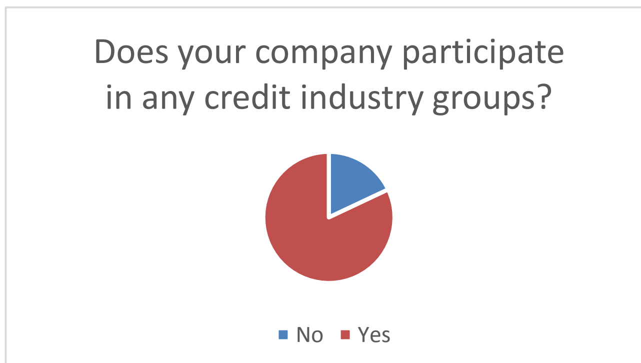
CREDIT TODAY

Credit Group Participation ROI Averages More Than 100 Percent Per Week (No, that's NOT a Misprint)

According to Credit Today's most recent benchmarking survey, the average credit department spends $4,700 to participate in their primary credit group and saves $255,000 by avoiding bad debts and slow payments. This means that credit execs are getting a 50-fold return on their investment. Annual savings range as high as $5 million, with many more reporting over $1 million. The majority also found credit group information more useful, as well as more economical, than credit bureau reports. The results measured just the savings from participants' primary credit group.

Of the 331 people responding to the survey, 82 percent indicated they are members of at least one credit industry group. The primary reason for not joining a group was the lack of an appropriate group (47%). Group membership also did not make sense if there were not enough common customers (29%) or if a company's customers were split between several industries (22%).

All three of these responses relate to the need for a credit industry group to provide value in the form of customer data. **Diane Patterson**, credit & collections manager with Thermo Fisher Scientific (Asheville) LLC, succinctly sums up the feelings of many of the respondents that currently are not involved In a group when she writes, "All I need are some companies with common customers."



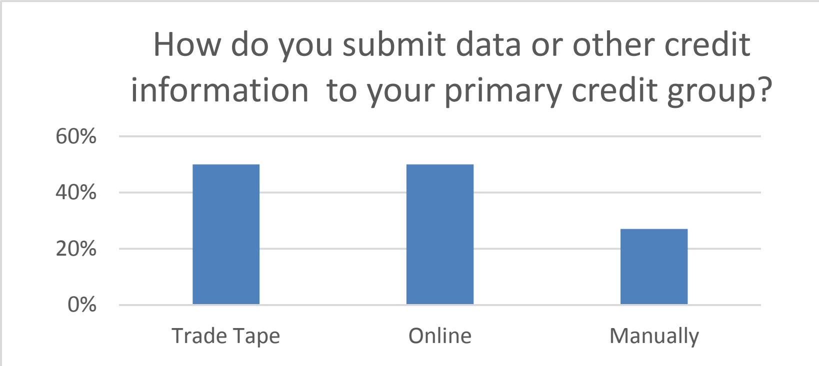
There were also a sizeable number of respondents who indicated they do not participate in a credit industry group because they do not have the time in their schedule. To derive optimal value from a credit industry group requires a reasonable time commitment. As we shall see, the amount of time required by an individual group can vary depending upon the frequency of meetings and the amount of automation the group provides in terms of data sharing.

William Edgar, CCE, credit manager at Zippo Manufacturing Company, noted that, besides the need for common customers, he would like to find a group that made "more use of technology and had fewer face-to-face meetings."

There was a fairly wide disparity in terms of the frequency of credit industry group meetings. While the average was just over six meetings per year, most groups (77%) met only twice (12%), three times (23%), four times (18%) or 12 times (24%) each year.

The deciding factor in determining whether a group met fewer or more times per year appears to be regional proximity. Groups with a national or regional outlook tended to meet less frequently than local groups, such as ones servicing the electrical or HVAC distributors.

How data are submitted also affects the amount of time required for group participation. Nearly half reported that then can submit data via trade tape (electronic batch file) or online. An electronic file is the most efficient method. In contrast, just over a quarter of our sample can submit data manually using a paper based transmittal forms.



Relying on paper is the most time intensive data sharing method, even more so than online entry methods that require manual data entry. Since some groups facilitate multiple types of data submission methods, the percentage add up to more than 100%.

In terms of the services or activities offered by credit industry groups, the top three were physical group meetings (97%), alerts/flash reports (86%) and seminars/workshops (78%). Online access to group data (76%) was also very common and is indicative of a significant amount of automation. That being the case, we were surprised that only 17% reported that their group held virtual meetings. Even discussion boards fared better than 20%. Likewise, only 25% reported their groups were providing credit scores. That is roughly one out of every three reporting online access, and who should therefore have already collected the necessary data in an electronic database that could be used to generate credit scores.

It was also interesting to note that a majority of credit industry groups provide unlimited trade clearances (56%) to their members, with 35% putting limits on the number of clearances allowed. Another surprise was that over one fourth reported having an attorney in attendance at their meetings, ostensibly to ensure compliance with anti-trust and collusion statutes as well as to provide more traditional creditor's rights expertise. The number issuing groups newsletters (36%) was also higher than expected.

Clearly, technology is still working its way through the credit group industry. To some extent this technology is providing a platform for adding value to both the data repository and the group experience. The productivity gains that accompany the implementation of automation tools also free up resources to provide other services such as education programs and other support services.

As credit industry groups add to their value proposition, it is expected that they will continue to compare favorable to traditional credit reporting services. In terms of trade clearances, payment trends and analysis, flash reports and change notifications, as well as overall value, at least 75% of survey participants favored credit industry groups over the credit bureaus. And when it came to credit reports, the key product offered by the bureaus, 62% still favored the credit industry groups. Only a relatively small minority (22%) favor credit bureau reports over credit industry group reports, and the numbers for all the other categories are under 10%.

It is therefore not surprising that many credit pros are passionate about their group participation. **Diana Tapelt, credit manager** at Minvalco, Inc., remarks, “the credit group represents the pulse of the industry. Without it my credit decisions effectiveness would be greatly hampered.”