Intrum MAGAZINE

THE CREDIT MANAGEMENT MAGAZINE FROM INTRUM JUSTITIA

NO.1 | 2011

EUROPE FORECAST 2011

6 DOS & DON'TS for getting paid

SHARED VALUES FOR GROWTH
Intrum Justitia helps Nordea Bank provide superior service to its customers

GAME CHANGER
Julie Meyer finds e-businesses that change the world

BOOMING BUSINESS

E-commerce sales are stronger than ever – learn how to maximize your cash flow

Editorial

Secure your long-term profitability

Portugal has imposed deep spending reductions, Spain has raised its retirement age and Greece has slashed wages, yet the debt crisis in Europe is far from over. IMF Managing Director Dominique Strauss-Kahn underlined the ongoing severity of Europe's economic woes by noting at the close of 2010 how Ireland and Greece are "at the edge of a cliff" with some other countries "not far from the edge." Speaking at the World Economic Forum Annual Meeting in Davos, Switzerland, on 28 January, German Chancellor Angela Merkel stated that "indebtedness is the biggest danger for prosperity" on the European continent.

Britain is a telling example of how the financial crisis led to a credit crunch, then recession (the longest since British records started, with a 6.2 percent fall in output) and now a full-blown debt crisis. According to the Office for National Statistics, the debt owed by British taxpayers will hit a staggering £1 trillion by the summer. The potential consequences are numbing. Amid warnings that 100,000 British companies – with a combined debt of £58 billion – are experiencing financial distress that could result in over 23,000 firms going bust in 2011, government spending cuts are hitting home, domestic demand is weakening and creditor attitudes are hardening.

One piece of good news is that the European Parliament has finally approved a new directive aimed at reducing late payments. From 2013 onwards any company that takes over 60 days to pay an invoice will be fined under the new EU directive and face strict penalties and harsh interest rates, which should ease the cash flow burden on small and mid-sized companies.

The overriding message in these turbulent times is that firms of all sizes must prioritise protecting their futures through targeted credit management. The lesson we have learned from this downturn is that there is no substitute for meticulously managing your credit, from initial credit checks, to invoicing and sales ledger services, to reminders, debt surveillance, and collection of written-off receivables. There is no magic in securing long-term profitability – just a hard, focused effort on staying in control of your bottom line.

LARS WOLLUNG, PRESIDENT AND CHIEF EXECUTIVE OFFICER, INTRUM JUSTITIA

IN THIS ISSUE:

HOW CAN WE HELP YOU?

We have several key reports, white papers and business cases that can give you insight into payment behaviour, trends and risks. We can also assist you in the acquisition stage.
Want to know more? Email us at intrummag@intrum.com so we can send you the necessary information and/or reports.
Better business for all.

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E-commerce soaring in Europe

Several recent reports confirm that e-commerce is stronger than ever in Europe, despite the economic downturn, and predict that in the coming years online sales will take an increasingly large share of the retail market. Cross-border online sales, however, remain a challenge.

According to the Centre for Retail Research (CRR), the total e-commerce market in Europe was worth €172 billion in 2010. Continued growth is forecast for 2011, with online sales in Europe expected to increase by 18.7 percent to €202.9 billion.

J.P. Morgan's recent report "Nothing But Net: 2011 Internet Investment Guide" is also optimistic about the market.

"E-commerce is benefiting from several positive trends, including the continued roll-out of broadband, increasing user comfort shopping online and the decline of certain brick-and-mortar retailers," writes J.P. Morgan analyst Imran Khan.

The report predicts that global e-commerce revenue will increase in 2011 by 18.9 percent to €501.7 billion, and will reach €710.5 billion by 2013. Europe is listed as one of the most promising markets, with online revenue expected to grow to €208.8 billion by 2013.

E-commerce growth in Europe, however, is stronger in some countries than others. CRR's research revealed that three countries – UK, Germany and France – account for 71 percent of European online sales in 2010. According to Eurostat, the Statistical Office of the European Commission, northern Europe is the most mature e-commerce market, where between 60 and 80 percent of all internet users are e-shoppers.

Though many are positive about overall growth, a working paper from the European Commission has found that cross-border e-commerce is lagging. According to their study, "From 2006 to 2008, the share of all EU consumers that have bought at least one item over the internet increased from 27 to 33 percent while cross-border e-commerce remained stable (6 to 7 percent)."

Nevertheless, the Commission found that one-third of EU citizens would consider buying a product or a service from another member state via the internet because it is cheaper or better.

