

# Intrum

MAGAZINE

THE CREDIT  
MANAGEMENT  
MAGAZINE FROM  
INTRUM JUSTITIA

NO.2 | 2011

**NEW LATE  
PAYMENT  
REPORT**

## Will they pay **ON TIME?**

Find out how credit optimization eliminates the guesswork



### **THE NEW AMERICAN DREAM**

Personal finance expert Suze Orman: "Live below your means"

### **TWO GIANTS TWO DIRECTIONS**

What are Germany and the UK doing right and wrong?

### **PROFITABLE IN PORTUGAL**

Canon meets its targets with Intrum Justitia's help



[www.intrum.com](http://www.intrum.com)

## €312 billion lost

Last year write-offs in Europe reached €312 billion, and 25% of all bankruptcies were due to late or non-payment of invoices. Is your company performing as well as others in your industry? Find out in our FREE European Payment Index and industry white paper.

The longer you wait to act, the less likely it is you will get paid in full.

Go to [Intrum.com](http://Intrum.com) and request your free copy.

## Editorial

# Staying profitable despite uncertainty

**We live in fragile times.** The recovery from the 2009 recession is slower and bumpier than most have feared. The European financial system has not yet been restored to health despite most of the economic weapons having already been used. There is every reason to worry about the possibility of a double dip.

In this issue we examine the economic divide in Europe, where some countries are seeing recovery and others remain enmeshed in financial gloom. We study particularly the divergent economic approaches of Germany and the United Kingdom in a bid to identify a path leading to long-term growth in Europe. One fact emerges clearly from the report – a priority must be “addressing the problems at hand and not putting them off.”

**The operations** in Portugal of Canon, the global printing and copying group, underline how putting in place the right credit management solutions allows problems to be tackled before they become a threat to company profitability. We report on how partnering closely with Intrum Justitia has helped Canon Portugal successfully grow despite the nation’s difficult economy.

We also speak with leading American personal finance expert Suze Orman about her thoughts on how the US economy has changed since 2009. She believes the US must rethink its expectations about “the American dream,” which is more elusive now for the vast majority of people than ever before.

**Of course**, even when times are tough, there are many businesses – and markets – that thrive. In this issue we explore the explosively growing market for smartphone apps, as well as China’s increasing appetite for luxury brands.

I hope you enjoy reading this issue of Intrum magazine. I believe it is obvious businesses and people are smarter now than ever before when it comes to managing finances and credit. Hopefully this will make them better informed and prepared should we face a new economic nosedive.

**LARS WOLLUNG, PRESIDENT AND CHIEF EXECUTIVE OFFICER, INTRUM JUSTITIA**



## IN THIS ISSUE:



**EUROPE DIVIDED**  
Germany recovered strongly after the recession while the UK’s economy stalled. What can we learn from these two giants?

PAGE 6

## CANON KEEPS IT SIMPLE 12

Despite Portugal’s difficult economic situation, Canon is meeting targets and improving its business thanks to Intrum Justitia.

## REWRITING THE AMERICAN DREAM 14

Personal finance expert, best-selling author and television host Suze Orman discusses how to prepare for the tough times ahead.

## WILL THEY PAY ON TIME? 18

Intrum Justitia’s credit optimization services take all the guesswork out of finding profitable customers.

## THE EXPLOSIVE APP MARKET 05

## PROTECTING BUSINESS GROWTH AROUND THE WORLD 10

## COMPARE YOUR COMPANY’S LATE PAYMENT PERFORMANCE 19

## 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](mailto:intrummag@intrum.com) so we can send you the necessary information and/or reports. Better business for all.

**Intrum Magazine no. 2** October 2011 **Publisher** Intrum Justitia AB, ISSN 1652-5620 **Editor-in-chief and responsible publisher in Sweden** Fanny Wallér **Editor** Madeleine Bosch **Assistant editors and production** Chad Henderson and Kristian Gustafsson, Tidningskompaniet **Printer** Trydells, Laholm **Cover Photo** Getty images. © Intrum Justitia AB 2011. All rights reserved. You are welcome to quote us, but please cite the source. The editorial staff is not responsible for any unsolicited material sent to Intrum Magazine. **Subscriptions** [info@intrum.com](mailto:info@intrum.com) **Change of address** Intrum Justitia shareholders should advise their account-operating institutes. Others should contact the editorial desk: Editorial desk Intrum Magazine, SE-105 24 Stockholm, Sweden, [info@intrum.com](mailto:info@intrum.com) Phone +46 8 546 10 200 Fax +46 8 546 10 211

**The views expressed** in Intrum Magazine are not necessarily those of the editor, Intrum Justitia or its affiliates. All information herein is obtained by the publisher from sources believed to be accurate and reliable. Neither Intrum Justitia nor the publisher have independently verified items of news or facts by or about any person or entity. All information is provided “as is” without warranty of any kind. Please seek advice from a professional financial advisor before investing, as Intrum Justitia can accept no responsibility for losses arising from any person relying upon the information contained in this publication.

