FECMA
Federation of European Credit Management Associations

Newsletter summer 2012 — number 29

From Glen Bullivant:

It is some time since we last spoke, and much has happened in the interim period between this Newsletter and the last one. One reason for the delay in producing this current edition had been the issue of a new online magazine for credit managers in Europe. This was issued early in June to all member associations of FECMA and is packed with interesting articles, and well worth your time having a look and a good read. It is anticipated that going forward, future editions of both the Newsletter and the magazine will alternate – it does mean that you will not escape me, because I will be contributing to both.

We have also been very busy planning the FECMA Pan European Conference to be held in the beautiful city of Budapest in May 2013 – full details are in the magazine and the website. The venue is the Hungarian Academy, which is a stunning building on the banks of the River Danube in the very heart of the city and a more attractive location it would be hard to find anywhere in Europe. I am certainly looking forward to the event, which promises to be the first of bi-annual FECMA conferences, and I will see you all there.

I looked back over previous Newsletters (just to remind myself of topics covered) and it came as a bit of a surprise to see how long we have been talking about the Euro crisis. We are now well into our third year – no, not third week, or third month, but third year. What began with some difficulties in one country in the so-called Eurozone now runs to a list which could come straight of a holiday brochure from Tui or Thos. Cook; the ancient wonders of Greece, the tranquillity of the Emerald Isle, the sun and sangria of Spain, the fortified wines of Portugal, the romance of Italy and the timeless beauty of Cyprus. If it were not so serious, it would be the subject of a television comedy – every summit (G8, G12, G20, European Finance Ministers, European Prime Ministers, Presidents or Chancellors) has been the “make or break”, “last chance”, “now or never” summit, and every one of them has managed not to solve the problem. I have some sympathy for Mrs Merkel – at the last G20 it did look as if the other 19 were all looking to Mrs. M to agree to their impossible demands (re-negotiate, give the Greeks more time). I wonder if Mrs. Merkel has ever thought of telephoning Baroness Thatcher to ask her how to frame a single question to her European and International colleagues. The answer would no doubt have been a straightforward one – ask them, Angela, just what part of the word NO is it that they do not understand.

The United States of America is still the world’s largest economy (just) and certainly the most powerful and heavily armed. That would make the President of the United States the most powerful man in the world, but only if Senate and Congress agree. The US constitution, drawn up in the shadow of British imperialism, specifically restricts presidential powers. No president can be an emperor, dictator or supreme ruler. President Obama knows only too well, for example, that his health reform agenda has had a tortuous passage through the debating and decision making chambers that are Senate and Congress. The German constitution, drawn up in 1949, borrowed heavily from the US version (indeed the USA assisted in the process) for exactly the same reasons – no German Chancellor would ever again be a dictator – and Mrs Merkel has almost exactly the same constraints placed upon her by the German parliamentary process as those placed upon President Obama.

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Although the UK constitution is not actually written down anywhere (it was never drawn up, but sort of evolved as such), Mr Cameron has to seek the agreement of the House of Commons and House of Lords to new Acts of Parliament (a big party majority in the Commons always helps a British Prime Minister). It is therefore a little disingenuous of him, or any other constitutional leader, to look across the G20 table and expect the German Chancellor to wave some sort of magic wand.

It is even more disingenuous for the rest to the EU, and not just the Eurozone, to expect that Germany will continue indefinitely to pick up the bill, although it is easy to see why they are recognised as the only ones who can. If this was week three, or month three, of the crisis, then perhaps it is right to say that those who can pay, should pay. In credit management we readily distinguish between the “can't pay – won't pay” debtor, but this is, as I said before, YEAR THREE, and Germany in any event is not the debtor. The Germans are known for their careful approach to credit and consumerism – they buy when they can afford and want, and not just when they want. Their patience is running very thin, not just with Greece, Spain, Italy and the rest, but with their own elected leaders, and as financially sound as the German economy may be, it is not a bottomless pit, available for anybody who wants to dip into whenever they feel the need. The Americans have long had a saying, much used in business circles – “if it ain't broke, don't fix it”. The single currency is “broke” and certainly does need “fixing”, but the world will not wait another three years.

It is also intended that the „FECMA Lifetime Achievement Award” will be presented at the Dinner on the evening of the 16th May 2013 to a credit professional who, in the opinion of FECMA Council, has made an outstanding contribution to the credit management profession across Europe. The award will be given out every 2 years during the Pan-European congress.