By Chad Henderson

Debt advisers hit by downturn

Hundreds of debt advisers in the UK are being forced to stop taking on new cases because their funding is being axed. For the past five years, the £25m-a-year government-sponsored Financial Inclusion Fund has been paying for about 500 specialists in England and Wales to give free advice. Funding ran out in March and the government has said it will not be renewed.

Credit cards used to cover debt

A recent report from the UK's Post Office has revealed that 11.5 million people used credit cards to cover daily living costs in January. Meanwhile, figures from British housing charity Shelter reveal that more than 2 million people have resorted to paying their mortgage through additional borrowing on their credit cards, a 50 percent increase on 2010.

Q&A
LES CLIFFORD

Do all CFOs actually want to be CEOs? What are the biggest challenges CFOs currently face? These are some of the questions Ernst & Young answers in its recent report The DNA of the CFO, based on an in-depth study of senior finance professionals in Europe, the Middle East, India and Africa. Les Clifford, Chair of Ernst & Young's CFO program in the UK, tells Intrum what they discovered.

Q: What were some of the report's key findings?
A: It turns out that most CFOs do not see themselves as CEOs in waiting, and that 73 percent want to remain in their role. We also found that though we are going through a period where companies want the CFO to play a strategic position, fundamentally what the business is looking for hasn't changed – making sure there is good cost management and working capital, that the finances are under control. With the recent economic downturn, all those things are back on the agenda, as well as a requirement to deliver cost savings.
Q: How else has the role of the CFO changed since the financial crisis?
A: First and foremost the business needs to be able to trust the numbers they have. For a while everyone assumed that trust was there, then a lot of people starting questioning the financial integrity of those numbers. So first, CFOs need to provide sound financial information and keep their houses in order, but once those foundations are in place, then the CFO can provide a partnership role, looking into new strategy directions, new forms of funding, and new ways of communicating.
Q: How can CFOs be both strategic and objective?
A: This is the balancing act, and where the challenge is. Many CFOs in the US still have strongly finance-oriented roles, since companies there often have COOs. In the regions we studied, CFOs often have a strong number two financial officer and they can therefore take on more operational functions. Also, when organisations are looking to cut costs, in many ways the CFO is best able to demonstrate to the rest of the business how operations can become more efficient, so he becomes a leading light for cost-efficiency programs, treasury management, IT issues and outsourcing. However, if you are the lead person in those areas, but also control allocation and resources, there can be a conflict of interest. So transparency becomes very important, as well as how you communicate to the rest of the business.
Q: How can CFOs communicate more effectively?
A: What came through in the report was that many CFOs are generally well groomed, well trained, and very comfortable dealing with regulations, reporting and working with the board, but when you start moving into the public arena and the media, they identify this as an area where they need more support and training. The CFO has traditionally been seen as a spokesman for finances, but now they are needing to respond to questions about the entire business. Particularly to investors and external stakeholders, CFOs should be able to present a joined-up story about different reporting and financial aspects as well as the business as a whole.

By Chad Henderson

Long rebound for EU jobs

Top IMF economist Olivier Blanchard has warned it will take "many years" for job markets in Europe to recover fully from the effects of the global financial crisis. He said that although few jobs are being shed, a growth forecast of 2.5 percent in the world's advanced economies for 2011 and 2012 means unemployment is likely to remain stagnant for the next two years.

MAXIM

MIZING YOUR E-COMMERCE SALES

E-commerce in many European countries is skyrocketing, and more people than ever want to shop online. But the days of internet startups growing first and worrying about profit later are long gone. Find out how you can plan for profitability from day one.

BY STAFFAN J THORSELL

Take any e-commerce company, and you will most certainly find that their core focus is to sell their products to satisfied consumers, while increasing productivity and lowering costs. Yet one bump in the road to sustained profitability is the absence of efficient credit management. Late payments or no payments are often catastrophic to a company's cash flow.

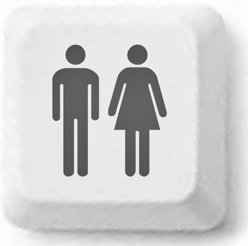
A recent report from J.P. Morgan predicts that e-commerce revenue will grow 19 percent worldwide in 2011, but it also states that large companies such as Amazon are outcompeting smaller players, and that differing payment systems from country to country can limit business growth. Considering the increasingly competitive online market, it is now more important than ever for e-commerce companies to think about how they will manage payments from the very beginning.