**intrum justitia**

# LOUIS VUITTON

## China's growing luxury market

**Rising wages**, a strong Yuan and continued economic growth are increasing China's appetite for luxury brands, and demand isn't likely to recede any time soon. Last year China spent \$13 billion on luxury goods. This year, they're expected to spend \$15.5 billion. In fact by 2020 China is expected to be the biggest luxury consumer market on the planet.

Until now high import duties have meant that luxury brands have only been accessible to China's wealthy elite, who

often purchased such items abroad in Hong Kong, Singapore or Europe. However as the Chinese government looks to encourage domestic consumption, import duties are set to be slashed. With average wages and the value of the Yuan also rising, millions of Chinese citizens are enjoying increased spending power and greater access to luxury brands.

**From fashion and jewellery** to cosmetics and cars, all the leading brands are quickly

descending on the world's most populous country and reaping the rewards. Last September Burberry opened fifty stores in China, which they believe accounted for a fifth of their 49 percent increase in global retail sales in the first quarter of 2011.

Many compa-

### US personal bankruptcies decline

709,303 Americans filed for bankruptcy in the first half of 2011, down 7.9 percent from the same period a year earlier, according to the American Bankruptcy Institute. "The drop in bankruptcies for the first half of the year shows the continued efforts of consumers to reduce their household debt and the overall pull back in consumer credit," says ABI Executive Director Samuel J. Gerdano.



### Credit rating agency for Europe

German Chancellor Angela Merkel would like to see the creation of a European-wide credit rating agency. In a German television broadcast she said that the Chinese now have a ratings agency, and she would welcome one for Europe. EU leaders have criticized the US rating agencies Fitch and Moody's for downgrading the credit of Greece, Ireland and Portugal as risky investments.



PHOTO SCAMPX

nies tend to focus on China's megacities such as Shanghai and Beijing, yet it's actually in the second- and third-tier cities where growth is strongest. Louis Vuitton, who opened ten stores in China back in 2005, now has 36 stores in 29 cities, including second-tier cities such as Changsha, Xiamen, Wuxi and Wenzhou. China can boast around 100 cities with over one million inhabitants, each with a growing middle class hungry for designer brands.

By Nic Townsend

## Grim prediction for Greece

▶ The Organisation for Economic Cooperation and Development has calculated the European Union's rescue deal for Greece will only slightly reduce the country's debt. In its annual report on Greece the economic organisation said austerity measures will work – if Athens sticks to them – but that it will take over 20 years for the country to get its debt down to more sustainable levels.

# Q & A

JACOB MØLLER, CEO OF KILOO

**Is the mobile app industry set to explode? Research firm Gartner expects revenue from apps to surpass \$15.1 billion in 2011, a 190 percent increase from 2010, and to reach \$58 billion by 2014. Intrum spoke with Jacob Møller, CEO of leading app developer Kiloo in Denmark, to learn more about the industry and where it is headed.**

**Q: How has the app industry changed since Kiloo was founded?**

**A:** We founded Kiloo more than ten years ago, and since then there has been a lot of rapid change. We started out creating games for Java-enabled phones, and then progressed to publishing for the iPhone, Android and Nintendo DS. The market is growing fast right now, so you have to spend a great deal of time and effort to stay ahead of the curve.

**Q: What do you do to stay competitive?**

**A:** We spend significant resources daily on analyzing the current app market. This includes identifying potential niches in the market, and by working with top-of-the-line brand partners and customers. The launch of our latest entertainment title – Frisbee® Forever – is in its essence a product of our market analysis. Just five days after its launch it was one of the most downloaded apps in more than 52 markets.

**Q: Can every company benefit from an app?**

**A:** I don't believe that every single company should have an app. Creating apps is about creating value for the company's customers and their partners. If you don't create value through an app, then you shouldn't waste your time and money on creating one. However, when an app is thought out right and developed perfectly, it could be a communicative game changer for the companies involved.

