

Intrum

MAGAZINE

THE CREDIT
MANAGEMENT
MAGAZINE FROM
INTRUM JUSTITIA

NO. 2 | 2008

WHY ITALIANS DON'T PAY ON TIME

Growing need for information about handling short-term debt



PAUL ISBELL:

“Customers must be happy with the entire process, including the invoice”

25

billion Euro - the amount lost every year in Europe to fund unnecessary credit

WHAT MAKES A GOOD CREDIT MANAGER

- ✓ Think creatively
- ✓ Economic background
- ✓ Flexibility
- ✓ A good credit policy in hand
- ✓ Strong sense of the customer



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BETTER BUSINESS FOR ALL

We're best known for debt collection, but we offer much more. Our complete line of credit management services not only free up time and energy, they also help you work more efficiently, find new customers, build long-term relationships and improve your cash flow.

For individuals, companies and society alike – when we say we want everyone to come out ahead, we mean business.

intrum  **justitia**

Editorial:**New image delivers innovation promise**

Activity reigns at Intrum Justitia. We are not only involved in implementing a transformation process with focus on strengthening our offer and our position. We are also getting a new look, going from blue to green. My hope is that all of our customers, consumers and employees will feel enthusiastic about the new graphical profile and that it will signify the starting point for an external change.

For a long time, our industry has been characterised by a conservative image, not closely associated with innovation. That's something that we want to change. It's my firm belief that innovation not only creates new business opportunities, it also creates a more attractive workplace.

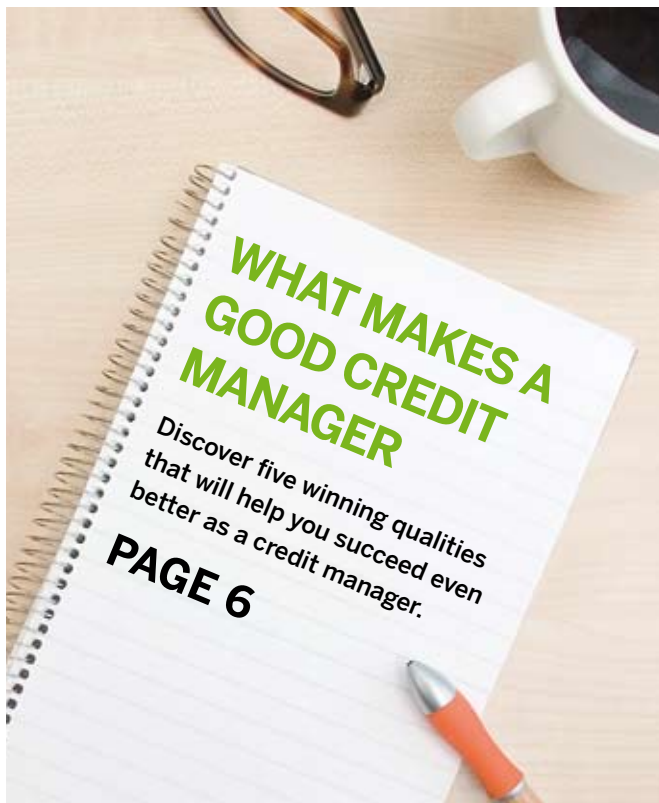
During the last year, we have worked to improve our brand image. We started a brand project that involved a large part of the company. It is important that we share the same view of the future, what we do and what our culture stands for. You can read more about this on page 22.

Feverish activity also reigns within our market and the business potential is huge. There are currently two important trends.

Firstly, much of the evidence indicates that the credit management that is currently executed internally within companies will, to an increasing extent, be carried out by players such as Intrum Justitia. According to Intrum Justitia's calculations, around ten per cent of the European market is outsourced today. Secondly, levels of late payments are rising, which is forcing European companies to finance further credit, equivalent to approximately € 25 billion.

In general, the countries in northwest Europe are more mature and engage external specialists more often. The markets in southern Europe are characterised by greater payment risks and a lesser degree of outsourcing. This opens up many business opportunities for us, in our ambition to be the catalyst for a sound economy.

**MICHAEL WOLF,
PRESIDENT AND CHIEF EXECUTIVE
OFFICER, INTRUM JUSTITIA**

**IN THIS ISSUE:****PARTNERING FOR GROWTH 12**

Pan-European growth fuels need for improved cross-border credit management.

INTERVIEW: PAUL ISBELL 16

Mobile services provider Verizon relies on total customer focus – even regarding late payers.

EPI: WHY ITALIANS DON'T PAY 18

The growth of credit and debit cards is fueling slower payment in a country unused to managing short-term debt.

RESULTS: MOVIE MAKERS SEEK CREDIT MANAGEMENT HELP 04**IN BRIEF: EU SMALL BUSINESS ACT 21****IN BRIEF: SIX CUSTOMER-DRIVEN BRAND SECRETS REVEALED 22**

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results:

BETTER RESULTS WITH INTRUM JUSTITIA

- ✓ **Improved incoming cash flow**
- ✓ **Better liquidity due to debt reduction**
- ✓ **Education of customers means quicker payments**

Vents Horsts at Riga Motion Pictures Studio details their payment administration process.

A movie studio may not be a stereotypical target for Intrum Justitia's services but when credit management activities start to take up more time than making movies, it's time to call in the experts.

Rigas Kinostudija (Riga Motion Pictures Studio) is one of the largest movie studios in Eastern Europe and it also provides filming equipment.

"In 2005 we realised that we were spending too much time on credit management," says Vents Horsts, Chairman. "We needed to decide what we do best. Do we film or collect debts?"

Initially, the studio enlisted the help of Intrum Justitia to manage debt collection, but in just two years this cooperation has been extended to cover the entire payment administration process, now in place to handle payment activities.

"By outsourcing these functions, we save time and money so we are very satisfied with the current agreement," Horsts explains. "Instead of spending hours chasing payments, it's possible to focus on the more rewarding parts of the core business."

However, should he wish to track payment progress with certain customers, he can do so via the online Fair Pay tool.

"We have to make decisions on where we are going to invest and, of course, our core business always wins. If we need to work more on our business or if something changes, Intrum Justitia is flexible enough to meet our revised demands."

Another benefit is getting specialist advice before making decisions on payment issues, which enables Riga Motion Pictures Studio to make the best decision for any given situation.



Vents Horsts is Chairman of the Board at Rigas Kinostudija (Riga Motion Pictures Studio). Three years ago, he realised that they were spending too much time on credit management and decided to outsource.

- 
- ✓ **More time and room for development and growth**
 - ✓ **Greater transparency in accounting**
 - ✓ **Better customer payment discipline**

Ispcr is an Internet connection and IT solutions provider that is focused on the end customer.