"We have seen that there is a lack of an effective infrastructure for e-commerce in many European countries, and especially cross-border," says Per Christofferson, Director of Credit Management Services at Intrum Justitia. "Any payment failures are a loss for companies. In fact, 25 percent of companies that go bust in Europe, do so because of late or no payments. So many e-commerce businesses still have to rely on consumers who want to pay by credit card."

E-commerce businesses can also spend valuable time and resources chasing down late payments, instead of focusing on their core operations. To ensure profitability and drive growth, companies need to focus on what they do best, supported by a credit management policy that covers the entire financial supply chain.

According to Per Christofferson, sound credit management can begin at the stage when the actual transaction or sale takes place, or even earlier. "In that way we can not only help e-commerce businesses to lower costs, reduce errors and increase productivity, but also allow consumers to feel more secure and prevent them from ending up in debt," he ▶

OPTIMISE YOU



FIND PROFITABLE CUSTOMERS

The foundation for any successful transaction is laid long before the invoice is sent out. From day one, Intrum Justitia's analysis model will help you find the best customers for your business to protect your profitability and secure your cash flow.

INTRUM JUSTITIA SERVICES

- Credit information
- Credit decision
- Credit monitoring

By offering invoicing as a payment method you can increase sales, since this makes people feel more secure when shopping online. Intrum Justitia can help your company with the whole invoicing process, making sure that all follow-ups are precise and swift.

says. "And that is in line with our mission to be a catalyst for a sound economy."

Christofferson explains that the trends in e-commerce today are obvious. E-commerce companies are no longer local. Inevitably they are becoming global, and not only because they want to – they are being compared, evaluated and featured on websites all over the world and have to adjust to the global e-market climate. In other words, today consumers expect to be able to do their shopping and business online.

With this as a backdrop, there is currently a shift towards also paying by invoice. A higher number of consumers want to see the products before they pay for them. Of course this means that e-commerce businesses are faced with more financial administration and more insecurity about getting paid on time.

Per Christofferson

"We want to be a one-stop shop for solutions that make e-commerce businesses' financial supply chain run more smoothly," Christofferson says. "If we can assist from the beginning, with prospecting and by offering information about our clients' customers, until the transaction is finalized by the payment of the invoice, we can unlock our clients' cash flow."

The services that he expects will allow for this to happen are, for example, scoring models in which credit information and payment behaviour determine whether or not a specific type of company will pay on time, prognoses, and balancing systems in which Intrum Justitia can keep track of payment patterns and credit status.

"We can help handle our clients' whole invoicing administration. And this can work both online, where we handle the invoicing from the start, or at a point-of-sale, like a store. From here, the store clerk would be able to connect to our systems and we would be able to offer the same information to that person as we do in the e-commerce channel," Christofferson says.

"THERE IS CURRENTLY A SHIFT TOWARDS ALSO PAYING BY INVOICE"

He explains that the benefits are obvious. Some of Intrum Justitia's clients have raised their turnover by more than 30 percent when offering invoice as payment method – people feel more secure to make more purchases. And Intrum Justitia can support their businesses in 22 countries.

"Many e-commerce companies may have launched without thinking about credit management," Christofferson says. "But this has to work. It is an investment to have an efficient payment system. They have to get many deals in place with different consumers and companies, which mean a lot of administration. We can handle all of this for them."

But there is also a more philosophical aspect to smooth credit management, according to Christofferson.

R CASH FLOW

INCREASE SALES

INTRUM JUSTITIA SERVICES
- Invoicing
- Sales ledger services
- Reminders
- Customer services
- VAT refund

GET PAID ON TIME

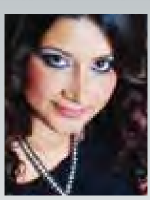
Are your invoices being paid on time? 25 percent of companies that go bust in Europe do so because of late or no payments. Companies often wait too long before starting the collection process, but with Intrum Justitia's expertise, large databases and analysis tools you can stay one step ahead.

INTRUM JUSTITIA SERVICES
- Debt collection, amicable and legal
- Debt surveillance
- International collection services

"We want to work for both consumers and e-commerce companies," he says. "We say that society as a whole is one of our stakeholders. At the same time as we help our clients with credit management, we aim to help consumers avoid debt traps and other problems. We can help them with payment plans and advice. At certain times in certain situations perhaps a consumer should postpone a purchase."

Christofferson says that it comes down to ethics. "We need to offer ethical, sound solutions that benefit the economic climate in general. We want to offer services that can benefit people at both ends of a transaction."