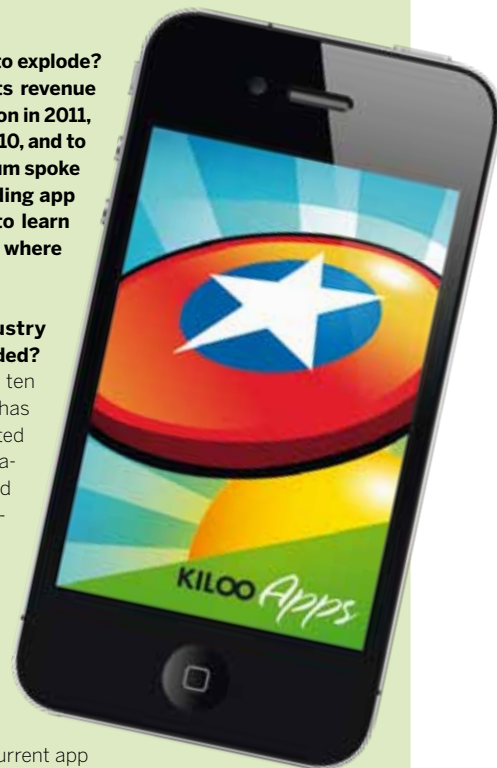
**Q: How does your Mobile Wallet app work?**

**A:** In cooperation with Zain, Kiloo Apps successfully developed and launched the Zap mobile application in 2010, which won a Global Mobile Award. Zap has brought mobile banking to more than 12 million customers across seven African nations. Over 80 percent of the people in these countries previously had little or no access to financial services. Now they can use their handsets to pay bills, send money and withdraw cash.

**Q: What can we expect from the app market in the future?**

**A:** Right now, obviously, Apple has the lead and will be ahead for some time yet, especially since Android suffers from distribution and device fragmentation. This means it must adapt to a lot of different kinds of mobile devices, and that consumers don't necessarily have a one-stop-shop for purchasing the apps they want. One of Apple's advantages is that they control their App Store ecosystem. But you shouldn't underestimate the Windows system, Microsoft Marketplace, which I believe could have a massive impact.

By Carl Mossberg





# TWO GIANTS

Germany and the UK emerged from the recession in two very different positions. Germany's economy has been called the engine of Europe's recovery, while the growth of the UK's economy continues to slow. Given that the two countries produce one-third of the EU's entire GDP, nobody wants these giants to stumble.

BY STAFFAN J THORSELL PHOTOS SCANPIX & GETTY IMAGES



# TS APART?

**M**uch about Germany and the UK's current economies can be explained by their situations when the recession started. Prior to the recession, Germany had worked hard to improve its public finances, and reduced borrowing to almost nothing by 2008. At the same time, the country had a strong manufacturing sector with comparatively low wages.

"Compared to the rest of the EU, and especially southern Europe, the rise in wages has been low for a long time in Germany," says John Hassler, Professor of Economics at Stockholm University in Sweden and an expert on EU economics. "In fact, German eco-

nommic growth had been quite mediocre prior to the crisis. So when the world started to recover, Germany had a great starting point. It stood strong in international competition, and that contributed to record-level growth."

Jennifer McKeown, Senior European Economist at financial analysis and research firm Capital Economics, agrees that Germany's low wages were a key factor. "German unit labour costs have been stagnant or falling for a very long time, allowing its exporters to keep their prices low," she says. "In addition, Germany's planning before the recession left it in a good position to implement what was actually a pretty sizable fiscal boost as the recession hit."

Consequently, the international demand for German exports grew as the recovery gained traction, and investors increasingly sought out German investment projects. As problems in southern Europe increased, these investments became more attractive, further aiding the economy. This led to Germany's GDP increasing by 3.6 percent in 2010, and an unemployment rate now lower than before 2008.

**In contrast to Germany,** the UK had much more public debt before the recession, and was particularly affected due to its large financial sector and high levels of household debt. According to economist John Hassler, the UK ►



BMW branded badges on the production line. German companies are boosting output to meet export orders.

was also too optimistic in its forecast of how it would fare in the global crisis.

“The structural, state budget deficit was bigger than anyone had thought,” Hassler says. “The UK then found itself in a situation where the entire prediction for the future state deficit had radically changed. So now, the UK is planning for cutbacks that are bigger than what Thatcher could achieve. The government now has to do its planning with a skyrocketing state deficit, a looming interest rate crisis and a long-term, global recession in mind.”



John Hassler

**The UK's government** has responded by calling for the largest cuts in public spending since World War II, approximately £83 billion over four years. Many are critical of these austerity measures, including former Prime Minister Gordon Brown, saying they will hurt rather than help the fragile growth. In fact, the UK is the only country in the In-

ternational Monetary Fund's latest report that had its expected growth for 2011 cut – from 2 to 1.7 percent.

Nevertheless, many people, like Hassler, believe the austerity measures are essential. “It is absolutely necessary that the government shows that it takes the deficits seriously,” he says. “It will not work, as has happened in the US, to ignore or put the problems off for the future. But it is a balancing game. On one hand quick cutbacks are essential, on the other, too strong measures will slow down the economic recovery.”

