

AUTOMATED CREDIT DECISIONING = HAPPIER SALES AND CREDIT PEOPLE

The Ziegler Cat sales team is making plenty of noise in the marketplace these days — but, just a couple of years ago, much of the noise was aimed at the credit department. “They were screaming that we were losing sales,” says credit manager Dave Clapper. “They said we were turning people away because we couldn’t get credit approvals fast enough.”

Ziegler Inc., founded in 1914 and one of the largest and most successful Caterpillar dealers in North America, is the archetypical sales-driven company. Dave has seen incredible sales growth in his 29 years at the dealership. At the same time, he says their bad-debt ratio has been well within industry standards because the credit staff analyzes every credit application thoroughly. Bank and trade references, bonding and insurance information — you name it, they check it. But the labor-intensive, paper-driven approach couldn’t keep pace with sales.

To compound the problem, Caterpillar has rapidly expanded beyond its traditional heavy-equipment business into new markets, and has pushed its dealers to do likewise. Ziegler found itself selling to smaller and smaller businesses, but struggled to find solid data about business owners and sole proprietors.

“We had to get into the 21st century,” says Dave. He knew credit scoring would speed up credit approvals ... but he was worried about the back end, too. “Opening up an account with the right credit limit is critical,” he says. “You can sell to anybody, but you can’t always collect from everybody.”

Enter 6 Sigma

For help, Dave turned to the Ziegler 6 Sigma team — in-house experts trained to help improve business processes throughout Ziegler. The goal seemed impossible: Speed up



Dave Clapper, credit manager for Ziegler, one of Caterpillar’s leading dealers

credit approvals from hours or days (sometimes weeks!) down to just 10-15 seconds, but without increasing bad debt or DSO (days sales outstanding).

The 6 Sigma team researched potential solutions, reviewed proposals, and selected finalists to make face-to-face presentations. When the dust settled, these process experts recommended Experian Decision Insight — an automated decisioning platform delivered by Forius and fueled by the perfect blend of predictive commercial and consumer data to satisfy Ziegler’s growing small business market segment.



Diana Fransen, credit assistant, and Dave Clapper review a customer credit decision. Diana, who shepherds the day-to-day Decision Insight process and “used to spend all of her time faxing, re-faxing, and filing,” says Dave. “She now can do so much more.”

Dave says the May 2005 implementation was “in a word, painless. We were up and functioning without any hitches immediately. It was turnkey — no bugs.” Forius and Experian helped customize Decision Insight’s credit decision matrix — identifying the right data elements, the right weightings for each, and the right workflow. In just a few weeks, the system was ready to roll out to Ziegler’s entire credit staff — 6 in Minnesota plus 3 in Iowa.

But with 100+ years of combined credit experience, the staff was leery, to say the least. So Dave personally tested the system by running his regular approval process side-by-side. “The first few months, I looked at almost everything.”

What finally convinced him? “I couldn’t prove it wrong,” he admits.

Advice From A Credit Veteran

Ziegler now relies on Decision Insight to approve more than 90% of new orders, which has freed up a lot of time for other high-value tasks. “It’s an A. It’s a 10. We like it,” he says.

“Being an old salty veteran, it’s hard to look outside the box. But you have to do it. Change is good. It’s scary, but it’s good.”



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THE BUZZ

The latest "buzz" over the Forius Communities is that all of our members are now loaded into the community! For you that means hundreds more possible answers and questions related to your profession and industry. The following excerpts are from a recent conversation within the Member Center online community forum.

"Can anyone let me know what has worked for them when it comes to putting together best practices for calculating specific bad debt reserve? This seems to always be a big question from auditors when they come in for the annual review. When I ask them what recommendations they have, they really can't give me a clear answer."

- Darrell Vogel
Miracle-Ear, Inc.

"I am not sure there is any one correct answer. I use a percentage of the balance over 120 days for each customer ... based on anticipated collectability. If I have lien rights on the job, for instance, I will usually reserve only 10%. If the account is legal and we have pursued the customer to the judgment stage, I will reserve 50-75%. It is really a judgment call, but setting a percentage, based on specific criteria, helps you to be more objective. Auditors also like this."

