

THE CHANGING WORLD OF BUSINESS CREDIT

Second in a series

Our first article on order-to-cash (OTC) produced this thoughtful response from Todd Miller, credit manager for C&H Sugar in Crockett, California: "The true and real OTC process that a credit manager deals with includes all aspects of the revenue cycle process flow — purchase order issues; pricing and promotion; delivering and receiving orders; system issues; production planning issues; distribution issues. And that's only the front end ..."

Todd, you're right on the money, and you've teed up perfectly the second article in our series — pre-billing management and dispute management.

They're opposite sides of the same OTC coin. When pre-billing accuracy is high, disputes are low. When disputes occur, they're often due to a billing problem — bad or missing data, incorrectly applied discounts or promotions, and so on.

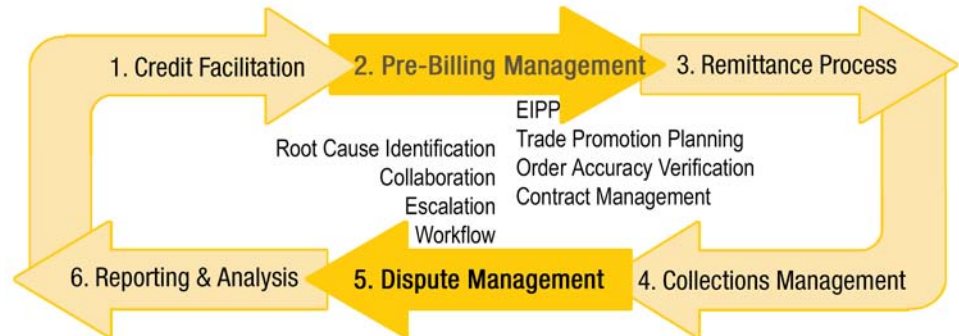
And disputes do happen. Gartner, the technology research firm, estimates that 13% of all business-to-business (B2B) invoices are disputed. (This figure excludes disputes caused by lost invoices: Roughly 7-9% of all calls to customer service each year are from customers saying they never received their invoice ... and 90% of the time, they're right — the seller never sent it.)

TAKE THE FOCUS POLL

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

* Yes, it's the same question from last issue; see page 2.

THE ORDER-TO-CASH PROCESS



“A Bigger Emphasis On Deduction Resolution”

This helps explain why both credit managers and senior finance executives expect dispute resolution to grow in importance over the next 3-5 years, according to Future Trends in Business Credit & Receivable Management, the 2005 white paper published by the Credit Research Foundation (CRF). "With ongoing deduction issues leading to increased erosion of corporate profits, a bigger emphasis will be placed on deduction resolution and will drive the credit management function to be more proactive ..."

Not surprisingly, automation also is expected to become more important as electronic invoice presentment and payment (EIPP) systems take hold. Gartner estimates the average cost of sending a paper invoice at \$5 ... while sending it electronically via secure website is just \$2. (What would your CFO say to slashing your invoice costs by 60%?)

The CRF study further suggests that, while automation can help, a zero-defects approach is the best way to dispute resolution. "If a company would drill down as to the reasons deductions are occurring, it would find deductions are 90% self-inflicted and, through internal process change, deductions can for the most part be eliminated."

Or, as Bill Gates said, "Automation applied to an inefficient operation will magnify the inefficiency."

The Ultimate Report Card?

Getting the invoice right. Clearly, it's worth a lot of money, no matter how you measure it:

- ♦ Cash metrics (DSO, collection effectiveness, cash forecasting)
- ♦ Cost metrics (bad debt write-off, adjustments, working capital available)
- ♦ Service metrics (cycle times for credit approval and dispute resolution)

But there's an even more important metric — customer relationships. Consider the invoice your ultimate business report card. What are your customers telling you? Do they like dealing with you? Or are they pointing out things you need to improve?

Todd, thanks again for your comments on "...the dynamic landscape we are required to understand on issue resolution with our revenue cycle partners." And for reminding us that credit managers are ideally positioned to help get the invoice right — to see both upstream and downstream in the OTC process.

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.



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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.

"A customer sent a copy of a canceled check to one of our branch locations. The check has our name and address on it, but we never received nor cashed that check. It's already cleared the bank. It's hard to read the endorsement and who cashed the check.

"Our customers bank (Bank A) had my branch manager complete an Affidavit of Forgery six weeks ago. The bank that accepted the check (Bank B) has the Affidavit of Forgery and claims they are working on it. Neither bank will talk with my branch manager because we don't have accounts with them. As far as our customer is concerned, their check has been sent and cleared. Therefore, they are paid.

"What recourse or actions can we take so we can get paid?"

-Duane Schwartz, CCE, The Tile Shop

"We had a similar situation. Our bank had no record of running the check through their system. However, the customer had an endorsement and it went through a bank. The customer refused to pay us and failed to prove that the check went into our account. So we ended up turning the account over for collection. The collection agency collected the debt from the customer. We also collected the collection fee when the customer tried to place another order."

