

# Success Story

Wilhelm Böllhoff GmbH & Co. KG



Prof. **Schumann** GmbH  
innovative information systems

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## Efficient credit management can't be based on gut instinct

Wilhelm Böllhoff GmbH & Co. KG is an established family company in the “connection, assembly and system technology” sector. It employs over 2,000 people at production and marketing locations worldwide. The complexity of managing multiple subsidiary companies and a customer base of over 20,000 active customers requires a centralized system that provides an overview of the economic development of these customers and reduces the risk of default on invoices.

*“At the moment we tend to base our decisions on gut feelings.”*

These were the words Dr. Carsten Löffler used to describe his company's credit management system back in 2004. The manager in his mid-forties was sitting at a conference table at the Böllhoff headquarters in Bielefeld, looking around him with a smile. Today the Managing Director smiles at the memory. *“We really wanted to change that. We needed a system that could reliably evaluate the available information and generate an understandable decision.”*

With the help of the CAM software (Credit Application Manager) and Prof. Schumann GmbH, the company has now achieved its aim. Today, Böllhoff knows a lot more about its customers and can even make well-founded credit decisions that, if necessary, conflict with the motivation to sell more. This is made possible by continuous, software-supported, automated monitoring of the customer portfolio.

### Heterogeneous data

The biggest problem facing Böllhoff when it first set out to improve its credit management was not so much connecting to and using external information. At the time, the company already had access to information from various information agencies, commercial credit insurers, payment record pools and balance sheets, albeit in decentralized and unstructured Excel lists. The main problem lay in the fact that the customer records were heterogeneous.

*“Our problem was that we had no uniform customer data base. This was the case both between the various subsidiaries and for the data within each subsidiary”,* recalls Dr. Löffler. Pre-existing structures and the presence of multiple companies

resulted in each subsidiary maintaining its own data record, including separate records for individual branches, making it impossible to have an overview of a customer's situation. *“Truly efficient risk management was impossible in such a situation”,* recalls Löffler.

### Main and associated files

To solve this problem, in 2006 a module was developed for CAM that is now also successfully used by many other companies: the module for displaying main and associated files.

Ideally, each customer or risk should only have one file. For various reasons, however, this is not always the case. The “main and associated files” module enabled Böllhoff to connect associated files with a main file. This allows related payment records to be consolidated. The main and associated files together represent one risk, meaning that there is only one aggregated risk report (for the main file).

Furthermore, associated files may not contain any external information; this must be allocated to the main file. *“CAM enables our companies to have a real overview of their customers. Of course this did not just happen automatically – the data base needed to be cleaned up manually – but once the basis was established it could be maintained automatically. That was important”,* says Dr. Löffler.

### CAM's introduction

CAM provides support for the entire credit management process chain, from checking new customers, the integration of commercial credit insurance and dunning procedures to debt collection processes. In CAM, interfaces can be used to connect to internal pre-systems as well as external information agencies and balance sheet information.

Besides the main and associated files module, Wilhelm Böllhoff GmbH & Co. KG also uses interfaces to the Duntrade and DRD payment record pools, evaluates its own payment records and also used to connect to a commercial credit insurer. All available and required information are now automatically compiled at Böllhoff and is condensed into a credit rating. *“It is no longer necessary to collect the required information manually over the internet and input it by hand into an Excel sheet like we used to do. This represents a real reduction of the workload for our employees”*, explains Dr. Carsten Löffler.

When CAM notices a critical deviation from pre-set rules, it generates a message. It thus works as an effective early warning system.

### Delivery block

At Böllhoff, this early warning system has been linked to another automated process. Criteria have been defined according to which the system can set an automatic delivery block under certain conditions. For instance, if a customer receives a D rating, CAM sends a message to the sales representative in charge of this customer, informing him of the impending delivery block. He then has one day to clear up the case and thus make further deliveries to the customer possible. *“This process actively integrates the sales department into the credit management”*, says Dr. Löffler. *“They know the reason for the planned block, and this builds transparency and trust”*.

Reasons for delivery blocks:

- ◆ Manual decisions
- ◆ Dunning level 2 or higher
- ◆ Court order
- ◆ Exceeding of credit limit
- ◆ Insolvency proceedings
- ◆ D rating

Of course, CAM also considers the main and associated files when setting delivery blocks. The “highest level” delivery block of a set of related main and associated files is applied to all the files in the set. It is saved in the main file and transferred to the pre-system during the daily export. The block indicated in the main file is applied to all associated files one day later. To make sure this block can still be addressed before it is applied, messages are generated and sent by E-mail to all persons involved with the set of files whenever the information relating to the delivery block on the main file changes for the worse.

### No more CCI

CAM has become a mainstay of the daily workflow at Wilhelm Böllhoff GmbH & Co. KG. Payment delays are now acted on promptly so that defaults can mostly be avoided. In total, system support has reduced debtor costs. Since 2010, Böllhoff has therefore been able to do without commercial credit insurance and successfully runs its credit management by itself.

In the case that a default occurs or that the risk is clearly visible, provisions for specific bad debts must be made in the accounts. At Böllhoff this is done automatically by CAM. A provision for bad debts report is set up automatically for the file according to pre-defined rules. The system then creates a provision for bad debts for the relevant claim based on the individual risk situation of the customer.

*“For us, the determining factor was CAM’s flexibility. It was very important that the software could be adapted to our specific requirements. We are now able to make credit decisions that are well-founded rather than based on gut feeling. And it costs us less time and money than it used to”*, says Dr. Carsten Löffler with a satisfied smile.

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