This business strategy naturally creates debts and the Ispcr team of experts (dealing with technology operation, system administration, data security and protection or voice services) had no idea how to deal with them. The debt burden was growing and the company's cash-flow worsening, bringing the company to a financial crisis that needed to be solved.

"To tell the truth, we wanted to collect our debts ourselves first, but after calculating all the costs and bearing in mind our complete lack of knowledge and experience, I didn't see our chances of success as very real. We approached Intrum Justitia because of their good references and recommendations. Subsequently, we were able to contain our short-term financial crisis and eliminate discrepancies from our accounting," recalls Roman Moncman.

These were not the only positive aspects resulting from the decision to hand over the debt to the professionals on time. The people at Ispcr now have more time to improve and innovate the services they provide. And this is the key to success in a sector as dynamic as IT.

"The payment discipline of our customers has improved, but there are still some forgetful people. And that is why we are glad to be in a position to hand over the complete agenda to an experienced partner able to solve it on our behalf. I am extremely satisfied that everything works as it should and I would like to express my thanks to the skilful Intrum Justitia Slovakia team as well as to our colleagues," says Mr. Moncman.

"Thanks to the local Intrum Justitia office in Slovakia we are now running our business more effectively," says Roman Moncman at Ispcr.

**WHAT MAKES A GOOD CREDIT MANAGER:
FIVE WINNING QUALITIES**



**Most credit managers
need a strong cup of
coffee every day, but
to be successful you
also need a broad range
of skills and a proper
educational background.**

What makes a good credit manager

Discover five winning
qualities that will help
you succeed even better
as a credit manager.

WORDS WILLIAM ROSS / PHOTO BJÖRN ENSTRÖM



THE FIVE
INVALUABLE
QUALITIES OF
A CREDIT
MANAGER

Four different people, representing four completely different fields.

The one thing they have in common: their daily work involves issues related to credit management.

Each deals with a different set of customers and payment risk. Yet one thread binds them together: the need to reduce risk and be more efficient in leveraging their business.

1 AN ECONOMIC BACKGROUND: – it's not a position for a lawyer

Credit management, our experts say, is not about working from cast-in-stone rules and regulations. A good credit manager needs to understand economics, and be able to apply a broader economic view.

Pertti Koskeniemi, is Vice President of Fintoto Oy, a company that operates 43 racetracks and 750 off-track betting locations across Finland. He handles much of the credit management role within the company, aided by Intrum Justitia. Fintoto's customers in the off-track side of the business include restaurants, bars, gas stations and kiosks. He stresses that a good credit manager must first and foremost be able to provide solid economic information to begin making policy decisions.

"YOU HAVE TO KNOW HOW YOUR CUSTOMERS USE THEIR MONEY"

"You need to be able to forecast what is happening in the whole market. You have to have a feeling for consumers, how they are, and how they will be using their money. We have to have good information on what our competitors are doing. We can't be worried about the past. The economy in Finland has been good and unemployment has been low, but now interest rates are climbing, and prices such as housing are rising, particularly in Helsinki. That will have an effect on betting."

Håkan Johansson is CFO of wooden toy manufacturer BRIO. The company is in a very special environment, Mr. Johansson says, in which it has a huge number of customers all over the world – in Scandinavia, in Europe, the US, Asia, etc. Most are small toy retailers with not particularly strong finances. Yet, he says, the company has been able to realise a very low level of credit losses over the years. He adds that he sees credit management as playing an important role in the overall economic performance of the company.

"I see credit management as involving both risk management and business control. There is a tight connection between these two areas, and by working in this way, we have been able not only to decrease our accounts receivable, but also to increase our efficiency."



2 CREATIVITY: – not being stuck in old ways of thinking

“A credit manager must be able to respond to changing situations – they have to be creative, and quick thinking,” says Mr. Johansson. “Policies and guidelines provide a framework, but then the manager must use his or her own experience and skill to solve situations in a positive way.”

Ulla Warolén is Credit Manager at Citroën Sverige AB, the Swedish branch of the major French auto-maker. In her current position, she deals with about 170 customers. Her previous employer, however, was at the complete opposite end of the spectrum in credit management: working for a brewer manufacturing beer, soda and mineral water, Ms. Warolén had more than 30,000 customers. She agrees that, even in thinking about something that might seem as coldly



Pertti Koskenniemi,
Vice President of
Fintoto Oy, Finland.

rational as evaluating risk, the conventional wisdom is not always the best policy.

“The common thinking is that a company doing the selling doesn’t want to take risks, but that they want security. They don’t want to function as a bank for the customer, but rather want the customer to go to the bank and get the money needed for prompt payment.”

She instead suggests that a good credit manager steps back and takes a fresh approach to the customer’s needs, as well as the company’s in reducing risk.

“You look at them, and realise that it might in fact be difficult for them to go to the bank. As the seller, you want to sell your product. If you’re too conservative about who you extend credit to, then you risk losing sales.”

“YOU MUST
USE YOUR
SKILLS POSITIVELY TO SOLVE
SITUATIONS”

3 HAVE FLEXIBILITY: – understand that customer behaviour can change, and react accordingly

“RISKS
AREN’T ALWAYS
WHERE YOU
THINK THEY
ARE”

Of all the experts interviewed, perhaps no one faces as cyclical a business as Mr. Johansson of BRIO. Unlike many consumer purchases, most toys are bought either for a birthday or other special event, but overwhelmingly during the Christmas holiday season. He puts flexibility as one of the major factors in dealing with this fact.

“We have that huge peak over three months in the toy world. This means that we have relatively low risk for most of the year, and then the level of risk gradually begins to grow as we enter the autumn. A credit manager must be able to respond to changing situations quickly.”

Ms. Warolén provides an interesting insight into customer behaviour – reminding that risks are not always where they might seem most likely.

“You can’t be fixed in the way you approach customers, because it’s not the new customers that you lose money on, but the ones you have worked with in the past. With new customers, you’re keeping an eye on them at first because you don’t have a history with them,

but in fact it is the established customer who will suddenly show strange behaviour. You must always look at the customer with fresh eyes, because it’s after a year or so, when you’re not so careful, that things happen!”

Laurent Carlier is CFO of Befimmo, a Belgian real estate asset management company focusing on offices located in city centres. The company manages a portfolio of properties worth €1.8 billion, most of which are located in Brussels. Over 60 percent of the portfolio is let on a long-term basis to public institutions, providing lasting, regular revenue at low risk. Even the highly contractual world of real estate, Mr. Carlier says, requires a flexible approach to ensure that their properties stay as occupied as possible.