By Josef Busuttil
Director General
Malta Association of Credit Management (MACM).

SMEs –The Trade Creditors

To what extent are SMEs being assisted to continue growing and creating more jobs that add value to the economy? Questions Josef Busuttil.

Recently published Eurostat figures show that there exist 21 million SMEs which are actively involved within the EU market economy. These firms generate two out of every three jobs of value added within the EU-27 non- financial business economy and a significant 92% of these businesses are micro-enterprises.

These figures confirm that SMEs are the backbone of our economy as in reality they represent the fulcrum that keeps the wheel of the economy turning. Therefore, all stakeholders - both the private and also the public sectors, should acknowledge the importance of SMEs for the future success of our economy.

To assist SMEs and hence, meet their needs and expectations, one has to get to know what they are demanding and what their specific requirements are. This credit situation also suggests that SMEs selling goods and services on credit should adequately invest in their credit function in order to grant / extend credit to their customers and to manage their Accounts Receivables in a profitable and secure manner. They should invest in both their human resource in terms of staff training, and also in effective credit management information systems, this would help them take proactive and profitable credit decisions.

The only way to take effective, profitable and competitive credit decisions, as well as to manage risk associated with credit, is basing credit decisions on accurate and timely information – Knowing Your Customer is imperative!

Credit management is all about being proactive. Hence, creditors should analyse the credit worthiness of both their prospective and existing customers, and this applies even more to SMEs that may be more vulnerable than larger firms due to their relative size and limited resources.

Having the basic information at hand, the Creditor would then be able to analyse the credit worthiness and establish the real worth of the customer requesting credit. If the customer is a firm, this exercise should include analysing the internal and external factors of the trade customer.

The internal factors may include the trade customer's strength in the market in terms of products and brand equity; the financial situation of the customer; any physical assets that the customer may possess; what systems and processes the customer deploys in doing business; the level of skill and competency of the customer's workforce; the customer-base and market share of the customer; the efficiency in terms of distribution channels used by the customer; the customer's economies of scale; the internal culture of the customer; and any existing agreements with other third parties.

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The external factors that have to be taken into consideration by the Creditor may include the political stability and the legal framework of the market economy; the economic situation of the marketplace; any sociocultural factors that may affect the trade customer requesting credit; the adequacy in the infrastructure required by the customer to operate his business; the level of competition; any market trends affecting the operation of the customer; and the market perception and rumours about the customer.

This task may sound to be challenging for the SMEs with relatively less resources than larger firms, but it is important to ensure sound cash flow and to turn credit risk into credit rewards in an effective manner.

In fact, this exercise requires several sources of information, which may include, the Customer Information Form referred to above; the Sales Team who meets the customers and initiates the sales; the Registrar of Companies that provides Memos and Articles and financial statements of registered companies; Credit Reference Agencies that provide pertinent information on the customer's credit history; Customer's website; Trade and Bank References; Industry Credit Circles; and onsite visits to get the real picture of the customer.

Nonetheless, the Creditor should always take into consideration the cost of his product at point of sale.

Getting to know the customer should be an ongoing management process and should not stop once credit has been granted. Change has become today's business mantra and changes in business may affect the customers'trading affairs. A good 'profitable' customer today may not necessarily mean that s/he will remain good forever!

Therefore, creditors should strive to be proactive and maintain long-term business relationships with their customers. They should constantly and consistently seek to learn more about their customers and the marketplace that their customers operate in. Continuously learning about your customer is one of the fundamental ingredients of the recipe for SMEs' business success.

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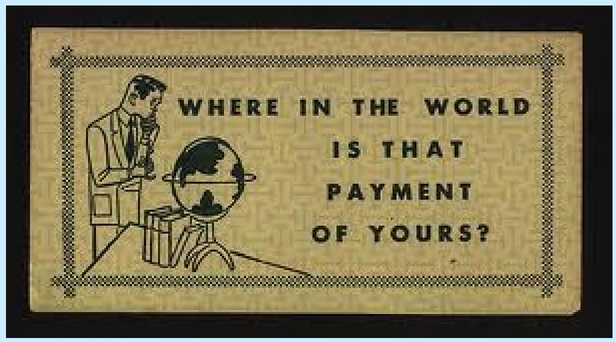
OPEN DOORS

Dealing with late payment excuses



The cheque is in the post

Ask for the cheque number, the date it was signed, who signed it, when it was posted and whether first or second class. If they have not sent payment, they won't be able to answer your questions.