-Jerry Drake, CCE
Viracon

"I just had the same thing happen. Your customer needs to understand that until their account with you is satisfied, they have not paid and it is their responsibility to assist you. I had our corporate attorney draft a letter to the customer explaining their obligation and what the result would be if they chose not to assist in the recovery of this money, which included lawsuit and the associated attorney/ collection fees.

"Also, most banks won't speak with you if you're not their customer."

-Robin Kirnyczuk, CBA
Berger Transfer

"If the customer can't prove you received the money, they still owe you. However, you should consider the value of the account and the customer. If you're not willing to send it to collections, then you may have to do some legwork for the customer. Get the customer to give you permission to act as their agent in order to get the banks to communicate with you.

"But even if the bank resolves it, the money goes back to the customer, and they will still need to send you a check to clear your receivable."

-Reese Dyer, CCE
Ecolab

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.

FORIUS FOCUS POLL

As this issue of Focus went to press, we discovered a broken link on our website, which prevented poll submissions from getting through.

We've since fixed the link, and we've decided to repeat the poll - it's too important a question to skip.

Thanks to everyone who tried to answer the poll last time.

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

FORIUS NAMES AND FACES

Jeff Hawkins, CCE honored with 2006 James A. McIntyre Mentoring Award

At the October annual Forius Fall Gala, **Jeff Hawkins**, CCE of CATCO Parts became the 6th recipient of the James A. McIntyre Mentoring Award.

The award is named in honor of Jim McIntyre, CCE, whose dedication and enthusiasm for sharing knowledge and helping others has enriched many lives and has set the standard for mentoring — not only within his association, but throughout the NACM organization.



Jeff Hawkins, CCE accepts his 2006 James A. McIntyre Mentoring Award plaque

Forius Welcomes Two New Faces



Vekas

Cindy Vekas, CCE was named Forius' Director of Knowledge Networks, a position responsible for all training and Forius Communities development. Most recently employed at Hajoca (formerly Roberts Hamilton), Cindy has 13 years in the credit profession. She has been an active NACM member as a member of the local Plumbing and Heating Group, a Business Credit Resources Group member, and student of the CBA, CBF, and CCE accreditation programs. Also an active participant in CFDD, Cindy served as the 2005 president of the Twin Cities chapter.

Jennifer Johnson has been hired as a new Forius District Sales Manager after 10 years of work in credit for Goodin Company, MN, acting as Credit Manager for five and a half years. She also has a 10-year history as a Forius member and as a member of the local Plumbing and Heating Group. She also spent six years with CFDD. Jennifer holds an MBA from Drake University.



Johnson

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

MOMENTS FROM THE 2007 FORIUS FALL GALA



Passing of the gavel ... and tie?

Chris Tangen gets more than the new Forius Board Chair title and gavel from last year's Board Chair, **Jerry Drake**, CCE. He also gets Jerry's own special Forius-colored tie.



A Magical Evening

Speaker and entertainer **David Horsager** turns his back on **Gale Heikes**, CBA as she selects her cards out of an imaginary deck.

WELCOME!

Forius welcomes its newest clients

Tabatha Perry
Bergquist Company

Seth Stohlmann
Eaton Corp - Hydraulics

Shannon Schiltz
Heartland Transport

Demetri Xydias
Jet X Aerospace

Judy Schellenger
Keys Fitness Products

Craig Cero
Mitchell Aircraft

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.

The award was established in 1986 to honor those who bring leadership, pride and credibility to the credit profession through their determined commitment to volunteerism, training, and profitability of their companies.

Nominations will be accepted until the end of 2006. Submit nomination to the Forius website at

www.forius.com/nominate.



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For more information, go to www.forius.com or send an email to info@forius.com

Industry Groups

	Nov	Dec
Building Materials Suppliers	8	13
Construction & Equipment Suppliers	22	-
Floorcovering	28	-
Plumbing, Heating, A/C & Refrigeration	21	19
Twin City Media	16	21
Truck Service & Equipment	9	14
Wholesale Lumber	15	20
National Transportation	15	-

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 December 8

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

	Nov	Dec
Forius* Executive Series - The New Bankruptcy Code: One Year Later Register by November 7	10	-
CFDD Meeting - Emergency Preparedness/Pandemic Flu Call Bonnie Fierstine (952) 887-1832 for reservations	14	-
Forius* CAP Basic Accounting 13 sessions; meets every Monday	20	-
Forius* ACAP Credit Law 12 sessions; meets every Tuesday	21	-
CFDD Meeting - Preparing for Customer Visits Call Bonnie Fierstine (952) 887-1832 for reservations	-	12

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

FORIUS OFFICES TO BE CLOSED

Thanksgiving holiday Thursday, November 23
 Friday, November 24
 Christmas holiday Monday, December 25

NEXT ISSUE (third in our order-to-cash series)

Remittance and Reporting — getting paid and tracking results.