“In our business, time is critical because what we sell is intangible. We rent office buildings, and thus the right to occupy our premises. When time elapses, what we sell has no more value – we can’t ‘take it back’ and sell it to someone else. When a payment problem occurs, we have to act rapidly to evaluate the payment potential of the client. If there is the potential that the tenant will pay, we try to set up a payment plan that gives us the fastest possible payment of the debt, while being compatible with the cash-flow situation of the client.”

If even this fails, Mr. Carlier and his staff must be ready to move quickly to keep their “perishable” product occupied.

“If there is no potential, we must immediately begin the search for a new tenant. It is of prime importance to keep the vacancy rate low.”



Ulla Warolén, Credit
Manager, Citroën
Sverige AB, Sweden.

4 HAVE A STRONG SENSE OF THE CUSTOMER:

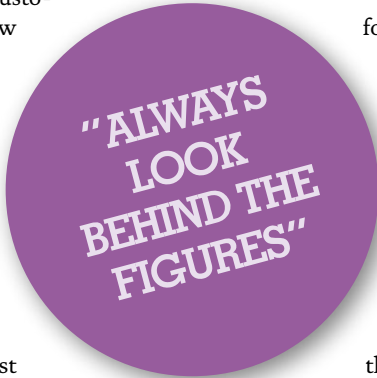
– understand who's really out there

"You must be able to look behind the figures," says Ms. Warolén. "In a big company, perhaps you won't be able to know individual customers well, but you need to know the difficulties involved."

With her current and past employers, Ms. Warolén has been faced with quite different situations in trying to come to grips with her customers.

"Previously, I had more than 30,000 customers; now I only have 170 customers – a network of 70 dealers and 100 service centres – on which I must make credit checks. The big difference today is that I know all of them. In the past, I had to rely on automation, so in many senses I was sending out notices without knowing the individuals I was sending them to."

For Mr. Carlier at Befimmo, knowing which customers to focus attention on is a critical part of his work.



"We currently have a portfolio of about 100 office buildings and parks, with an occupancy rate of around 97 percent. This gives us about 280 tenants, the top 20 of which represent about 80 percent of our rental income of €110 million. Because we focus our attention on these top tenants, Befimmo is relatively immune from major financial risks to revenue."

The long-term relationship of the company with its customers, and the intangible nature of real estate means a quite different set of requirements are made on the credit manager.

"The credit management function focuses largely on monitoring the smaller tenants. These are small to mid-size enterprises – the people who are tenants in our business centre, or shops in the commercial floors of our office buildings."

Mr. Johansson of BRIO and his credit managers are faced with the task of understanding a huge base of customers in countries around the globe. For him, too, knowing those customers is essential to continuing their good record of low credit losses.

"It's about credit managers being in touch. They are in touch with the markets, with the customers, and with our own sales people. We see this as a very important part of our risk management. Our internal credit managers are very close to the markets, and the

5 HAVE A GOOD CREDIT POLICY IN HAND:

– the right balance of risk vs. security can maximise sales

For Ms. Warolén at Citroën, a well-established credit policy is one of her best tools in making decisions regarding the level of risk she will take with her customers.

"When we consider the wil-

lingness to take risks, this is where the executives must make what is essentially a political decision about credit policy. But with that policy in hand, then the credit manager can rather easily make a decision."

Mr. Johansson agrees, adding that, for BRIO, the focus is on realistic, flexible solutions.



"It's absolutely a matter of all of us working together. Nobody is out there by themselves. And we have a strong emphasis that things must be practical. We don't want to draw up huge, heavy policies, but instead create systems that are practical and applicable."



Håkan Johansson, Chief Financial Officer of BRIO, Sweden.

customers, and that relationship with the customers is key to our success. It took some time, but we seem to have found the way!”

Mr. Johansson also brings to his CFO position experience from a completely different customer group in a very dissimilar field: forestry.

“In forestry, quite often you are selling your product through merchants and brokers. You have a very wide set of end-users in the general public, but a very narrow credit risk in who you directly sell to. Toys are a much more dynamic field, and one with much broader risks!”

The world of horse racing is, naturally all about risk – but hopefully, says Mr. Koskeniemi, knowing customer behaviour will help to keep the risk on the bettors’ side, not his company’s.

“No one has to bet. It’s all about how people are using their disposable income, and to foresee that, a credit manager must have a good feeling for the future.

Another interesting need, he adds, is in understanding new markets. Finland, like many parts of Europe, has seen an influx of immigrants from Asia and other areas.

“Many of these people are very hard-working, and soon establish restaurants and other businesses that might make them potential owners for us. The problem is that they have no established history, so we very much depend on the credit management company to help us understand their situation.”



Laurent Carlier, Chief Financial Officer of Befimmo, Belgium.

DID YOU KNOW THAT ...

... Conventional wisdom is not always the right way forward – do not risk losing a sale because of stereotypes attitudes.

... The trend toward consolidation in Europe’s retail market is having a major impact on many companies. Family-owned stores are giving way to super-malls, which usually represent a lower risk because of their stronger (and bigger) financial position, and will reduce the total number of customers.

... It is your established customers, not the new ones, who are likely to become a payment problem. The solution: keep that same critical eye that you had when they first became your customer.

A GOOD CREDIT MANAGER: THE INTRUM JUSTITIA VIEW



Kari Rahko of Intrum Justitia in Finland provides his customers with precisely the kind of skills our panel has described. From his viewpoint, working in credit management and with credit managers, he has some clear ideas of his own of what makes a good credit manager.

“If the manager is in a company, he or she will investigate the market – and then see what can be done by themselves, and what they can outsource. I

think they need to be local – it’s impossible to outsource a company’s credit manager position to someone in a different country and culture, as you can for manufacturing.”

Mr. Rahko says that Intrum Justitia’s general view is that if the client is a larger company, there should be a credit manager coordinating the company’s credit activities, even if much of it is outsourced.

“The company needs to have someone who can keep an eye on what’s going on. If they have a problem, then they can come to us, and we can usually provide them with the appropriate answer.”

With this internal control in place, he says, outsourcing provides many benefits for the customer.

“Credit policy, for example, is a problem for many companies. They simply may not know their own policy, or be in a state of trying to update the policy. Many of our customers have benefited from our assistance in formulating credit policy, or in updating it. Such efforts usually provide better results when an external specialist is involved”.

Moving way beyond Berlin's roofs

For Internet service provider TWBI, it's vital to develop its technology and adapt to new trends and changing markets. But when it comes to credit management, TWBI puts its trust in the pan-European know how of Intrum Justitia.