Hassler says that the UK's general public awareness of the crisis, its well-working political institutions, that it has its own cur-

rency, and its reasonably effective tax system are all reasons why the austerity measures will work. “The fact that there is strong international confidence in the UK, and its history of handling its own affairs, does speak in favor of the UK being able to pull through,” he says.

**Despite Germany's** relative success, the country is also implementing a dramatic cut in public spending, €80 billion by 2014. German Chancellor Angela Merkel calls the plan “an outstanding chance to set a good example.” Germany has provided the largest national share to the euro rescue package and Greece's bailout, and has been one of the main advocates for strict austerity measures in troubled EU countries.

Economist Jennifer McKeown believes

**“QUICK CUTBACKS ARE ESSENTIAL, BUT TOO STRONG MEASURES WILL SLOW DOWN THE ECONOMIC RECOVERY”**





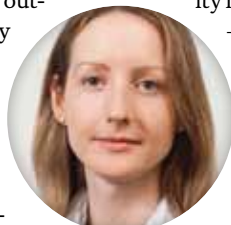
Thousands of people rally at Hyde Park in London on March 26, 2011, to protest against the government's spending cuts.

that Germany's planning will enable it to continue on its successful path. "The German government has a balanced budget rule written into its constitution that means its government deficit needs to fall to zero by 2016," she says. "I think that Germany feels the need to lead the euro-zone's peripheral economies by example. Germany outlined its consolidation plans clearly and stuck to its goals, including introducing this constitutional rule."

**Vicky Redwood**, Senior Analyst and Consumer and Debt Specialist at Capital Economics, however, is somewhat cautious about Germany's economic future. "We expect that GDP growth in Germany will slow from about 3.5 percent this year to 1.5 percent next year, primarily because the strong euro may put a dent in the country's export growth," she says.

Furthermore, Redwood says that the idea of "two Europes" – the weaker peripheral

countries and the stronger northern countries – is not entirely accurate. "There are problems now in many areas of Europe," she says. "Debt defaults in one country could have huge repercussions on bigger countries like Germany and the UK, via, for example, the impact on the banking system. The priority must be effective, on-time planning – addressing the problems at hand and not putting them off."



**Vicky Redwood**

**For the UK**, Redwood predicts a growth in GDP of just 1 percent in 2011, and of 1.5 percent in 2012. "The government is likely to stick to its austerity plans to reduce the deficit," she says. "While this should set the stage for stronger, more sustainable growth in the long-run, the near-term effects on the economy in the UK will clearly be negative."

Though Germany's economy might stand as an example to others now, its future is strongly interconnected with the fate of

its neighbours and the development of the euro. Like in the US, the central issue in many countries right now – including Germany and the UK – is how to balance long-term economic sustainability with the slow growth of the present.

"Long-term plans to improve growth prospects will not help the current situation," McKeown says. "However, those long-term plans for structural reform still need to be in place to ensure a better future for the region." ▽

#### WRITE-OFFS: UP AND DOWN

A Europe that marches out of step is also described in Intrum Justitia's annual report about late payments in Europe. In the European Payment Index, based on input from about 6,000 companies, write-offs of company debt in the UK were shown to have increased by 33 percent last year, while in Germany such write-offs decreased by 8 percent. Visit [intrum.com](http://intrum.com) to learn more.

# EXPAND YOUR GLOBAL BUSINESS



Should your business suffer just because you sell globally? Running any business in the real world is hard work. And selling products and services to customers in faraway markets brings added complexity for any corporation, large or small, from coping with differing regulations to handling different languages. **Look inside to find out how Intrum Justitia can help your business grow.**

# 5 tools for global growth

At Intrum Justitia, we know there is no substitute for excellence when protecting your business, no matter where in the world you sell your products and services. Learn how our worldwide network of credit management professionals can help your business succeed.

## A powerful network

From Dubai to Jakarta, Auckland to Moscow, Intrum Justitia offers an unmatched global credit management services network. Because all business is local, you can count on our worldwide network of own offices or partners to contact a debtor in their own language to speed efficient payment of accounts receivable. Our knowledgeable professionals use their global credit management and collection expertise to help more than 90,000 clients worldwide.

## Simplified cooperation

Intrum Justitia provides a single point of contact for all your business. This super-efficient solution helps secure your international credits regardless of where the debtor is located. Whatever the size of your corporation, we have the organization, competence and experience to support you. We know not all outstanding debt can be settled easily, so we partner with you in identifying and implementing all the various legal options to resolve an international credit issue in a firm but fair way designed not to harm your corporate image.