3 E-COMMERCE COMPANIES ON CREDIT MANAGEMENT



Jeminee Solanki, designer and MD, Jeminee.com, operations in the UK and internationally:

Have you had a customer who did not pay?
"We had a customer who paid using PayPal, who dialled the wrong number when trying to contact us and decided to withhold the payment as he was angry for not being able to contact us. PayPal has a resolution centre where we could speedily resolve the dispute, leaving the customer very happy."

If you were starting your e-trade company today, what would you do differently?
"My first website was very pretty but mainly focused on the aesthetic and design. I have recently had my website redesigned focusing on the sales. It is important to think of the commercial aspect of the website. My customers were lost on my first website and most of my orders were taken over the phone as people did not realise they could purchase online. I would look at websites you aspire to and speak to experts in the area to get an informed opinion on how to start your website."

Camilla Günesli, CFO, Adlibris.com, operations in Sweden, Finland, Denmark, Norway:

What does credit management mean to your business?
"It's a big part of good customer service to be able to offer many different payment methods. The check-out is the last stage of the purchase and a smooth payment process heightens the shopping experience. During the last year we have expanded the payment options with the option to pay in instalments."

Fredrik Bengtsson, Head of Communication, CDON Group, Cdon.com, operations in Sweden:

What does credit management mean to your business?
"It's extremely important to our whole organization that we offer our customers simple, secure and flexible payment solutions that are adjusted to our different markets. We know that well-designed payment solutions give our customers better service while at the same time benefits our business."

'It's crucial we share similar values'

For leading Nordic bank Nordea, treating customers with respect and fairness is just as important as a sound credit management policy. With their shared values, Nordea and Intrum Justitia maintain the bank's cash flow while keeping customers satisfied.

BY DAVID NOBLE
PHOTO EVA ROSE FURMYR

Nordea is a leading Nordic bank, ranking first or second in most of its northern European markets, and with more than 11 million customers and a network of 1,400 branches. In 2010 Nordea Bank had a total operating profit of 9.3 billion euros. Justifiably proud of its customer driven values, Nordea insists that suppliers like Intrum Justitia share and deliver on its beliefs.

"It's non-negotiable for us that suppliers commit to our values of delivering great customer experiences, behaving professionally at all times, acting as one team and being profit oriented," says Karsten Wakeford-Wesmann, Nordea's Nordic Head of Debt Collection in Account Products Services.

"That Intrum Justitia's values largely parallel ours is a principal reason we've chosen to partner with them in Nordic markets like Finland, Norway and Sweden."

Nordea have long used Intrum Justitia in Sweden and Finland for sensitive services such as debt collection, and late last year began working with them in Norway when Intrum acquired the existing supplier, Aktiv Kapital. Wakeford-Wesmann says Nordea's approach when an individual or a client company gets into a default situation is very much about looking at the problem through their eyes.

"Naturally we want to collect what is owed us, but we believe we have a better chance of getting paid – and retaining a customer – if we try to understand the re-

> "Intrum treats our customers fairly while keeping a good recovery rate."

asons behind the default and try to find solutions to the problem that benefit all sides," Wakeford-Wesmann told Intrum Magazine. "One of the great things in working with Intrum Justitia is the company's commitment to treating our defaulting customers fairly while also keeping a good recovery rate."

Nordea's Debt Collection organisation works as the back office for the bank's network of 1,400 branches serving its 11 million customers. The bank's loan losses ratio annualised equalled a base points (bps) percentage of 0.31 of the total amount lent out to individual and corporate customers in 2010.

Wakeford-Wesmann says Nordea works with two to three suppliers of credit management services in each of its markets as part of its strategy to stay focused on the core banking business.

"We do not want to build a huge in-house debt collection unit," he says. "Working with several suppliers gives us the opportunity to benchmark collection results more efficiently. A specialist such as Intrum Justitia has the resources to stay at the forefront of technological and other advances to find and implement better solutions faster."

Pan-Nordic workshops are arranged every year to help ensure that Intrum Justitia and its employees stay fully aligned with Nordea's approach. In addition, there are quarterly meetings of key Nordea and Intrum Justitia staff in each Nordic marketplace. Wakeford-Wesmann stresses Nordea chooses to invest heavily in people with the right mindsets because at the end of the day they are the ones who create superior value for Nordea's customers, even those who default on payments.