WORDS DIANA THIELE / PHOTO HANS SCHERHAUFER

With its skyDSL Internet service, Berlin-based TWBI (TELES Wireless Broadband Internet GmbH) is Europe's market leader in the field of satellite-aided unidirectional broadband Internet access. TWBI patented its skyDSL technology in 1999 creating the first system providing satellite technology to private customers and small companies at affordable prices. "With skyDSL, we have developed an alternative broadband Internet access via satellite, which is widely available throughout much of Europe, particularly rural regions. It can be integrated into the infrastructure of private homes and companies without waiting times and expensive investment," says Andreas Krüger, Managing Director of TWBI.

With its Internet service, TWBI is operating in an innovation-driven, highly competitive market and must adapt the speed of its technology development accordingly. The company does not find this difficult, because it has always relied on its own development where the investments pay off. But it was essential for

its credit management not to lag behind this development in terms of professional support.

"As soon as we entered the mass market business, the need to outsource our credit management grew rapidly," says Andreas Krüger. "With the system in use at that time, our accounts department was quickly reaching its limits. The process was too complicated, time-consuming and inefficient for the revenue involved."

TWBI also began to feel the impact of the deterioration in payment conditions in the consumer segment. When applications are received via the Internet, the company always checks the creditworthiness of the applicant based on available information, but it is not possible to foresee a future inability or unwillingness to pay with just one credit check.

"If you do business in the mass market, you must always take into account a certain failure quota," says Andreas Krüger. "But nevertheless, we would like to do all we can to collect credits that have already been written down."

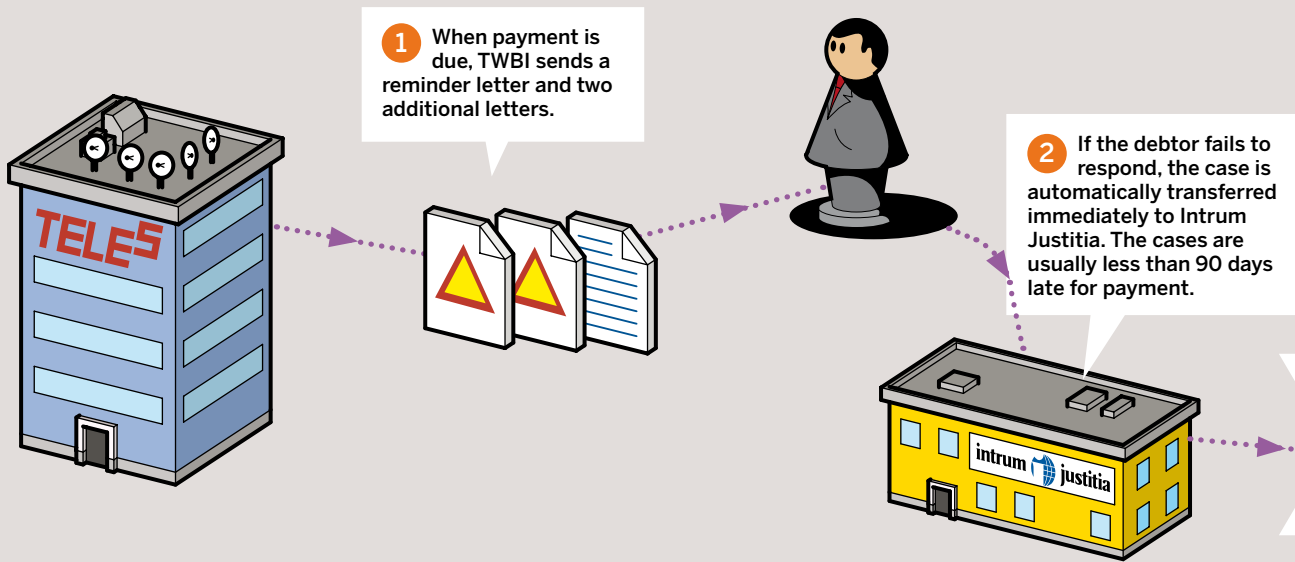
Which is how the cooperation between TWBI and Intrum Justitia started five years ago, when they ▶





As consumer sales moved skywards, TWBI chief Andreas Kruger needed to boost credit management.

This is how the cooperation between TWBI and Intrum Justitia works



TWBI's technologies closely mirror market and industry trends.



Rushing headlong to success in Italy, France and into Russia.

put their faith in the experience of the credit management company and entrusted it with the monitoring of credits already written down.

“As fast as TWBI develops its technologies and adapts to the trends of the industry, Intrum Justitia adopts an equally fast and flexible approach to adapting its credit management processes to the company’s changing circumstances. The partnership-style, uncomplicated cooperation with Intrum Justitia was a positive experience from the outset. Together, we went through the existing processes in the in-house accounts receivable department, improved many aspects and created more efficient procedures,” emphasises Andreas Krüger.

They then started the next stage of the partnership.

Because of the larger number of outstanding payments generated by the mass market business, employees in TWBI’s accounts department would have been tied up even more. In view of the positive experience so far, it was decided to entrust Intrum Justitia with the work of collecting domestic receivables.

And how does the Managing Director see the situation and development potential in his industry?

“Broadband expansion in Germany is still sporadic,” says Andreas Krüger.

According to official figures, around 1.2 million German homes rely on alternatives such as skyDSL to gain fast Internet access. But Andreas Krüger estimates the actual figure at around two million homes.

