FECMA Magazine for European Credit Managers 1/2014

CreditManager Europe

FECMA
Federation of European Credit Management Associations

Credit Management enabling profitable Sales

Organizational Models and IT in Credit Management

Dutch VVCM Innovation Award in Credit Management

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FECMA Congress
20. & 21. May 2015
Brussels, Belgium

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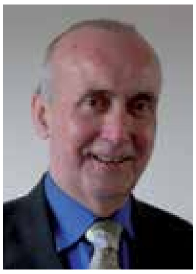
DIRECTORY AND FOREWORD

Much has happened since our last issue, not least of which have been the productive meeting of the FECMA Council in Italy (my sincere thanks to George and Arthur for their splendid hospitality) and the elections across all 28 members of the European Union for new members of the European Parliament. There is more on these events elsewhere in this magazine, but let me just say in this Editorial that both these happenings will have consequences, both for credit managers and for the citizens of Europe. Credit managers will need to be prepared to adapt as the landscape changes, as it most inevitably will within FECMA itself and Europe as a whole.

It could well be argued that there is something of a similarity between FECMA and the EU, but only in so far as they both cross national borders in terms of representation. The difference, which is fundamental, is that FECMA tries very hard to represent the collective view of all its members. The two council meetings each year are frank and open exchanges of views and ideas, aimed at the continuing growth in the professionalism of credit management across the continent, whilst at the same time clearly recognising and respecting differences in regimes, languages and cultures.

From the activities of all the members, FECMA Council can identify and encourage best practice and share with a wider credit management community through its website. The co-operation and understanding is not just restricted to the two council meetings – member associations work with each other throughout each year, with conference calls, shared presentations and active information exchange. Ask any FECMA Council member, and he or she will readily reveal the contents of their FECMA email inbox. I am not so sure that such co-operation and information exchange exists in the dark corridors of the EU – just getting an answer to a credit management related question out of any one of the army of eurocrats can be a Herculean task.

Credit managers want, need and must talk to each other. The success of the Pan-European Conference in Budapest in May, 2013 was tangible evidence that it works and is beneficial. So much so, that no sooner was the Hungarian event over, but that the FECMA Conference Panel began working on the next Pan-European Conference. If you have not yet put the date (20/21 May, 2015) and the venue (Brussels. Belgium) in your diary, DO SO NOW!!!! More details are in this edition of the magazine, but let me just say this – in many ways the programme, as inspired as it is, is in many ways incidental; the real success lies in meeting, talking and learning from each other. As we used to say in my flower power days, man "be there or be square".



Glen Bullivant FICM
President, FECMA

CONTENTS

RISK MANAGEMENT TO GUARANTEE PROFITABLE SALES

Let's turn back the clock. During the economic boom of the New Economy phase, the sales department in many industries had one central motto: "More turnover. Whatever the cost." In many cases growth was misleadingly and without reflection interpreted as sales acquisition, sustainability and long-term customer relationships were of little or no importance.

Dr. Jörg Seelmann-Eggebert,
SHS VIVEON AG,
GUARDEAN GmbH

Risk management as judge of non-payment risks was often seen as „spoilsport" or „sales preventer". This changed considerably after the Lehman crash in 2008 and its disastrous consequences. Under enormous pressure from lawmakers and the public, it was not only banks that had to react to the tremendous credit losses and increased risks. „Loans" are given in almost any industry, e.g. in the form of advance payments, long-term payment periods, etc. Thus many companies were quick to incorporate a more restrictive risk management primarily for one task: 100 per cent risk avoidance. New and existing customers were rigorously analysed for potential non-payment and credit risks. Risks were not managed, but avoided. However, this development also proved to be not exactly successful.

> »RISKS WERE NOT MANAGED, BUT AVOIDED.«

Six years later it has become clear through practice that in many companies risk management is too restrictive and the number of rejections of applications from new customers too high. Never has there been a greater discrepancy between customer management and risk management. Due to the continuing unstableness of the financial markets, the pressure on companies to achieve sales and growth is increasing. Generating profitable turnover becomes more and more important. Credit still proves to be the engine for the economy. It is therefore an essential task for companies to find the happy medium between growth and risk prevention. This requires dissolving the traditional view of the roles of customer management and risk management and creating a new one.