"We appreciate Intrum Justitia's commitment to developing straightforward, systematic and transparent collection processes that respect our customers and add value to our operations," Wakeford-Wesmann concludes.

Looking for GAME CHANGERS

Successful investor **Julie Meyer** believes that new technology is no longer enough to ensure success. Hi-tech companies must develop **innovative business models** for their products. These companies will be the future winners – they will be the **game changers**.

BY NIC TOWNSEND

I Phones, iPods, Facebook, eBay, Google, YouTube, Wikipedia, Spotify: over the past decade so many digital technology and Internet companies have entered into our daily lives, it's hard to recall life without them. As a leading entrepreneur in the field, Julie Meyer has built a highly successful career from harnessing the opportunities that have been created in this revolution. But in the coming years the companies she expects to see grow won't be inventing new technology, they'll be inventing new businesses.

"Game changers are companies that are changing the rules of the game for the industry in which they operate. The winners are going to be companies that organize the business models in their ecosystems," says Meyer, who highlights Steve Jobs and Apple as a prime example. "It's not just that Apple have beautiful products but they took on the music industry with their iPod, and they took on the mobile carriers with the iPhone. They started to build a set of economics for their industry that was more inclusive. The winners of any industry are going to be the companies who do this."

"DAVID AND GOLIATH ARE NOT IN OPPOSITION – THEY ARE IN HARMONY"

ERS

"THE BUSINESS MODEL IS THE GAME CHANGER"

Julie Meyer's fascination with the technology industry started when she was 21 and moved to Paris with only $700 and a credit card to her name.

"My first job was teaching English to technology executives at 3Com and Hewlett Packard, and I was fascinated by what they were building, how fast it was moving and how much it seemed to be a predictor of what was going to happen in society," she recalls.

"The excitement, the change, the impact on the rest of society – it wasn't just an industry, it was a look into the future."

Her ability to identify entrepreneurial winners has helped her to become one of the chief backers of entrepreneurs in Europe. Her expertise has been acknowledged with numerous awards including the Ernst & Young Entrepreneur of the Year and World Economic Forum Global Leader of Tomorrow, as well as places in the Wall Street Journal's 30 most influential women in Europe and INSEAD's 50 alumni who have changed the world.

Since founding the entrepreneur-networking group First Tuesday in 1998, Julie Meyer has witnessed some radical changes in what has been a turbulent industry. Websites that didn't even exist have become household names, while Google has even been added to the Oxford English Dictionary.

"In 1999, every internet entrepreneur was a kind of technological revolutionary. They were similar to David and his slingshot, wanting to decapitate the establishment," says Meyer.

"Everyone was taking on the big guys, it was a time of disruptive technology."

However over the years David and Goliath have had to recognise each other's strengths. Entrepreneurs continue to create innovative ideas and concepts, but now they are developing their businesses in conjunction with, and not in opposition to, the larger companies. The change can be seen in the differing models and fortunes of 1999's Napster and 2010's Spotify. While Napster's blatant copyright violations attracted the wrath of the world's major record companies, Spotify has devised a model that continues to provide easily accessible music to the public while protecting revenue streams for artists and labels.

"The goal is still to create high growth businesses, but David and Goliath are not in opposition – they are in harmony."

For this reason, in her capacity as founder and chief executive of Ariadne Capital, Julie Meyer is sceptical about investing in new technology for its own sake.

"Ariadne backs entrepreneurs who are taking 'digital enablers' to market by securing partnership deals with distribution bases in various industries. Technology has become standardised and componentised – the business model is the game changer."

As the relentless pace of change continues, Meyer believes there will always be opportunities for growth.

"Right now is actually a very good time to invest because those who will make money in 2015 out of selling tech firms are building their businesses intensively now," she explains.

"This is not an era of disruptive technology like the mid-1990s with the emergence of the commercial internet, or the rise of the microprocessor in the early 1970s. This is a time when the social and economic institutions are embracing the disruptive technology. Witness how broadband penetration and mobile technology just continued to penetrate into our lives through the past decade despite the dot-com bust of 2001 or the financial downturn of 2008/2009."

6 GAME CHANGERS

Julie Meyer highlights six companies to look out for as they rewrite the rules of their respective industries

1) Intamac
Providers of remote home security and surveillance services through broadband networks, including alarm services via phone, email and SMS.

2) 029 (zerotwentynine)
Invitation-only online club for discerning travelers offering access to a selection of the world's finest experiences, special events, and hotels.

3) TrialReach
Free search engine for information on clinical trials, which is comprehensive and edited to make information understandable and assessable.