“Berlin, for example, is regarded as a DSL-

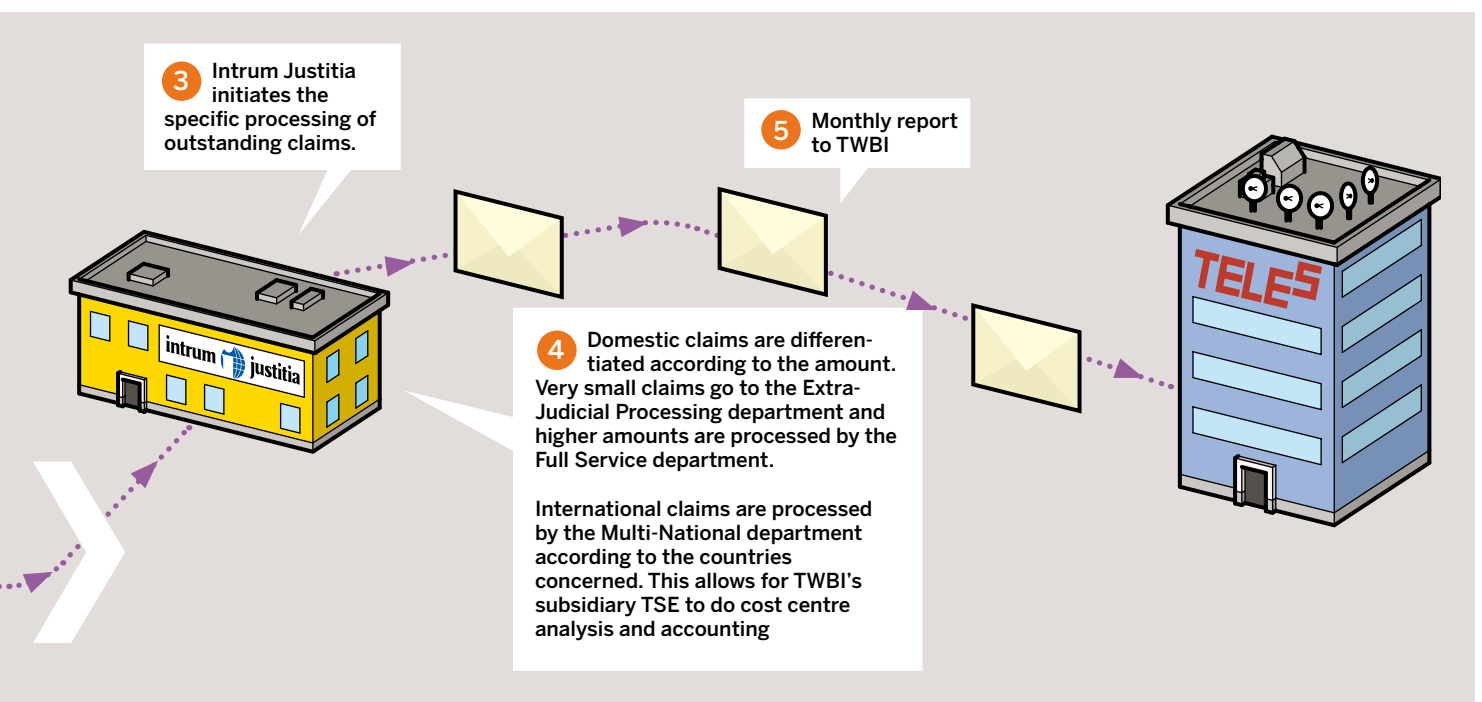


ILLUSTRATION SVENSKA GRAFIKBYRÅN

developed federal state, but there are still white areas here,” he says.

However, the greatest potential now lies outside Germany. Large countries such as France, Italy and Spain offer enormous growth potential, as does Eastern Europe – and particularly Russia. So it is hardly surprising that TWBI has decided to focus its efforts on Europe. Outside Germany, the Internet service will be marketed by its subsidiary, TELES skyDSL Europe B.V. (TSE), and by what are known as master partners. Ultimately, all enquiries from interested households and customers abroad will converge back in Berlin. The in-house call centre employs people who are able to provide information on the service and conditions competently in five languages. However, although this form of communication is running very smoothly, the same cannot be said of the creditworthiness check on foreign households prior to signing a contract. This is mainly due to the conditions that exist in the various countries, which make such a check very difficult, if not impossible. Payment terms and legal systems also differ – considerably in some cases – from national practices and legal principles, even in “areas that are geographically close”. So what was more obvious for TWBI than to use the pan-European presence of the Intrum Justitia group for collecting foreign receivables? Discussions are also in progress regarding the provision of up-to-date and solid information on the creditworthiness of new customers abroad, in order to find a satisfactory solution for TWBI here, too.

“I am convinced that in Intrum Justitia, we have a reliable partner for our international activities. Our geographical alignment coincides ideally with the geographical presence of Intrum Justitia. We are benefiting from the individual processing of accounts receivable on the spot in the country concerned, but have our permanent contact partner here in Germany,” comments Andreas Krüger.

By working alongside TWBI over a long period and also with the continuous exchange of information, Intrum Justitia is able to respond quickly and flexibly to the company’s changing needs.

“Because of the partnership arrangement and the great wealth of experience of Intrum Justitia, we usually find satisfactory solutions and improvements for our internal accounts receivable management process within a short period. Through the automatic process of transferring cases to Intrum Justitia, work times have been greatly reduced and more secure data transfer has been achieved. We are also benefiting in particular from obtaining receivables already written down and also from the efficient handling of new receivables,” says Andreas Krüger. ▶

Building international sales is TWBI’s strategic direction.



TWBI

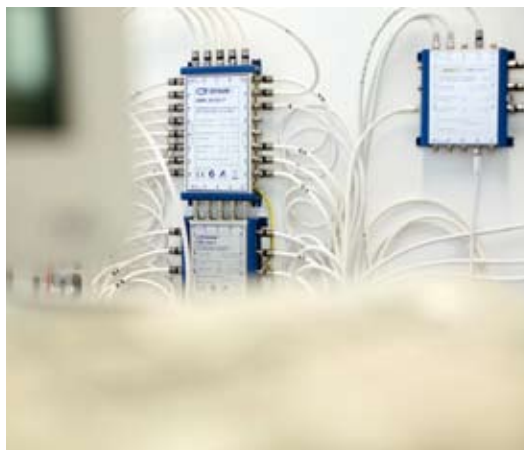
▶ With its skyDSL service, Wireless Broadband Internet GmbH (TWBI) offers widely available broadband Internet access via satellite in Europe. It offers all households a fast Internet connection, including in regions where there are no wired DSL solutions. SkyDSL can be integrated into the infrastructure of private homes and companies without waiting times and expensive investments.

▶ Number of employees: 40, of whom approximately half work in the in-house call centre that deals with enquiries from customers and potential customers.

▶ Number of customers: a total of more than 110,000.



Intrum Justitia’s pan-European experience is unbeatable



TWBI’s Internet services help connect Europe.



"We make every effort to collect every penny that is owed us because it is a good business principle and we are no less hungry than a start-up company," says Paul Isbell, Executive Director of Information Technology at Verizon Communications.

Complete focus on the expectations of customers across their entire experience with a mobile service supplier is vital says Verizon's **Paul Isbell**.

WORDS DAVRELL ROBERTS / PHOTO WILLIAM VAZQUEZ



“Customers must be happy – even with bills”

Could you describe your credit management system?

“Our billing operation is highly automated, extremely precise and predictable.

“We have rarely had to restart a billing run. To ensure that new features and technologies do not disturb our work, we test thoroughly. Regression testing is mandatory for new functions. Strict discipline is necessary to ensure that every mistake is caught before we produce a batch. It’s a bit like a confectioner messing up a formula. The last thing you want is 50 million candy bars that nobody can eat.”