Another central issue is viewing the customer from both sides – sales and risk – along the entire customer life cycle. There is often only one evaluation and categorisation of a customer in terms of risk and sales potential, namely at the beginning of the business relationship. This is far too limited, since both the customer's individual situation and the general market conditions may change. Instead, BI key data that could give a valid and informative view of the customer should be identified. This could be key data, for example, on credit rating, affinities, cross-selling potential, but also on likelihood of cancellation. From this key data relevant processes and decisions must then be derived. The question to be answered is: Am I willing to take a specific risk with the customer? If so, on what terms, and how do I manage this risk?

The following examples show how important an integrated view of the customer is in any phase of the customer lifecycle:

As early as at the initial business contact a company must get a reliable idea of both potential and risk of every single customer. Only when both these factors are made transparent for the company, a decision can be taken on which potential customers should be approached with what offers and on what terms. Here risk management must be an important partner to sales and marketing. Companies that successfully integrate the know-how from both departments can thus gain a significant competitive advantage. For a customer with a negative score, for example, is not necessarily a bad customer. Companies must learn to take a closer look, consolidate information, and examine interested parties and customers in more detail.

That there still is untapped potential can be seen e.g. in existing customer management. Companies hardly use the valuable information they have collected on their customers, neither in marketing nor in risk management. Factors from both areas such as payment experience, buying behaviour, complaints, call centre calls or open rates in email campaigns can contribute significantly to the evaluation of individual customers. This becomes necessary especially if the individual situation of a customer is changing, e.g. in case of temporary financial bottlenecks due to unemployment, different buying behaviour due to a new family situation, or more reluctance to incur expenditures in economically uncertain times. Only very few companies today have a relevant performance measurement system perfectly integrated into the running processes. Information is still rarely used in campaign management or for cross- and up-selling purposes. A close cooperation between risk and customer management has proved its worth here too, e.g. risk management can keep marketing up to date on changing non-payment risks and credit ratings.

Further along the customer lifecycle, e.g. in case of late payment or even payment default, companies also benefit from a tight integration of customer management and risk management. Standard dunning procedures in case of late payment or payment default are common practice today. At a certain point the first dunning letter or reminder is sent, usually followed by further requests for payment. At last, outstanding debts are outsourced to a collection service. Even if a reminder is perfectly justifiable in many cases, it still disrupts the relationship between customer and company. And it is this delicate time in the customer relationship in particular which offers great potential if risk management and customer management can cooperate well. For this, the true motivation for non-payment must be identified. Does the customer not want to pay, or is he unable to?

Or is he just at this particular moment unable to pay? Depending on the situation, the best approach, e.g. dunning cycle, tonality or communication channel, can be determined. It is also beneficial to have a look at a customer's value – there is no point in upsetting a priority 1 customer with short dunning cycles. Individual dunning procedures chosen based on a customer's risk and potential can contribute to a company's added value. They can, for example, safe dunning costs or even increase customer loyalty.

However, to obtain these ideal constellations, the company first has to create suitable conditions. These include, for example, consistent, comprehensive and binding rules and regulations defining the interaction between customer management and risk management. It is often also necessary to adapt or establish appropriate processes such as those for identifying and approaching potential new customers. A suitable BI solution, making all relevant information available and creating the necessary transparency, is essential as well. In addition, the relevant systems, from CRM system to campaign management and credit check, should be perfectly attuned and interconnected. This is the only way to achieve an integrated view of the customer. Suitable data quality and informative analysis models contribute to a high quality of the decisions taken.

Market conditions keep changing. A crisis is followed by an economic rise and vice versa. A company should, however, always keep an eye on both sales potential and risk of its customers and be able to react accordingly at any time. Nevertheless, this underlying potential has not really been tapped yet, even though an efficient risk management can not only help increase turnover but customer retention and loyalty as well, as the examples have shown. And despite the fact that the term sustainability has become quite the buzzword, it has proved to be one of the most important success factors in customer management regarding both turnover and customer relationships.

DEBTOR MANAGEMENT À LA BAYWA

There are many more or less efficient methods to become and remain outstanding parties. The wholesale and retail firm BayWa operates with a particularly innovative method. It helps to recognise and control customer risks.

Rudolf Keßler CCM
Director, Corporate Credit
BayWa AG Munich

The story of BayWa is as old as 1923. At that time the business enterprise focused on phasing out money transactions and merchandise business in rural areas. Today the company is active nationally and internationally in three segments: agriculture, energy and construction. With 16,000 employees, BayWa achieved a group turnover of almost 16 billion Euros.