4) Geocast
Location-based advertising network with a focus on incentive-based advertising through internet and mobile channels.

5) Monitise
Global leader in providing fast, secure and efficient mobile banking and mobile payment services.

6) Slicethepie
An online financing platform connecting emerging artists with fans, distributors and record labels.

JULIE MEYER

- Julie Meyer has worked with technology firms for more than 20 years in Paris, Boston, Austin, Texas and now London. She got her MBA at INSEAD in 1997, and has recently joined their Board of Directors.
- She built First Tuesday, which many credit with igniting the internet generation in Europe, before selling to Jerusalem Global for $50 million in July 2000.
- With 58 leading entrepreneurs, she founded Ariadne Capital, an investment and advisory group specializing in media and technology, which also owns Entrepreneur Country. She is also a dragon on the BBC's Online Dragon's Den, and currently setting up a foundation for dads and daughters.

CREDIT MANAGEMENT ACADEMY

LESSON 3

Welcome to the Intrum Credit Management Academy, where we and our virtual professor Mary Jensen provide great credit management insights that will help you develop the skills you need to succeed in making your business more profitable – absolutely free of charge! In upcoming issues of **Intrum Magazine** we will summarise core issues related to credit management.

1	2	3	4
CREDIT EVALUATION	INVOICING	DEBT COLLECTION	INTEGRATION BENEFITS CASH FLOW

6 PAYMENT TIPS

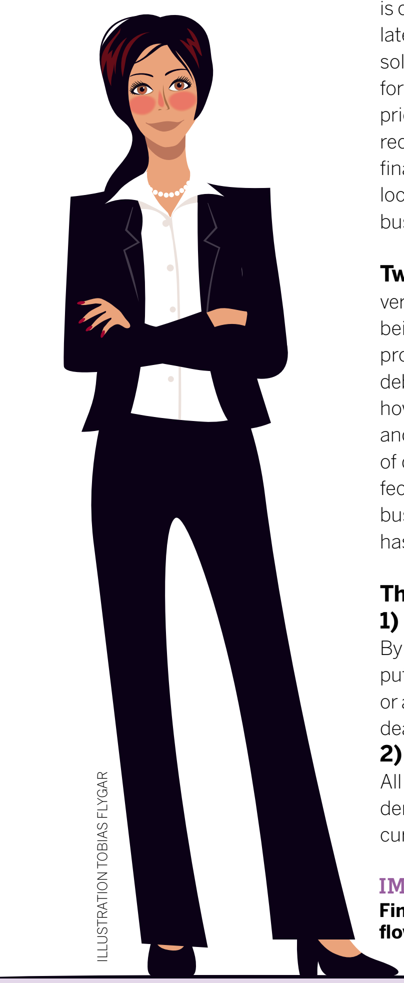


ILLUSTRATION TOBIAS FLYGAR

Getting paid for products and services supplied is core to running a sustainable business. Bad debts and late payments can not only push a business towards insolvency and lead to economic and employment issues for personnel, in extreme cases it can even expose proprietors and directors to personal liability. As a result, debt recovery must be prioritized at all times, not just during a financial downturn. Best practice debt recovery is about locking up and protecting the money you've earned as a business and not allowing it to leak away.

Two things are paramount to best practice debt recovery: creating a professional approach to getting paid, and being willing to continuously review and improve internal procedures. The reality is that few firms can avoid bad debt, but prevention is always better than cure. No matter how large or small your enterprise is, you must establish and implement measures designed to minimize the risk of debt. This will increase the chance of efficient and effective recovery initiatives. It will also contribute to your businesses bottom line by preventing the cost, time and hassle of chasing debtors.

There are some basic dos and don'ts to collecting debt:

1) Be willing to negotiate.
By being flexible and realistic you can avoid potential disputes. If necessary, agree to a delayed payment schedule or an instalment payment plan. Always follow up payment deadlines.

2) Keep good records.
All communication, both written and verbal, regarding demands and requests for payment must be clear, accurate and comprehensive.

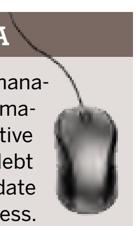
3) Learn from your mistakes.
Avoid making the same mistake twice by understanding the legal trading terms and conditions. Make practical improvements, such as demanding up-front payments, using credit checks and re-evaluating billing processes.

4) Ask for professional help early on.
If your letters and phone calls are not eliciting a payment, take your debt recovery claim to a professional such as Intrum Justitia as early as possible.