“All of the cheque payments are optically scanned and submitted to accounting with little human labour. Once we receive payment within 24 hours, 99.99 percent of all payments are posted to accounting.”

How does competition for customers in a competitive industry like yours affect credit management decisions?

“When customers fall behind in payments we call them, e-mail them and mail collection notices. They receive notice in an envelope that has a slightly different appearance. If someone has lost a job or has difficulties, we will try to come to an arrangement to stretch out the payments, reducing the level of service if necessary. But we insist that they keep up with current payments per each state’s regulatory rules. Consumers respect our need for rules.”

“We always take into account past performance. Individuals with unpaid bills,

who have moved from us to T-Mobile and on to AT&T, cannot conceal their credit misbehaviour.”

How is Verizon on the way to being paperless?

“All our customers can go online and get information about their bills, and we currently make more than 9 million paperless billing transactions each month. But we don’t push people of my parents’ generation to leave their credit card number over the Internet or telephone if they don’t feel comfortable about giving out that sort of information. The customer must be happy with the entire product, including billing.

Often change in billing comes best with change in product and technology. It is easier to go paperless when we move customers from copper to fiber-optic cable.

How are customers coping with the sub-prime crisis in the US?

“I recently saw a man in India riding a mule but he had a mobile telephone. We are living in the age of communication and nearly everyone needs to be connected to their phone, television and Internet connection. Consumers can cut back on eating out, but they must remain connected. We provide essential services that are good value.

How does B2B billing differ?

“We have large customers with thousands of users who pay us with a single cheque at the end of the month. Some organisations make hundreds of separate payments. We accommodate the needs of customers in both the public and private sector. If they

want all of the records on CD we provide them. If they send us a single enormous excel file for reconciliation, we can deal with it. We have invested in technology to handle these situations without employing an army of clerical staff.”

You obviously love your job and the challenge of credit management, what do you do in your spare time?

“I work quite a few hours a week (laughs), but I make certain that I get to the gym and work out. That is my addiction. Every other moment I have goes to my family. I have two sons and whatever activity they are currently engaged in becomes my hobby too.”

PAUL ISBELL'S TOP 5

- 1. Never forget** effective billing and collection is the basis for a dependable revenue stream that creates value for your shareholders.
- 2. Give the customer the information** they require to understand their bill.
- 3. Show flexibility** in adapting to the customer’s methods of payment and reconciliation.
- 4. Get the billing,** credit and collection decisions done according to schedule.
- 5. Never modernise simply** for the sake of rationalisation; make sure there is a business case for replacing something that works.

Why is it so hard for ITALIANS to PAY ON TIME?

While Italy's economic growth has in no way led the continent, it has been showing some signs of improvements in the last few years. This would make one think that the Italians are becoming a better credit risk. Not true, though. Instead, they have become slower to pay their bills.

WORDS RUSSELL J.T. DYER / PHOTO GETTY IMAGES

In addition to slight economic growth in Italy, unemployment has fallen to 6.5 percent – one percentage point below the European Union unemployment rate for the same period. With more people employed, one would think that bill paying would become easier and therefore quicker. And yet it hasn't. According to Intrum Justitia's European Payment Index (EPI), which reports on international trends related to credit management, statistics show that Italians have become slower to pay their bills: "Unlike previous years . . . all regions show a positive trend. The only exception is...Italy. Italy is one of the few countries where payment risks increased".

So why are Italians becoming slower payers despite economic growth and greater employment levels? To answer this, Intrum Magazine spoke with a

“
Italians
tend to be
financially
practical

couple of people interested in the subject in Milan, the center of banking and credit for Italy. Tiziana Peverelli – who works at a large credit card company in Italy – says that from her observations, “many Italians tend to be inexperienced when it comes to the handling of credit cards. Many of them are still fairly new to using them and are not yet familiar with the level of self control necessary for managing short-term credit.” She goes on to say that credit cards and even debit cards are something that has grown in popularity only in the last few years in Italy. In fact, most Italians tend to pay their bills in cash at the post office and not by cheque, by mail, or at a bank.

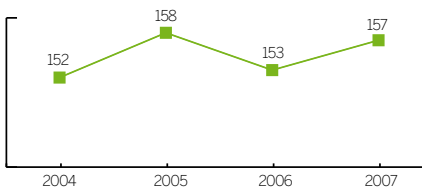
“So it's not surprising,” Ms. Peverelli says, “that Italians are having difficulty adjusting to a lifestyle involving short-term credit.”

In speaking with Federico ▶

Design-focused Italians are fast getting the credit card habit. But inexperience in managing short-term credit is creating late-payment problems.



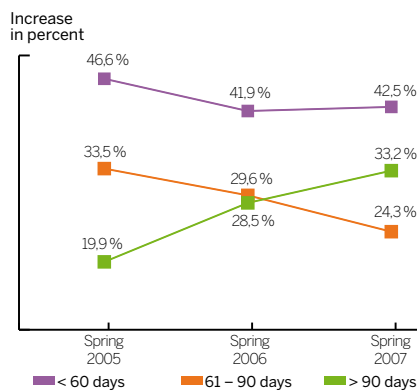
PAYMENT INDEX*



Payment Index shows Italians are slow to pay bills

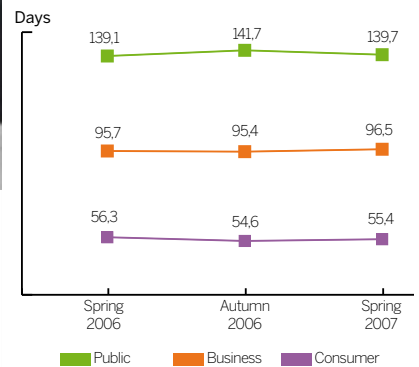
*Payment index: A value of 100 means that there is no underlying credit risk. 101–124 points means that one should be cautious and implement control mechanisms. From 125 points measures to reduce the risk profile become increasingly more important, while from 175 points this is a total necessity.

INCREASE IN NUMBER OF OVERDUE INVOICES



Average payment term: 73 days.

PAYMENT DURATION OVERVIEW



Rajola, a professor at Università Cattolica in Milan and a Director of the Center of Financial Information Technologies at the university, he agrees with Ms. Peverelli's observations and adds that much of the short-term debt methods that Italians are using are not only credit cards, but primarily include credit offered to them by retailers of consumer products (e.g., electronics and household appliance stores).

"Italians tend generally to be financially practical and are willing to buy something like a new washing machine or other home products. While most of them don't have credit cards yet, and therefore have no experience with short-term credit instruments, they can often be convinced of a short-term loan for the purchasing of domestic products."

