moves to Coloplast

Faye Wolff, CBA, formerly of American Medical Systems, has moved to Coloplast Corporation as the company's new Account Receivables Supervisor.

Faith Anderson, CBF Moves to Flexmation

Faith Anderson, CBF, formerly of Machine Tool Supply, has moved to FlexMation, Inc. Faith has served on both the Forius and NACM National Board of Directors and was honored as the 1998 Forius Credit Executive of the Year.



Anderson



Rettke

Jo Rettke, CCE Honored by Company

Jo Rettke, CCE earned recognition as one of the top 25 credit managers at Ferguson Enterprises for the second year in a row. This honor won her an all-expenses-paid trip to Costa Rica. Last year's award was a trip to Bermuda.

Submit your business or individual news for the Focus Names and Faces section via e-mail to focus@forius.com. We welcome accompanying photos.

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CRF also conducts a quarterly survey of U.S. trade receivables, which can help you set appropriate targets and track your company's performance against your industry. Through a special arrangement with CRF, Forius clients and members can participate in this quarterly survey, which CRF has conducted since 1960. Just fill out and submit the request form at www.crfonline.org/surveys/dso/nsdtrpage.asp to receive the quarterly survey results free of charge.

Regardless of what metrics you use, be sure to celebrate your successes, whenever and wherever they come. John Foster Dulles, Secretary of State for President Dwight D. Eisenhower, said it best: "The measure of success is not whether you have a tough problem to deal with, but whether it is the same problem you had last year."

What about you? What's your vision for the future of credit and receivables management? Send an email to focus@forius.com, and let us know what you think.

WELCOME!

Forius welcomes its newest clients

Anita Zogelman
Bevan-Rabell, Inc.

Faye Wolff, CBA
Coloplast Corp

Stephanie Stankiewicz
Falls Lumber & Millwork Co.

Royal Henderson
Free Motion Fitness Div Icon Health

Jim Hilgert
Global Transportation Services Inc.

Laura Korn, CBF
Imagine! Print Solutions

Paula Warumzer
Industrial Fabric Association Int'l

Bryan Jameson
Jameson Enterprises

Tim Condon
Quality Manufacturing

Heidi Van Nurden
WESTconsin Credit Union

NOMINATE YOUR CREDIT EXECUTIVE OF THE YEAR

Forius is accepting nominations for the 2006 Credit Executive of the Year.

The Credit Executive of the Year is awarded each year to the person who has made outstanding contributions to the credit profession and community through their determined commitment, training, and profitability of their companies.

Nominations will be accepted until Friday, February 2, 2007. Submit nominations to the Forius website at

www.forius.com/nominate.



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Plan Ahead

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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For more information, go to www.forius.com or send an email to info@forius.com

Industry Groups

	Jan	Feb
Building Materials Suppliers	10	14
Construction & Equipment Suppliers	24	-
Floorcovering	23	-
Plumbing, Heating, A/C & Refrigeration	16	20
Twin City Media	18	15
Truck Service & Equipment	11	8
Wholesale Lumber	17	21
National Promotional Products	3-4	-
National Food Processors	-	12-14

Interested in a Forius industry group? Contact us at (612) 341-9600 or send an email to info@forius.com.

Business Credit Resource Group

Meeting February 9

For more information on the Business Credit Resource Group, send an email to foriuscommunities@forius.com, or contact Cindy Vekas, CCE, Director of Knowledge Networks, at (612) 341-9623.

Development Opportunities

	Jan	Feb
Mechanics Lien Seminar Register by January 22 at www.forius.com	25	-
CFDD Meeting - Ethics is Everyone's Business Call Bonnie Fierstine (952) 887-1832 for reservations	9	-
Collections Online Class 4 weeks; register at www.foriuscommunities.com	22	-
Executive Series: Solutions for Small Business Credit Departments Register by February 13 at www.forius.com	-	16
CFDD Meeting - Flexibility in the Workplace Call Bonnie Fierstine (952) 887-1832 for reservations	-	13