5) Never infringe local legislation.
If you go overboard when recovering debt you could be breaking the law.

6) Never make it personal.
Threats and intimidation are illegal and could end up with you in court facing charges. Don't let emotions get in the way. Be realistic about the amount owed. Costs of bringing in professionals such as lawyers can lead to high legal and court fees as well as time, effort and stress out of all proportion to the money owed.

▶ LEARN FROM INTRUM JUSTITIA



We offer solutions for every stage of the credit management chain. By starting the process early, information can be combined with experience, and effective measures can be taken in each step to avoid debt and late payments. Access to accurate, up-to-date address information streamlines the sales process. By avoiding prospective customers with low credit ratings, resources can be used more efficiently to continue the work of running your business successfully and growing your profits. **www.intrum.com**

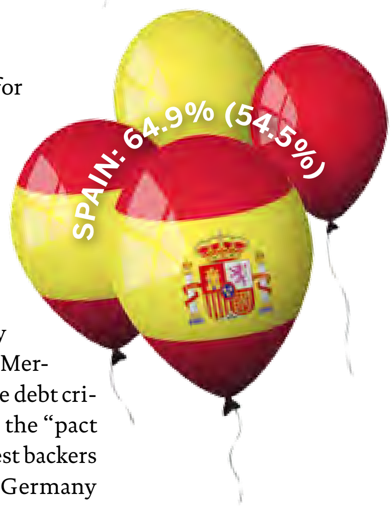
IMPROVE YOUR CASH FLOW

Find out how credit management services can benefit your cash flow and improve customer relations. Go to www.intrum.com

PUBLIC DEBT ON THE RISE

Though there are indications that the European economy is moving in the right direction, the recovery is uneven and public debt remains a problem. As the European Union takes steps to tackle the financial crisis, businesses must do everything they can do protect their cash flows.

BY CHAD HENDERSON



Overall, the economy in Europe is expected to slow in 2011, as a result of a tightening of public spending and weakening global demand. The European Commission projects GDP for the EU to grow by around 1.5 percent for 2011, down from 1.7 percent in 2010. Even in Germany, which has driven growth in the region, GDP is projected to fall from 3.6 to 2.2 percent, while the economies of Greece and Portugal will continue to shrink.

With the establishment in May 2010 of the European Financial Stability Facility (EFSF), which issues bonds in order to lend money to fiscally challenged eurozone nations, at least one safeguard is in place to prevent the sovereign debt crisis from spreading. Yet for the EU as a whole, a deficit of slightly above 5 percent of GDP is expected in 2011.

The forecast for 2012 looks better, with private consumption picking up, along with a slowly improving employment outlook, moderate income growth and subdued inflation. The European Commission projects GDP growth of around 2 percent for 2012, with a deficit of 4 percent of GDP as the recovery gains ground. The debt ratio, however, is set to remain on an upward path over the forecast horizon.

At a February EU summit, French President Nicolas Sarkozy and Germany Chancellor Angela Merkel presented a plan for solving the debt crisis and increasing growth, called the "pact for competitiveness." As the largest backers of the €440-billion EFSF, with Germany contributing 27 percent and France 20 percent, the two countries want to implement a number of changes that would give the EU more federal power and "modernise" European economies.

Though the complete plan will not be available until March, it calls for limits on debt levels written into national laws, a higher retirement age, the abolition of wages indexed to inflation, a minimum corporate tax rate, and a unified strategy for rescuing banks in trouble. "Germany and France will make it very obvious that we intend to defend the euro as a currency ... we also want to defend it as a political project," Chancellor Merkel said at a news conference before a presentation to EU leaders.

Critics of the pact question whether it addresses the actual causes of the financial crisis, such as enormous property bubbles in Ireland and Spain, and fiscal irresponsibility and tax evasion in Greece. It appears clear, whether or not the pact is accepted, that far-reaching reforms and measures to strengthen EU governance and create a new supervisory architecture will be high on the agenda for 2011.

While Greece and Ireland have already

Public debt as percent of GDP:
2011 forecast (2010)

received bailouts, no such breathing space exists for European businesses being strangled by late payment. For businesses large and small, the rule of the marketplace remains sink or swim with little or no government intervention coming to their aid.

As the European economy continues to struggle, businesses can take a number of precautions to avoid late payments and maintain profitability. One such measure is to establish credit limits for individual customers, in order to monitor the development of their receivables. Businesses should also conduct solvency checks of customers before decisions on deliveries against invoice, and as a matter of routine for key accounts. Customers can also be given flexible contract terms based on their payment record, and failing payment, reminders should be sent swiftly and consistently."