- Jon Lloyd
Brock-White Company

"We've gone back and forth on this one with audit. It looks like we'll arrive at using highest historical write-off as a percentage of A/R balance. So, if we had \$1M write-offs in 2004 and our 2004 A/R balance was \$100M, our percentage would be 1%. Then we would apply 1% to current year 2007 A/R balance. We then note any adjustments based on current material economic or market risk and any material current large account balances we have reasonable cause to rate as high risk."

- Seth Stohlmann, CBF
Eaton Corporation

"I think we are pretty conservative here, and have no issues with our auditors."

"We calculate our reserves on 1.50 to 2.00 percent of sales. I think this is probably an accepted practice/range."

"We also reserve for any specific accounts at higher percentages, such as preference risk, etc."

- Jerry Knecht, CBA
Michael Foods, Inc.

Did You Know?

Minnesota businesses must delete private financial information within 48 hours of approving a credit or debit card transaction, required by the new Plastic Card Security Act - the first such law in the country.

An estimated 8.9 million people were victims of identify theft in 2006, says the Better Business Bureau. While this is down from 10.1 million in 2003, the financial impact over the same period is up from \$53.2 to \$56.6 billion.

Business identity theft is up 70%, according to the June 2007 issue of *Managing Business Credit, Collections & Receivables*, published by IOMA (Institute of Management & Administration).

Next Issue: Is Your Data Secure?

Privacy protection and data security dominate today's business headlines. Watch the next issue of *Focus* for a recap of "How Secure Is Your Customer Data?", the afternoon seminar preceding this year's Forius Fall Gala on September 20.

To whet your appetite in the meantime, we asked Al Cameron, well-known throughout the business credit community as a passionate fraud fighter, how to protect your company against fraud. His advice? Make sure you can answer one key question about any transaction: "Does it make sense?"

Al says you need to look at the information you actually have, and don't assume anything — even if the order is from a longstanding customer. Other good questions: "Is this what we expected? Does it fit the pattern? Why is this customer ordering this product or service at this time?"

He believes technology can help, and likes credit systems that send automatic alerts (e.g., when a customer orders more than usual or ships to a different address), and check online orders for suspicious IP (internet protocol) addresses, browser language, and other data. But he cautions that technology is still in the "Wild West" stage. "Humans are still the strongest weapon any company has," he says.

FORIUS NAMES AND FACES

Newly Credentialed

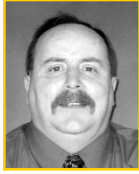
Please join us in recognizing these individuals who earned their credentials this summer. They will be honored at this year's Annual Fall Gala on September 20, 2007.



Bladow



Bonnett



Burton



Engdahl



Frank



Helmke



Mayieka



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Speerstra



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Kirnyczuk



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Zyskowski

Credit Business Associates (CBA):
Tammy Bladow, Scherer Brothers Lumber, **Heather Bonnett**, Onvoy, **Paul Burton**, Interstate Companies, **Kaye Engdahl**, DataCard Inc., **Jackie Frank**, CSAV, Inc., **Gayla Helmke**, Walman Optical Co., **Brian Lynch** (not pictured), Digital River, **Kim Mayieka**, Walman Optical Co., **Patrick McCoy**, Medtronic USA, Inc., **Barbara O'Brien**, CSAV Inc., **Cheryl Pink**, Transport Corp. of America, **Jean Speerstra**, MTS Systems Corporation, and **Jeanette Stoddard**, Metal Sales Manufacturing.

Credit Business Fellows (CBF):
Faiz Currimbhoy, EmersonProcess Mgmt. Inc., **Bruce Foss**, Boyer Ford Trucks, Inc., **Robin Kirnyczuk**, Berger Transfer, **Kim Rau**, Navarre Corp., **Seth Stohlmann**, Eaton Corp., and **Barb Zyskowski**, Ecolab Inc.

Welcome New Forius Board Members



Berg



Malz



Zitur

Anne Berg, president of Vywy® Market & Brand Strategy, **JoAnn Malz**, CCE, CICP, Director of Customer Financial Services for Pentair, and **John Zitur**, Director of Strategic Business Development for Scherer Brothers Lumber Company.

Additionally, credit director **Bill Corn**, CCE was elected to his first three-year term, and **Scott Woitas**, CBF was re-elected to his second three-year term.

In Appreciation

Many thanks to **Tim Donlin** and **Dan McCreary** for their tenure on, and service to, the Forius Board of Directors. We appreciate your dedication and commitment.