Dr. Rajola goes on to say that "it's worth noting that more than 80 percent of the short-term debt of Italians has been provided and pushed on them by foreign companies eager to sell their products and to lend their money to unprepared consumers." The European Payment Index report also indicates that while Italians are slower to pay, their credit risk with regards to eventually paying has not worsened. To this, Ms. Peverelli points out that: "Italians are very good savers. If they can't pay a

bill from their income, they'll eventually pay it from savings, although they are reluctant to use savings for daily expenses – this is one of the things that makes them good savers. Paying one's bills is inherent in the Italian culture."

From these observations, it would seem that the payment risk of Italy should improve within a short time, with experience. The flaw in this assumption, though, is that while many Italians are learning to manage their short-term credit, many more will be getting their first credit cards or signing their first short-term notes for consumer products over the next few years. So the negative numbers may continue for a few years more before we can expect improvement.

But what of the apparent economic growth of the Italian economy? Are there other hidden factors in the numbers that contribute to the incongruence with payment risk? Dr. Rajola suggests one other major factor, that of conversion of the Italian currency from the lira to the euro. While the euro has been promised to be an economic cornucopia, some have argued that the reality is quite different. According to Dr. Rajola, "the exchange rate of the lira (if it still



Paying one's bills is inherent in the Italian culture.

existed) to the euro has nearly doubled since Italy switched to the euro."

"In essence, the valuation of a currency is an indication of the condition and the buying power of an economy."

Dr. Rajola suggests that the euro does not closely track the real conditions of the Italian economy and the purchasing power of Italians. This is another disparity with which Italians are having to come to terms, another factor which affects their credit management.

Again, it may only take time for Italians to become more savvy in managing short-term credit, as well as for more of them to join the ranks of short-term borrowers and to go through the learning process. And if Dr. Rajola's localised economic assessment is correct, it may be even longer before Italy achieves true long-term and stable economic growth. Until then, lenders offering credit to Italian consumers will need to make allowances during these transitions. They should also keep in mind and take consolation in the point that Italians generally do make good on their debts, although they may sometimes be slow to do so. ▸

GET THE
NEW EPI-
REPORT

The source European Payment Index

► **Get all the latest figures about Europe's corporate and consumer payment track records in Intrum Justitia's annual European Payment Index, with a new report available from early June. The report is the result of a written survey, distributed in over 20 European countries, encompassing several thousand companies.**

HOW TO GET THE REPORT

Send an email with your name, your company name, title and where you live to info@intrum.com

Commission means business with the EU Small Business Act

On the initiative last year of French President Nicolas Sarkozy, calling for a US-style Small Business Act for Europe (SBA), the Commission is currently looking at ways to improve the business environment for Small and Medium Enterprises (SME) with the goal of including this in an EU Small Business Act.

The SBA, which is expected to be published on June 11 this year, will specifically aim to cut red tape, increase SMEs' access to European programmes, increase their share of public procurement contracts and reduce obstacles to cross border activity, as well as examine how taxation policies affect SME growth.

EU Enterprise Commissioner Günter Verheugen has already hinted at its substance, rejecting one of the main features of the US scheme whereby a 23 percent share of public procurement contracts are reserved for SMEs, for instance.

However, issues such as late payments will also be taken into consideration in the SBA, as the Commission has increasingly recognised that this crucial problem also presents a challenge for the thriving of SMEs. Intrum Justitia has been asked by the Commission to provide suggestions and recommendations on how to take this aspect into account in the Act.

The Commission has pointed out that it acknowledges the diversity of the SME community, i.e. craft and small businesses, social economy enterprises and family-run SMEs, which all show potential for strengthening European growth. However, the Commission at the same time has made it clear that it is equally important that Member States also step up their efforts and put their SME policy higher on their national agendas.



6 GOALS

Achievements through the Small Business Act

- ▶ Putting SMEs and entrepreneurship at the forefront of society – include new initiatives to reduce the regulatory burden on SMEs.
- ▶ Facilitating access to Single Market/public procurement.
- ▶ Supporting SMEs' access to finance and innovation – help provide necessary financial and human resources for SME development.
- ▶ Enhancing the implementation of EU SME policy principles.
- ▶ Examining how taxation policies and practices affect SME growth.
- ▶ Proposing a European Private Company statute to facilitate cross-border activities of SMEs.

Different views from stakeholders

Small businesses should not settle for anything less than a legally binding act providing a solid basis for SME policy in the coming years, according to Secretary General Andrea Benassi of UEAPME (European craft and SME employers' organisation). He furthermore insisted on the application of a real "think small first" principle, by which small businesses are treated as the rule rather than the exception in policymaking at EU and national level. Benassi has called on the EU institutions and on the forthcoming EU French Presidency

(July-December 2008) to close the dossier by the end of 2008. "The Small Business Act is an opportunity that cannot be missed to finally shift the SME policy debate from rhetoric to action," he said.

SMEs' ability to compete effectively in an increasingly challenging global market is compromised by a complex regulatory framework and the unfavourable attitude to enterprises by key public and private stakeholders and society at large, according to Arnaldo Abruzzini, Secretary General

of Eurochambres (Association of European Chambers of Commerce and Industry). The Small Business Act (SBA) can provide answers to most of these SMEs' concerns. However, Eurochambres is urging the Commission to thoroughly reflect on a legal framework that will make the SBA binding.

"We ask the Commission to be ambitious, to go further than the US-style SBA and beyond a mere action plan or a charter. We need actions, common targets and progress to change the reality for small businesses on the ground".

Words by EU Enterprise Commissioner Günter Verheugen

"What I have seen as my most important personal task was the change in mind-set: to convince policy-makers that SME policy has an extremely positive cost-benefit-ratio. To convince economists and media that SME policy is a big issue even if the individual SME on its own may not be so large. And I have tried to convince the SMEs themselves that they must be more active and defend their interests in a much stronger way".

"We have chosen the word 'act' which is not common in the EU legal language in order to demonstrate the unique character of this initiative. It will be a combination of legislative actions, political commitments and concrete practical steps. If we are lucky we can fill the remaining gaps and solve the remaining problems for SMEs in one sweep".

53114...

... The record number of people declaring themselves bankrupt in England and Wales in 2007, almost 44% up on 2005 and double the figures for 2004, according to the UK's Ministry of Justice.

Shamed debt collection agencies to be named

▶ The UK's Credit Services Association (CSA) has said it will do more to publicise the names of those it expels from its organisation. In a bid to help the reputation of the debt collection industry amid calls for greater scrutiny, the CSA already expels one or two members every year who repeatedly breach the organisation's guidelines. CSA executive director Kurt Obermaier told Credit Today that the CSA aims to ensure rogue agencies are not admitted in the first place, but that it will 'name and shame' those who damage the industry's reputation.

