

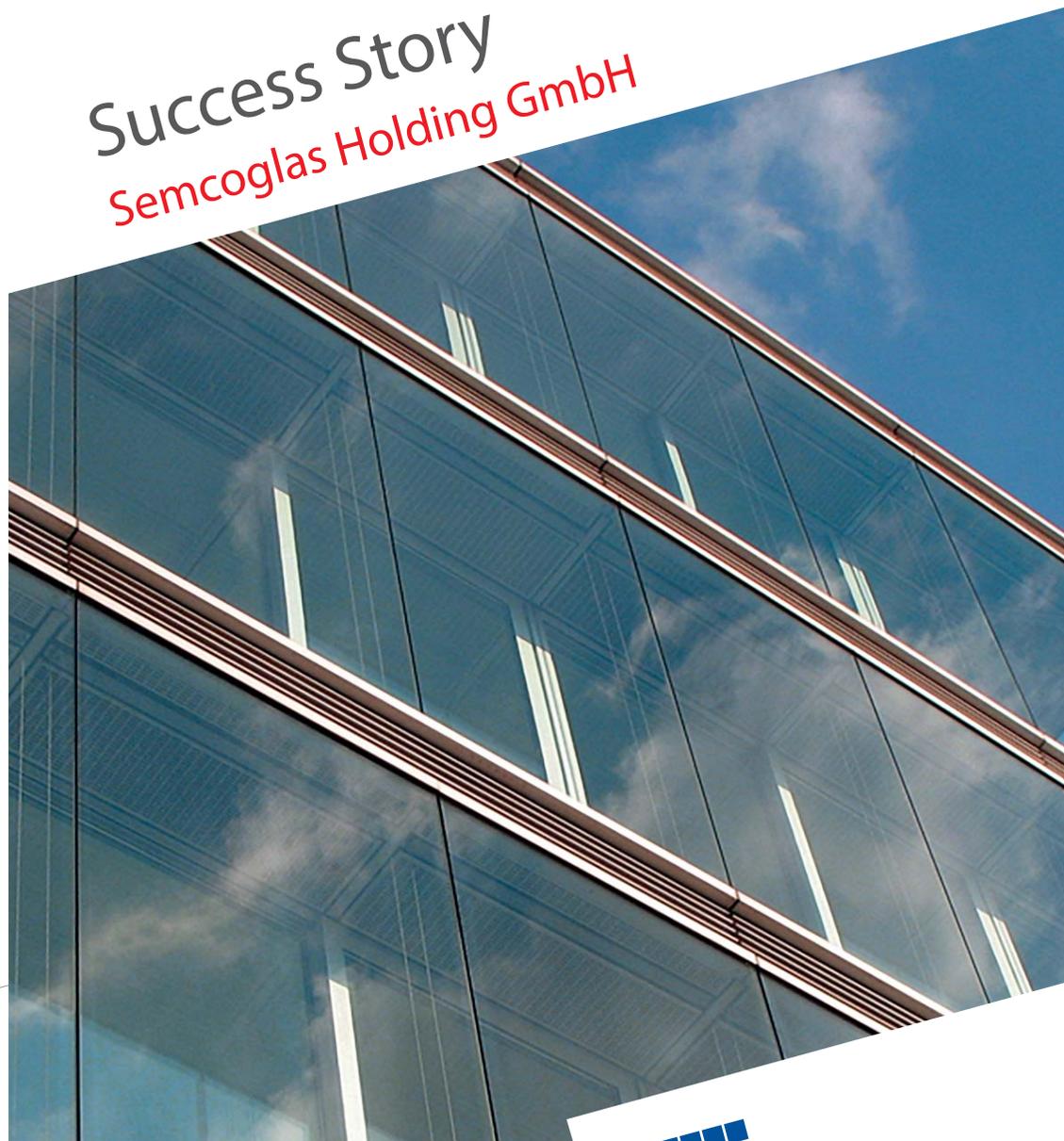
Outlook

Not content with the successes achieved so far, the SEMCO team has set itself ambitious new goals as it believes that there is still potential for optimization. For example, the unsecured credit lines – where creditworthiness allows – and the associated commercial credit insurance discretionary credit limit are to be increased further. One of the challenges is to keep an eye on the age and the development of open positions in the course of the identification and evaluation of the risk.

The use of external information will be evaluated and perhaps adapted to current needs, linking it more closely to the underlying risk. Furthermore, CAM's potential is to be made available to other areas of the business. For example, sales can be targeted more effectively by identifying turnover potential. A further milestone will be the continued optimization of the credit allocation processes planned for 2014. The processes are to be analysed to detect any inefficiencies and to determine further potential for automation. In addition, the automated suggestion of credit limits is to be improved by developing a branch-specific credit limit table and by linking the limit suggestion to other factors in addition to the rating, such as turnover or company size.

Success Story

Semcoglas Holding GmbH



Prof. Schumann GmbH
innovative information systems

Prof. Schumann GmbH
innovative information systems
Weender Landstr. 23
37073 Göttingen, Germany

Tel.: +49 551 383 15 0
Fax: +49 551 383 15 20
info@prof-schumann.de
www.prof-schumann.de

www.prof-schumann.de



Prof. Schumann GmbH
innovative information systems

Credit management: recipes for success and concrete results in figures

The SEMCO Group is one of the most successful companies in the European glass industry. It is Germany's third-largest glass processor and has more than 20 locations in Germany and abroad. In 2009, spurred on by a growing number of bankruptcies, higher commercial credit insurance premiums, the lack of transparency and especially by inefficient credit management processes, a decision was taken to invest in a comprehensive, IT-supported credit management solution: Credit Application Manager (CAM).