Is all public debt bad?
In the majority of European countries public debt is on the rise. While most economists agree that some public debt, in certain situations, can be beneficial and a better alternative to raising taxes, governments run into trouble when the level of debt becomes unsustainable. If public debt becomes too large – as a result of increased spending, falling GDP and many people retiring, for example – then governments can be faced with some tough decisions, such as raising taxes, defaulting on the debt, or imposing austerity measures, which can lead to a financial crisis.

Visa roundtable on late payments

Intrum Justitia's group marketing manager Madeleine Bosch outlined the severity of late payment for Europe's businesses to some of Europe's top bankers at a keynote roundtable organised by Visa Europe in London late 2010.

"Late payment is a scourge for every business large or small, hitting liquidity, slowing product investment, burdening firms with increased costs and ultimately impacting a firm's competiveness and sustained survival," Bosch told the group.

The top bankers attending the Visa Roundtable meeting heard that recent research has shown that bad debt actually sparks around 25 percent of business bankruptcies across Europe.

Bosch also noted in her speech that the late payment mountain has now spiralled to an astonishing 300 billion euros, more than the national debt of Greece.

Also presenting at the Visa Europe initiative was European MEP Barbara Weiler, who has been responsible for the new late payment directive recently adopted by the European Parliament. She underlined the support the EU's Small Business Act has from the European Council and the Commission and stressed the need for the new directive to be fully embraced by all the EU member states.

Left to right: Luc Janssen, SVP Visa Europe, Head of Commercial; Barbara Weiler, MEP; Madeleine Bosch, Intrum; John Walker, Chair, UK Federation of Small Business; Richard Hyslop, EU & International Affairs Policy Adviser.

6 fast facts about Visa Europe

- In Europe, there are 419 million Visa debit, credit and commercial cards.
- In the 12 months ending June 2010, Visa cards were used in Europe to make purchases and cash withdrawals to the value of €1.4 trillion.
- 11.2% of all consumer spending at point of sale in Europe is with a Visa card.
- E-commerce in Europe now represents one-fifth of Visa Europe's business.
- In 2010, point of sale transactions grew by 14 percent, as consumers are increasingly using Visa cards for their everyday spending.
- Visa Europe is owned and operated by more than 4,000 European member banks and was incorporated in July 2004.

SOURCE: www.visaeurope.com

PHOTO EVA ROSE FURMYR

Q&A

Bjørn Ø. Andersen
Credit Manager,
Yara Praxair

Intrum Justitia has been providing debt collection for Yara Praxair for nearly two decades. Intrum asks Credit Manager Bjørn Andersen why the relationship has been so successful.

By Nic Townsend

What does Yara Praxair do?

"Yara Praxair is a joint venture between Yara International and Praxair Inc., and provides industrial gases, such as oxygen and nitrogen, for use in a wide range of industries including welding, fishing, hospitals, refineries and many others. Our annual turnover in Scandinavia is around NOK 1 billion."

How long has the company been a customer of Intrum Justitia?

"We first signed an agreement with Intrum Justitia in 1993 and have worked together ever since. Over that time we have established a very open dialogue, and have found that they can be relied upon to do their best to retrieve payments."

What requirements does Yara Praxair's place on customers?

"Every new customer is checked thoroughly before they even receive their first invoice, regardless of whether they are a business or a private individual. We run both credit and background checks, and we don't take any chances. When it comes to debt collection you shouldn't hesitate, and you must be firm with your customers."

At what point do you require the services of Intrum Justitia?

"We call on Intrum Justitia to take care of our late payments. Customers are given 15 days to pay an invoice. If it isn't paid by then, we will wait a further 3-4 days before sending a reminder, which will give them another 14 days. If it still hasn't been paid, then we refer the matter to Intrum Justitia to help us retrieve payment, and they are often very successful in doing so."

How often do you have a problem with late payments?

"Every week we have issues with late payments. In an average year we have around 7,000 cases of late payments, which we then refer to Intrum Justitia."

What is your agreement with Intrum Justitia about collecting late payments?

"We have budgeted for the payments from a set percentage of such cases to be retrieved, and over the past 17-18 years Intrum Justitia has successfully fulfilled this agreement. We wouldn't continue to work with Intrum Justitia for all this time if we weren't extremely satisfied with their services."