Chatting online with debtors

▶ The Dutch Intrum Justitia team have successfully harnessed the networking power of the Internet to open up a unique chatline for debtors on their national website. "Our chatline has proven a big hit with visitors to our website, attracting some 45 chats in just the first four days," says Wendy Gardien of the Intrum Justitia Netherlands team. The online Dutch 'Intrum Magazine's Web' site includes an online payment tool called Ideal, allowing debtors to transfer payment from their own bank to the Intrum Justitia bank account. Debtors can see whether any of IJ Netherlands collectors are also logged on to the chat function. "This innovation is in line with our brand promise about understanding people and how they like to communicate with us – and shows how such insight feeds innovative approaches," says Wendy Gardien.

Living the Intrum

Intrum Justitia's brand promise is about delivering services and products that help all our customers, large and small, to profit from working with us. It is a promise that embraces our values, our mission and our vision about what we are, what we want to be and how we act to get there. Below we explain how together with our customers, we want to transform a traditional industry with new customer-driven business approaches.

1. Heart of a brand

Today's successful companies are seeking to offer services pulled by customer expectations rather than pushing ready-made solutions at them. Intrum Justitia has spent the past year developing a new brand promise that will define and guide the company in its approach to customers.

Recognising that the credit industry, which traditionally has opposed challenging existing behaviour, is in transition, Intrum Justitia took a long, hard look at what exactly constitutes value to customers in different markets around Europe.

"We have tapped into the collective experiences, skills and innovativeness of thousands of people, internally and externally, to define a brand promise for ourselves that is both differentiating, true and will bring greater value to our customers," says Michael Wolf, CEO at Intrum Justitia.

"The end result is what we call our new brand promise, which we believe neatly captures today's zeitgeist of demanding customers as well as their own customers and their ever-higher expectations."

2. On being customer-driven

Simply telling a customer how great the company is will not work, especially in the long run.

"You have to live being driven by the needs of customers and their own customers – it is something we have to demonstrate and prove every minute of the day, however or wherever we meet the customer. Delivering on the Intrum Justitia brand promise is about being true to our core purpose and core values," says Michael Wolf.

3. Taking a deep look inside ourselves

Important questions for any company to ask themselves from time to time are "what is our role in society?" and "what would be missed if we ceased to exist – why should anyone care?"

That is exactly the premise Intrum Justitia used at the start of its voyage of discovery into the essence of the company's very being.

After months of painstaking study and analysis, Intrum Justitia found its answer in the belief that it can and should be a catalyst for a sound economy, facilitating business and helping to create sound economies by making trade between people and business simple, safe and fair. Making

it easier for money to change hands by reducing the risk of no-payment will generate more trade, which is good for society, companies and business.

The bottom line is that Intrum Justitia's role is not only about collecting money people owe others, but also to provide financial solutions to stimulate and facilitate trade and business.

Intrum Justitia takes a pro-active interest in raising the awareness of sound credit management and payment behaviour. A number of Intrum Justitia offices throughout Europe are actively engaged in promoting financial education throughout the public, especially teenagers (through school projects, information tents, tv-commercials etc). The goal is to create greater awareness of sensible spending, and how to manage income versus expenditure in a responsible and sensible way to avoid the risk of landing in debt that can spiral out of control.

4. From words to action

Intrum Justitia has decided it must ceaselessly work with its heart, brains, guts, hands and feet.

The heart of the company and its offering is about understanding people, its own, its customers and their customers, and the decisive success factors behind their businesses. Leveraging brainpower is about ceaselessly seeking insight to feed innovative solutions to real life situations. Having guts is all about committing to the challenges of the marketplace but even more to decisively solve the financial worries of both Intrum Justitia's customers and their own clients, which often is a very delicate matter. Walking the company's talk with its hands and feet is about making a tangible difference by delivering performance.

5. Migrating brand power into 'new' products and service solutions

Credit management services, including debt collection, are at the core of



The colour is green! Intrum Justitia's new graphic profile reflects the passion for innovation in a traditionally conservative industry.

Justitia brand talk



Intrum Justitia's brand promise is all about partnerships with customers ... and their end customers.

all the services Intrum Justitia delivers. However, the emerging new brand promise goes one exciting step further.

The promise is about the company migrating to a world where it is not just what is delivered, but HOW those solutions are delivered that matters. Intrum Justitia believes that by helping empower its people with a deep understanding of finance, business and people (or human nature), it can prove even more valuable in the future to its customers.

"What we want to do is leverage the knowledge we have about the end-customers of our clients to provide solutions that increase efficiency, generate business and strengthen relationships.

"We understand winning business takes time and money. That's why we will do our best to facilitate business to increase the value for our customers and by understanding their needs and

those with whom they do business better than anyone else in our industry. We will be able to deliver superior solutions."

6. What will it take to forge one strong company driven and fully aligned with customer strategies?

Intrum Justitia's core competence lies in human relationships and in understanding how people reason and react, externally and internally. That is why the company aims to continuously attract, develop and keep the best people in the marketplace.

Because change does not happen overnight, it also demands courage, stamina and bedrock belief in the ability to help take our customers to new heights of profitability as one, strong pan-European company. ▶

CREDIT MANAGEMENT SERVICES AND BENEFITS

Intrum Justitia offers full-service credit management solutions providing clients the proper advice and support that enables them to do better business. Credit management is about prospecting and segmentation, reducing risk based on relevant data. It also includes payment efficiency, from financing and billing to notification and contact with customers, through to the final collection process. Systematic credit management increases the success factor and has a proven effect on profitability.

INTRUM JUSTITIA VALUES:

UNDERSTANDING PEOPLE

– because relationships are more important than ever. The customers our clients have earned should be treasured and treated in a way that builds relationships, which is more profitable to our client's long term. Because we understand people our success rate in the job we do will increase.

SEEKING INSIGHT TO FEED INNOVATION

– because in a complicated world you need to have the insights to find the simple solutions that will increase efficiency and make it easier for both our clients and their clients.

COMMITTING TO CHALLENGE

– because we often deal with delicate matters. Either our clients are in financial trouble or their clients may be. We need to face this challenge and solve it, wholeheartedly, with a strong commitment.

MAKING A DIFFERENCE

– because being big and broad is not enough. It is our performance in every case that matters. An outstanding performance is followed by an outstanding engagement in the people we serve and the society we live in.

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DEBT,
BANKRUPTCY,
FINANCIAL WORRIES.

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Better business for all