The person who signs the cheques is away

This is a common excuse, especially in the summer, over Christmas and around bank holidays. However, it is often used to delay payment. So if you are told the director is on holiday, find out what provision has been made to sign salary cheques and paying utility bills. Very often, a few signed cheques will have been left to settle important accounts. Put pressure on the person you are dealing with by stressing how important your account is, making them feel they will be going against the wishes of their boss by withholding payment.

We've lost /never received your invoice – can you send a copy?

Find out if this is the only reason for late payment and offer to fax a copy immediately. If they don't agree to pay within a couple of days, they are, in effect, admitting that this is a delaying tactic.

The computer is down

Ask how often these problems occur and how long faults usually last. If this is a genuine problem, they ought to be willing to send a manual cheque.

We are waiting for payment from a large customer

Ask the name and the address of the debtor and when they expect payment. Your debtor should be able to some form of credit with their bank on the security of this debt. So suggest they do this and find out how quickly they can arrange it.

FECMA News

The Italian Association started a new website. We all invite you to check it out!

www.acmi.it

From the Secretariat

by Pascale Jongejans,
From SecretariaatsBuro B.V.
Bussum, the Netherlands

Fecma council meeting on 25th May 2012

The décor of the Fecma Council meeting this Spring was Berlin. The German Association BvCM was a very good host.

The Council accepted the membership of the Czech Republic Credit Management Association, which was for a year a branch of the ICM (Institute for Credit Management UK).

Also did the Council decide on a new Logo. You can see this logo for the first time in this Newsletter. The F (for Fecma) is embracing the C (for Credit) and simultaneously represents the Euro sign.

In the afternoon the two committees (one for the Pan European Congress and one for the Pan European Magazine) came together to discuss the progress on these two items. The Magazine s ready and the first issue will be published right after the Council meeting.

On our website www.fecma.eu you will find a link to the Magazine. The Magazine is distributed amongst about 25.000 Credit Managers in Europe! The next issue will be published in the Autumn of 2012 and the third issue in the early Spring of 2013. Both also as runner ups to the First Fecma Pan European Congress on Credit Management. In his column, on page 1 of this Newsletter, our President, Glen Bullivant informed you in brief on the Congress.

The importance of international trade relations have been put into public notice with the European and global turbulences of the Recent days and months (and years as Glen is putting our attention to). The cross-border of exchange of goods, services, and capital has been characterised by unprecedented dynamics for several years.

What ramification, however, does that have on the daily practice of a credit manager? Which demands do processes, functions, systems, the organisation and information base of credit management have to meet in an international perspective and which kinds of adaptation still have to be implemented?

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Those are some of the reasons for FECMA to come up with a Congress which offers a platform for the expert exchange about the current status as well as ongoing developments in the field of international Credit Management that will update and inform participants through not only focussed presentations held by well experienced guest speakers, but also discussion rounds with the participants and finally the intensive exchange with colleagues from all over Europe.

We, therefore, cordially invite you to put to the attention of your members to the first Pan-European FECMA Credit Management Congress **in Budapest from May 16 to 17, 2013**. Which has the title:

"European Best Practices – Inspiration for Credit Managers"

On the Congress website www.cm-congress.eu you will find all the updated information on the agenda etc.
If you want to know more about it, do not hesitate to contact the Secretariat of Fecma
by telephone: 00 31 35 69 54 103
by email: fecma@sbb.nl.

Some practical information on the Congress:

Date:	16th and 17th May 2013
Congress Venue:	Budapest, Hungary
Congress Language:	English
Attendees/Target Group:	About 200 participants of which about 50% from Hungary and other Eastern-European countries. Participants will be Credit Managers in Business to Business (about 2/3) and Business to Consumer (1/3) industry.

Agenda:

Real-life business cases/workshops are planned, with key-note speakers in support.

Breaks for networking are built in to the programme with sufficient time for such activity and the venue is chosen as one capable of offering first class facilities.

The Dinner to be held on the Thursday evening will include a specially invited guest speaker of some prominence (possibly an Hungarian government minister).

Intended/Approached Sponsors:

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