A broadly diversified customer portfolio

The sales and marketing in the three segments has a decentralised organisation at around 800 locations. Among the 1.5 million customers rank farmers, agri-food industry, international agricultural trade as well as general trade. This includes, in particular, the building trade and the transport industry as well as consumers. Almost all customers normally shop with all the three divisions. This gives rise to average receivables of 350 million Euros which does not have a classic credit insurance. This means a serious challenge for credit management. Its strategy equally factors in the market situation, the organisation's structure and organisation and corresponds with the administrative processes.
These were also phased out in a decentralised manner in order to be able to operate closely with customers and the sales and marketing.

Clear goals for credit management

In addition to the classic goals such as minimising bad debt losses, BayWa's credit policy includes reducing the capital tied up in debts and improving liquidity. The policy also provides clear pointers for more active sales support and increasing customer satisfaction. The business enterprise uses appropriate resources and methods to confront the current changes in purchasing capacity of the entire economy and the payment be-haviour. This particularly includes procuring current and comprehensive information on new and existing customers.
What is new here is the transition from a statistical period-by-period analysis of cred-itworthiness to a dynamic monitoring of creditworthiness. All kinds of changes by customers are observed and assessed by monitoring and responded to with appropriate measures. Early detection of risks should contribute to executing the out-of-court collection proceedings and debt collection measures, with as few customers as possible, and to using means of enforcement of the ZPO (Code of Civil Procedure).

Meticulous preparatory work and varied measures

BayWa has comprehensively scrutinised the organisation and the processes in order to meet the goals and all the requirements. The results are mainly used in five instruments: a policy, systems technology, sales integration, information procurement and process control.
The policy was formulated from various work instructions and circulars, among other things. Thus, compact credit policies were created. They express the company's credit policy. The basic guidelines take precedence over detailed instructions of individual processes. The employees are given the responsibility to be able to work flexi-bly given the heterogeneous demands, both external and internal. Moreover, BayWa formulated strict principles to be complied with such as "No handling of combined accounts", "Every customer has only one account", "The creditworthiness of every customer is checked" or "A credit limit is fixed for every account". The master data processing thus takes place exclusively in credit management. BayWa installed a system with DebiTEX™ that enables information to be taken in, evaluated and as-sessed in the right volumes. Using this information the system creates a score for every customer and classifies him in a risk category.

Integration of distribution via interfaces

The policy was formulated into a common primary goal in order to face the ubiquitous conflict of goals between distribution and credit management. In order to achieve real sustainable improvements, concrete interdependent information interfaces were defined.
The economic integration of distribution into the processes proves to be particularly efficient after the sale. This is controlled using the interest on the time between in-voicing and the terms of payment, among other

things. These interests directly diminish the gross profit or loss of the distribution unit and thus ensure reasonable agreements on the terms of payment. Bad debt losses are also charged to the distribution unit and diminish its extraordinary return. The result: there is a greater awareness of the creditworthiness and method of payment of customers. The cooperation with credit management is strengthened and contributes to an improved return by early action.

Diverse procurement of information

BayWa procures information for commercial customers by classic trade references, payment data pools, bank references, land certificates and balances. In case of business transactions with customers, positive/ negative information from credit bureaus is enough in the first place. What information is important in a particular case is clear from a risk scale included in the policy. Information is procured by direct online access by the DebiTEX™ System into the data banks of the credit bureaus.

For the required early detection of risk, the supplier provides the relevant supple-ments in case of changes in the customers' creditworthiness.

Simplified administrative processes

The switch from information procurement to online solutions leads to considerably accelerated and simplified administrative processes. There is a clear improvement in the work quality of the employees in Credit management due to the unchangeable recording of all the measures. The team is also trained with specific training from passive processing to active engagement. The accounting of payments received is automatically carried out for almost all transfers directly from the bank account to the customer's account. In addition, there are dunning runs daily. There is also a default-interest invoice. Without consistent action based on clear rules as well as explicit decision-making powers and reasonable system support, the credit management instruments will admittedly remain a "blunt sword" to a large extent.

Cash Management at the interface for crisis

There is no clear definition for the term 'crisis'. There are however several situations which point to difficult economic problems. These particularly include submission of the inventory of assets or insolvency petition. In these cases, the creditors do not have any good chances to realise their debts. In the run-up to such precarious situa-tions, every customer displays a behaviour pattern which gives pointers to an im-pending financially difficulty. These pointers might be a request for extension of the terms of payment, instalments not agreed upon as well as occasional returned direct debit or the need for reminders. It is simultaneously to be examined, among other things, if the situation is seasonal or industry-specific. BayWa's responsible employ-ees in Credit management must rise to a huge challenge. The company requests a "multiple- balancing act" of them. They must hold on to a customer for as long as possible even if he is caught in a financial bottleneck.