## Payment Monitoring, Reminder and Collection Services

Few other credit management services providers can match our ability to help you get paid for products and services delivered anywhere in the world. At Intrum Justitia, we have devoted almost 100 years to building unprecedented knowledge and insight into local business practices, legislation and culture just about everywhere on the planet. Our services, therefore, can save you unnecessary costs and wasted time in chasing late payments at home or abroad. And as we charge a success-based commission on recovered debt, we deliver cost efficiency that enhances your bottom line.

## Local market insights

We have developed an export accounts receivable handling solution that helps bring sustained business success and peace of mind in doing business beyond home markets. Our subscription-based market intelligence service gives you access to reliable and up-to-date market information, a key factor in developing a successful international credit strategy. Intrum Justitia has built what we believe is a superior global, yet local, database that serves the needs of any international credit management professional.

## Web-based solutions

IntrumWeb is an advanced highly secure solution that ensures you stay up to date on your credit developments. We integrate the latest web-based tools with the expertise of our highly professional team of international credit management experts so that you can retrieve or submit information at your convenience. Leveraging local data, we partner with you to ensure your company's credit management and credit policies are optimized and harmonized for each individual market in which you operate.



**THE US**  
In the US, late payment interest is customarily regulated by contract. If not agreed on in the contract, interest rates are regulated by state law. Normally B2B claims are sent to collection at the earliest three to four weeks from the due date.

**ARGENTINA**  
In Argentina, usually only one reminder is sent.

**BRAZIL**  
In Brazil, "execution" means a fast track legal procedure with judgements within a year.

**SOUTH AFRICA**  
The average terms of payment for B2B is 60 days. The interest rate is set according to the National Credit Act.

**GREECE**  
In Greece, late payment interest fluctuates frequently and is hardly ever recovered.

**EGYPT**  
In Egypt, the costs of any reminders are paid by the creditor.

**MACEDONIA**  
Companies in Macedonia are still reluctant to use debt collection agencies.

**SERBIA**  
Local legislation prohibits charging interest in Serbia unless stated in a separate invoice.

**SLOVAKIA**  
The arbitration process in Slovakia is faster and cheaper than court proceedings.

**CYPRUS**  
Interest is mostly paid when a court judgement has been received but not otherwise.

**ISRAEL**  
Fees for reminders in Israel can be requested but are not regulated by law.

**TURKEY**  
If there is no warning/demand made to the debtor, then the late payment is calculated from the date legal action is initiated.

**INDIA**  
The average payment terms in India for B2B is 60 days.

**UNITED ARAB EMIRATES**  
Reminders are not regulated by law, and are only binding if the agreement states the terms of notices. There are no limits to the number of reminders that can be sent to the debtor.

**TAIWAN**  
There are no restrictions for third-party collection in Taiwan.

**JAPAN**  
In Japan, only law firms can undertake collection activities.

**AUSTRALIA**  
Reminder fees are not normally charged in Australia. Penalty interest rates can be applied once judgement has been obtained through legal action.

**RUSSIA**  
Full documentation is vital when pursuing collection in Russia.





**António Filipe,**  
Financial Controller  
at Canon Portugal.

# Winning solution FOR CANON

A heavy heritage of overdue debts combined with fast local growth and an increase in the complexity of invoicing led the Portuguese subsidiary of Canon to take a hard look at its credit control functions. The solution that emerged proved a winner for Canon Portugal.

BY DAVID NOBLE PHOTO RAQUEL WISE

A subsidiary of Canon Europe, Canon Portugal was formed after the acquisition of two local Canon distributors in 2007, and today employs 172 people across three operational offices located in Lisbon, Oporto and Faro.

Canon Portugal serves some five thousand customers in two clearly defined markets: business imaging (developing IT products, solutions and services for the office and professional print environments) and consumer imaging (photo, video, printers, scanners, fax machines and multifunction devices).

Canon does not divulge the turnover of local market operations, but Canon Inc. saw consolidated net sales in 2010 of US\$45,764 million. Canon Europe contributes approximately one-third of the company's global revenue.

Canon Portugal's financial controller, António Filipe, recalls that the company's major structural reorganisation four years ago highlighted the need for the company to focus on core operations.

Filipe told Intrum magazine: "Due to the changes and the way business growth

was accelerating, as well as an increase in the complexity of billing services and a heavy heritage of overdue debts coming from the acquisitions, we clearly needed to be more focused on risk control and business approval on a daily basis – and leave the collection operation to a third-party service provider."

**After reviewing** various suppliers, Canon Portugal chose Intrum Justitia as their collections partner in the last quarter of 2009.

"We noticed changes for the better from the first moment," says Filipe. "We started out in 2009 with a portfolio of 90-day overdue debts, and Intrum has dramatically improved that figure on our behalf, a result that has led to almost all our customers now being managed by Intrum Justitia. A key success factor has been the way Intrum Justitia follows our rule to keep it simple!"