Congratulations



McNulty

Congratulations to Debbie McNulty, CCE and her group on the "Best Presentation" Award at this year's Dartmouth Graduate School of Credit and Financial Management class. Debbie was also chosen by the professors and students for the "Best Student" Award.

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

WELCOME!

Forius welcomes its newest clients

Tina Artmann
StrataSys Inc.

David Wrabel
Beacon Roofing Supply Inc.

Cathy Klein
Crystal D

Patricia Liles
Imagery Group, Inc.

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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

	Sep	Oct
Building Materials Suppliers	12	10
Construction & Equipment Suppliers	26	24
Floorcovering	25	-
Plumbing, Heating, A/C & Refrigeration	18	16
Twin City Media	20	18
Truck Service & Equipment	13	11
Wholesale Lumber	19	17
International Aviation	11-14	-
International Fitness	19-21	-
National Food Processors	-	15-17
National Agri-Business	-	16-18

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

Business Credit Resource Group Oct 12

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

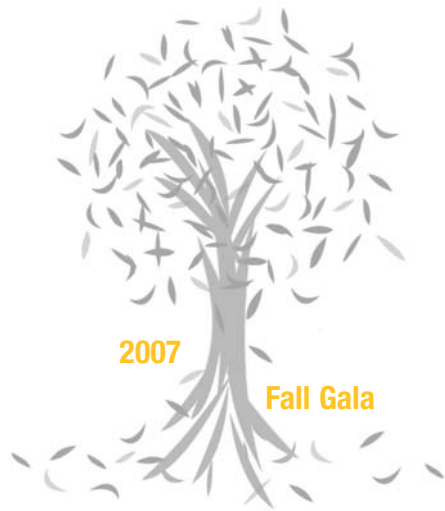
	Sep	Oct
Forius* CAP class	10	-
Forius.* ACAP class	11	-
CFDD Meeting - Mechanic's Lien and Bond Claims Call Carolyn VanKrevelen CBF 612-392-3326 for reservations	12	-
Forius* Annual Fall Gala www.forius.com	20	-
The Credit Decision Process Online Class 5 weeks; register at www.foriuscommunities.com	-	8
CFDD Meeting - E-mailing do's and don'ts Call Carolyn VanKrevelen CBF 612-392-3326 for reservations	-	9

*Register for all Forius development events at www.forius.com.

Forius Offices will be closed Labor Day - September 3, 2007

Forius Annual Fall Gala & Seminar “How Secure Is Your Customer Data?”

September 20, 2007
Marriott SW, Minnetonka, MN



Join us for an afternoon of education and an evening of fun

3:30 - 5 p.m. **Afternoon Seminar**
5 - 9 p.m. **Cocktails, Dinner, Awards**
 & Entertainment

For more information and to register,
please visit our website at
www.forius.com/gala
or call us at (612) 341-9600.

Tickets
\$50* - Seminar only
\$60* - Dinner only
\$90* - Seminar & Dinner

*15% discount for CBA, CBF, & CCE credentialed members

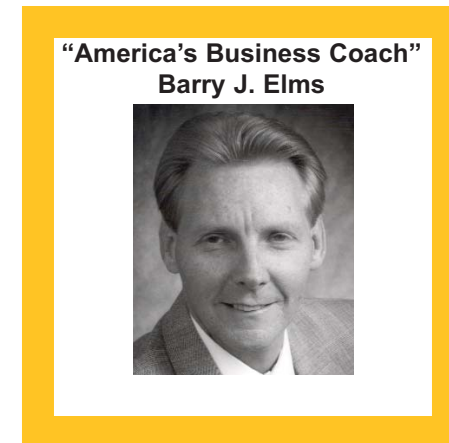


Advanced Collections & Negotiation Skills

Presented by Forius and
Strategic Negotiations International

This exciting seminar goes way beyond all other collection seminars, showing you how to deal with complex credit and collection issues, including:

- * Solving cash flow problems
- * Collecting unauthorized deductions
- * Improving payment habits of major customers



Wednesday, November 14th, 2007
9 a.m. - 4 p.m.

Ramada Inn/Thunderbird Convention Center
Bloomington, MN

Fees: Early Bird (before Sept 30) — \$215 or \$185 each for 3 or more
After Sept 30 — \$245 or \$215 each for 3 or more

Fee includes course materials, lunch, and refreshments

Register online at: <http://www.forius.com/barryelms>