Workflow optimization as a success factor

SEMCO's decision to introduce CAM had several goals. With the implementation of the risk early warning system, the company wanted to reduce manual effort and rate its customers automatically using a differentiated, complete risk evaluation that takes into account all available information relevant to creditworthiness. The company also had financial objectives, such as reducing the number of missed payments whilst lowering the commercial credit insurance premiums and the information agency costs. The optimization of workflows was found to be the central success factor for achieving all these goals. Furthermore, all the information relevant to early risk identification and evaluation needed to be identified. The company believed that these steps held an enormous cost-reduction potential.

„We have achieved all our intermediate targets“

After three years of consistent work, Andrea Reichel, Head of Finance and Credit Management at SEMCO, can now look back at the results: „We have achieved all our intermediate targets. This was only possible because our colleagues at the various branches worked together with the credit management team and supported the fundamental transformation in credit management.“

The recipe for success

A consistent credit policy is now applied across the company. Each customer receives a creditworthiness evaluation based on the SEMCO scorecard. All the branches also have access to this rating and the related information. The processes are unambiguously regulated and the responsibilities and rules of representation are clearly defined. The central instrument of the unified credit policy is the credit application process, adapted specifically to SEMCO's requirements. It enables (partially) automated allocation of credit, verifies competencies and responsibilities and retrieves, for example, external information related to the customer group (partially) automatically. It also allows commercial credit insurance to be arranged based on creditworthiness. In addition, the credit managers use the CAM system to request manual steps to be taken: for instance, they have gradually motivated all the employees involved in the process to provide sufficient information in their credit limit applications, particularly where there are negative indicators. The aim is to be able to make credit limit decisions as quickly as possible without making any additional inquiries. All in all, CAM allows the complete monitoring of all customers and therefore ensures that creditworthiness evaluations are always up-to-date. All credit decisions are also historized.

Troublesome, cost-intensive duplicated files have been intelligently combined and associated risks clearly defined so that this issue and therefore also the double retrieval of reports, for example, no longer play a role. This has reduced the cost of obtaining information.

Together with Prof. Schumann GmbH, SEMCO identified valuable internal information in the course of the project, which was then integrated into the automated risk evaluation. For instance, the evaluation considers internal payment records, which are a very relevant source of information, especially on long-standing, regular customers. Sales information is another valuable source that has been integrated into the evaluation process: the customers are evaluated using a standardized questionnaire, and often from an alternative perspective.

The lack of transparency in the evaluation of both the customer portfolio and individual risks, which had been a source of complaints, has been replaced by a comprehensive, well-founded evaluation of every single customer. It is now also possible to have a differentiated overview of the customer portfolio according to various criteria such as the age of the outstanding claims (OPAging), in order to analyse and process it.

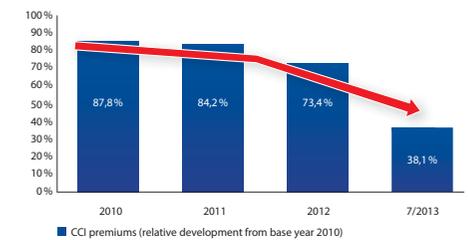
Success in figures

„We are proud that we can demonstrate the targets we achieved with concrete figures to illustrate the direct effects on the company's success“, says Andrea Reichel. The credit policy is clearly defined and objective. Process costs have been significantly reduced with the support for the system provided by CAM and the accompanying, continuously increasing level of automation. The enCashMent module, for example, facilitates the automated, uniform and transparent handling of dunning runs. Fewer people are needed due to the reduction of manual activities and of the communication caused by non-uniform processes. Another positive effect comes from the use of the CAMErA reporting tool to determine the necessary provisions for bad debts. The unambiguous, streamlined process organization also contributes to lowering the outstanding customer debt. Measures triggered by the system and carried out consistently and in a timely manner by the employees have contributed significantly to the reduction of average payment duration. This used to be more than 25 days but is now around 20.5 days. This development has led to a major reduction in both capital requirements and (calculated) interest and is a clearly recognizable monetary success.

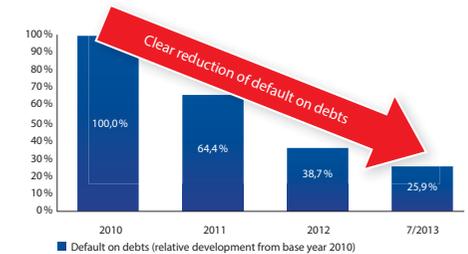
Since the introduction of CAM, the evaluation and control of customer risk has significantly improved. As a consequence, bad debt has been drastically reduced. From the introduction of CAM to the end of 2012, defaults fell by more than 60%. According to current estimates, this positive trend is set to continue in 2013. The finely tuned CAM early warning system informs SEMCO about worsening creditworthiness at an early stage, opening up a broad, and most importantly

anticipative, range of options for action. This has enabled a gradual increase of the open credit lines dependant on ratings derived from clearly calculated risk. The gradual raising of the discretionary credit limit for the commercial credit insurance since CAM's introduction can be concretely quantified in monetary units or expressed as a relative value: commercial credit insurance costs fell by a full 14% between the introduction of CAM in 2010 and 2012.

Reduction of commercial credit insurance costs through higher unsecured credit lines



Reduction of default on debts



Reduction of payment duration