What made Canon Portugal choose Intrum Justitia?

**"WE NOTICED CHANGES FOR THE BETTER FROM THE FIRST MOMENT"**

Filipe says it had a lot to do with Intrum Justitia's experience and market-leading position, its full package of services and the flexibility Intrum showed in working with Canon Portugal. Another key factor was that Intrum Justitia provided the most competitive proposal.

"Intrum's services give us the confidence to achieve our set targets, not only concerning collection itself but also on clusters overdue, dispute solving and business improvement. Because, as we all know, sales are only effective once the products and services provided have been paid for."

"Intrum Justitia provides a professional service, with very clear communication oriented to our demands and objectives, and the team that supports us works proactively to help us achieve our goals," he says.

**A number of European** countries are still suffering the consequences of the global financial meltdown, and Portugal is one of these. How is Canon Portugal coping, and what is Intrum Justitia delivering that helps the company's cash flow stay positive?

"Portugal is facing a difficult economic situation, but Canon Portugal has worked proactively to prevent collection problems," says Filipe.

"One step was to be more focused on risk control and outsource debt collection to Intrum Justitia, which frankly is a key player on our team to deal with collection issues. Intrum Justitia focuses on fair pay through firm but polite methods, and delivers the high results we require." ▶



# Rewriting the **AMERICAN DREAM**

“If you give people too much credit, their natural instinct is to want more!” That’s how Suze Orman, author of ten best-selling books about personal finance and host of “The Suze Orman” show on CNBC, sums up the current debt crisis.

BY ALANNAH EAMES PHOTO SCANPIX

“**W**hy credit card companies, mortgage institutions and banks ever lent so much money in the first place is beyond me,” she fumes. “When I bought my first home, they checked everything out. People’s appetite to get more has been devastating in the long run but the institutions allowed it to happen. That’s one of the major reasons why America is in trouble today.”

Considered one of the world’s top experts on the subject of managing personal finance and listed by Forbes as one of the world’s most powerful women, Orman is a self-made success story. Life hasn’t always been a bed of roses for the for-

mer waitress who used to earn \$400 per month. Her lucky break came when a few of her regular customers realized her potential and lent her \$50,000 to open her own restaurant. They advised her to temporarily put the loan in a money market fund at Merrill Lynch, yet within three months her financial advisor had lost it all playing the options market.

“I didn’t know what to do, and since I thought anyone could be a broker I applied for a job at Merrill Lynch,” Orman says. “They ended up hiring me, but said I would be out of there in six months. As the only woman broker there, I probably got the job simply to fill their quota.”

Nevertheless, before long she was a top-producing broker at the firm and the rest is history. “I never forgot though what it felt like to lose



## SUZE'S TOP FIVE TIPS FOR HANDLING YOUR FINANCES:

1

Don't spend every single penny you make – save.

2

Live below your means.

3

Set up an eight-month emergency savings fund. If you lose your job, you can reduce your monthly expenses by half and survive for 16 months.

4

To manage credit card debt, focus on the money you have, not what you want to have.

5

Don't invest in the stock market unless you don't need your money back for ten years.



▶ all that money, and I never wanted to do to another person what was done to me,” she says. “I knew I needed to put people first – the average person who has credit card debts and student loans to pay off.”

Not surprisingly, her services are more in demand today than ever before as the world lies debt-riddled and in one of the biggest messes since the Great Depression. “Not everyone might like my advice but we’re in a sad situation and people need to learn how to do things differently,” she says matter-of-factly.

**Orman believes** that while the government and financial institutions have a role to play in resolving the debt crisis, we all have the chance to improve the situation and avoid making the same mistake again. “Others can’t save you, but you have a responsibility

### “OTHERS CAN’T SAVE YOU, BUT YOU HAVE A RESPONSIBILITY TO SAVE YOURSELF AND LIVE BELOW YOUR MEANS”

to save yourself and live below your means,” she states. Relying on pension funds and social security for support, Orman believes, is a thing of the past. “You have to save, pay off your mortgage for your retirement and hold on to your car for ten years.”

As the world around us changes, she

says, people will seriously need to rethink – and change their attitude toward – their money issues. This means working for as long as possible and that early retirement will be an option only for the privileged few. Within families, money issues shouldn’t be brushed under the table but discussed openly. Children will probably have to put themselves through school in the future as parents will no longer be able – or be expected – to foot the bills. “Make sure that until you retire you don’t waste one penny. Stay in touch with your money and stay debt free,” she warns.

**For some, this might** sound like a major life change but Orman says it’s not such a big deal. “Change things little by little, don’t make one big dramatic change. And you must understand first why you need to make these changes. Before it would have been depressing if you were the only one who had to make changes, but now everybody has to,” she says firmly.

Predicting the future is next to impossible but Orman has her thoughts on where we’re heading. “A few years ago I said it would take till 2014-2015 for the world to recover. By then everyone will have learned their lessons,” she says, remaining optimistic yet realistic. “I don’t think 2012 will be a pretty year. There are problems everywhere in the world but everyone will pull through. There is light on the horizon but to get there, there’s a lot of dirt to get through first.”

That’s where her personal key to success comes in. “Never give up! Instead of looking at something as a tragedy, look at it as a lesson that you have to learn from and get through.” ▶



### MEET SUZE ORMAN

**Nationality:** American

**Family:** KT Travis, spouse

**Education:** A degree in social work from the University of Illinois, and an honorary PhD in commercial science from Bentley University.

**Career:** A former stockbroker at Merrill Lynch, author of ten books including the latest *The Money Class* (2011), host of “The Suze Orman Show” on CNBC, columnist for publications like “O” The Oprah Magazine, and one of the world’s top motivational speakers.

**Hobbies:** Boating

# CREDIT MANAGEMENT ACADEMY

## LESSON 5



**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! Read on to learn about core issues related to credit management.

1  
CREDIT ASSESSMENT

2  
EXISTING CREDIT PORTFOLIO MANAGEMENT

3  
INVOICING

4  
DEBT COLLECTION

5  
INTEGRATION BENEFITS CASH FLOW

## THE SECRET TO CASH FLOW

**Positive cash flow** is as important to a business as oxygen is to a human being. Yet even a company that is profitable may experience a negative cash flow, which can cast a bleak shadow on both its current and future earning potential, and eventually lead to insolvency. Successfully integrating sales, marketing and credit management, however, can help keep profitability on the rise.

Negative cash flow all too frequently stems from businesses having difficulty collecting money owed from debtors – which in turn makes it difficult for businesses to pay their own debts. Small businesses are particularly vulnerable because getting money from creditors is not always easy.

**It is rare** for any business to enjoy a smooth path of growing annual sales – especially in these tough economic times. This makes it essential for every firm to protect its cash flow, which is vital for inventory and business expenses.

Traditional approaches to avoiding negative cash flow have nearly always involved building up cash reserves, being frugal in conserving existing cash and other assets, and keeping debtors in check with tough control regimes. But at the Intrum Credit Management Academy, we're great believers in taking a much broader and integrated approach to minimizing risk.

**We believe that** the key to protecting and sustaining cash flow lies in the seamless integration of sales and marketing with back-office credit management systems designed to avoid bad debt in the first place, accelerate payment and reduce errors and delays.

The best way forward for any business is to achieve "supply chain" visibility by being systematic throughout the entire process, from identifying customers, to credit control, to invoicing and debt follow-up.

The foundation for any successful transaction is set long before the first invoice is sent out. The reality is that there is little point in making a sale to an individual or company whose history shows that a default is likely. If you decide you really want the business anyway, you need to establish regimes that include up-front or carefully monitored scheduled payments, all of which demand close integration between sales and back office functions.

**All the research** at our disposal shows that using advanced scoring techniques to find profitable customers from day one brings huge cash flow benefits. And establishing an integrated credit management process across the entire payment chain – from targeting customers and approving credit to ensuring payment – helps prevent late or non-payment.

Even better, real integration between operational and back-office functions also reduces operating and administration costs and improves customer service. Who can argue with that?

### ▶ 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](http://www.intrum.com)

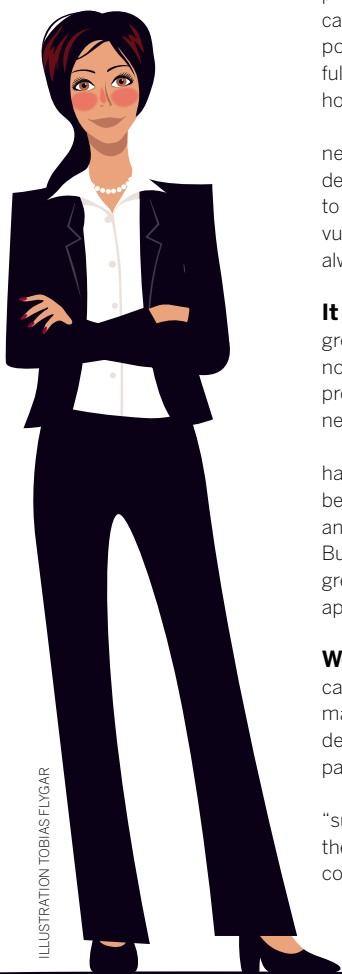


ILLUSTRATION TOBIAS FLYGAR

## CREDIT OPTIMIZATION SERVICES



# WILL THEY PAY?

**It's a critical moment** in the buying process – your potential customer is about to complete a purchase, and you need to know what the probability is that your customer will pay at all. The need of offering the right credit to the right customer is crucial for business growth and profitability. Nowadays an efficient credit assessment and the management of the existing credit portfolio are vital for businesses worldwide. Intrum Justitia's Credit Optimization Services helps clients to:

▶ Target the right customers from the start and offer them the right credit.

▶ Develop sophisticated credit assessment strategies for the most profitable credit decision.

▶ Automate the credit decision process for efficient credit management based on a state-of-the-art platform.

▶ Optimize their profit while lowering

their risk and increasing sales.

▶ Control the credit risks, based on scores from existing credit management information.

▶ Develop/manage the existing credit portfolio for increased business opportunities.

▶ Increase sales and control credit risk through an automated Credit Monitoring Service.

▶ Lower costs and increase revenue with CMS-integrated solutions.

**The new Credit Optimization Services** provides companies with a fully integrated solution, from credit assessment to collections, which adds enormous value to their business. This solution contributes experience, knowledge and information that supports how credit moves through the Credit Management process. It will enable our clients to make the most profitable decisions to optimize their business. ▶

Helping you every step of the way

### CREDIT OPTIMIZATION SERVICES

Intrum Justitia can help you improve your sales efficiency and cash flow by **targeting** creditworthy customers, **assessing** potential customers, and **monitoring** the economic well-being of current customers.

### PAYMENT SERVICES

### COLLECTION SERVICES



# European Commission revising e-Signature Directive

**In order to create a better environment for cross-border business transactions, save companies time and money, and facilitate e-invoicing, the European Commission is planning to revise the e-Signature Directive.**

**The world is growing** more and more interconnected: deals are routinely made by businesses from different countries, online transactions are frequent, and various forms of electronic contacts are initiated daily by people located far from each other. This is what makes e-identification indispensable.

While simple e-identification systems such as electronic passwords are common, however, electronic signatures – or e-signatures – are not as widely accepted in Europe, mostly because it is challenging to prove the identity of a signatory at a distance. The European Union tried to address this problem when they adopted the e-Signature Directive in 1999, aiming to establish the legal conditions for the recognition of e-signatures. Subsequent studies, though, have shown that numerous problems still persist with the lack of mutual recognition and cross-border operability of e-signatures in the EU.

**To remedy these problems,** the European Commission is currently preparing a proposal to revise the e-Signature Directive, as well as a separate initiative on the mutual recognition of e-identification and e-authentication. The European Commission believes that ensuring pan-European recognition of e-signatures would create



PHOTO: ISTOCKPHOTOS

a friendlier environment for cross-border business transactions, help reduce administrative hurdles, and save the costs and time needed to verify identity.

Moreover, the Commission has stressed that easier cross-border e-identification procedures would

help to secure the legal environment for e-invoicing. Facilitating the use of e-invoices across the EU could present many advantages for businesses, such as shorter invoicing and settlement periods.

The Commission held a public consultation on the review of the e-

Signature Directive in early 2011, in order to gather the views of stakeholders. It is now expected to issue a formal proposal for a revised e-Signatures Directive and an additional initiative on the mutual recognition of e-identification and e-authentication by the end of 2011. ▶

## Report: Late payments limiting growth

**Is your company at risk?** According to 45 percent of the respondents in Intrum Justitia's new report, late payments are prohibiting the growth of European companies.

Intrum's European Payment Index, which studies payment patterns across Europe in all industries, found that written-off debt in Europe in 2010



grew to 2.7 percent of total receivables, amounting to €312 billion, and over the past five years a massive €1,300 billion.

The report's accompanying European Industries White Paper also serves as a vital benchmarking tool, enabling companies to compare their payment performance against

others in the same industry.

The big lesson from the EPI report is that those companies that are surviving the credit crunch are those who are keeping a wary eye on their credit management processes.

Visit [intrum.com](http://intrum.com) to read more, or email [m.bosch@intrum.com](mailto:m.bosch@intrum.com) to order the EPI report and white paper. ▶



## 90 000 Clients, 180 Countries, 1 Company

Intrum Justitia is Europe's leading Credit Management Services company for one simple reason – we leverage the vast local expertise that stems from operating both a pan-European business and a global network spanning 180 countries. Our deep experience of national and local payment practices means we have the knowledge to ensure your business works seamlessly across borders.

Let us help you, go to [Intrum.com](http://Intrum.com) or send an email to [globalsales@intrum.com](mailto:globalsales@intrum.com)