An extremely positive balance sheet

This strategy has stood the test for BayWa over the years. There is hardly any at-tempt to challenge by the insolvency administrator. Moreover, the company manages further stable improvements by its early detection methods and their consistent implementation. Thus the bad debt expenses amount to significantly lesser than a tenth of a percent of the turnover. Simultaneously there is a marked increase in the turnover.

Conclusion: A stringent credit and cash management makes a significant contribution to economic success through reduced losses and costs.

Important: The consistent implementation does not depend on the size of the enter-prise.

"HAS THE POT COME TO THE BOIL?"

Thursday 22 May 2014 was when the United Kingdom and a few other European countries went to the ballot box to elect their next Members of the European Parliament. In the UK, on the same day, electors were asked to choose some local councils, and that alone dictated that the turnout would be low. The British are very bad at local elections, and have always been so, and not all that keen on European Parliament elections either.

In both cases it is not that they cannot be bothered, but more because they see little connection between those who run the towns and cities and themselves, and even less connection between themselves and those who commute UK-Strasbourg-Brussels and Brussels-Strasbourg-UK. Not without some cynicism is the Eurostar under the English Channel generally referred to as the "Gravy Train". On Sunday, the rest of Europe went to the Euro polls and not to put too fine a point on it, at around 22.00 BST it was evident that the manure had hit the fan.

Political commentators, newspaper reporters, television journalists, electoral academics, sociologists, economists, professors and assorted experts in general have spent the hours and days since scrutinising the figures, analysing the trends, and trying to work out just what happened. The bare facts are quite straightforward – in the UK, the two main parties, Labour and Conservative, were pushed into second and third place respectively by the new kid on the block, the United Kingdom Independence Party (UKIP). The Liberal Democrats were all but wiped out, and the extreme right British National Party was actually wiped out. As expected, turnout was low (around 34%), but the European average was not a lot better at 41%, and if you look at that average more closely, you can see the high of Belgium at 90% (something to do with the law in Belgium presumably) and the low of the Czech Republic of 18% (something to do with the fact that they are new perhaps). In France, the extreme National Front (as loathsome in the same way that the British National Party is loathsome) surged to top the poll, relegating President Hollande's sorry bunch to third place. Even in Germany, where support for Angela Merkel solidified, there was room for 7 MEPs from a brand new discontented party. All in all, right across Europe, the Far Right and the Far Left made gains at the expense of the Centre Left and the Centre Right.

So the academics and the pundits are scratching their heads, and I dare say that by the time you read this, some scalps will have been worn down to the skull bone. To be honest, it is not rocket science, nor is it the end of the world – the Brits, for example always use "unimportant" elections to express contrary opinions and it will be events like the UK General Election in May 2015, and national Presidential Elections in other countries which will determine more what people want to see happen. What really happened on 22 May and 25 May was inevitable, and the pot had been simmering for years before coming to the boil. Let us get nautical – the captain of the good ship "United Kingdom" (or the good ship "France", the good ship "Denmark", or any other good ship you care to name), has been signalling for some time for the ship "European Union" to heave to and allow an inspection of the cargo. The signals have been ignored, so a shot has been fired across the bows of the "EU" – if she does not stop, take heed and allow a full search, the next shots will be a broadside. The crew of the aforementioned good ships feel disconnected, some feel they have been pressganged into joining up, and crewing the good ships under the overall command of the distant Admiral EU is not what they expected when signing on the dotted line.

Some comfort for the rain-soaked Brits in all this. For years they have been labelled as unenthusiastic Europeans. Possibly true in some respects, but hardly surprising when you look at history. As long ago as 1940, Churchill offered France a joint Anglo-French state, so that if mainland France was overrun, the state would not surrender as it still existed on the small fog bound island over the water. In 1946, it was Churchill again who advocated a "reorganised" Europe, bound together in such an economic way that 1914-18 and 1939-45 could never be repeated. In 1951, at the Treaty of Paris, the European Coal & Steel Community was formed, being the infant from which has grown the adult EU. Along the way, Britain tried to join twice, rejected each time by France, and it was not until 1972 that membership was granted to the UK. In 1975, a referendum in the UK overwhelmingly supported and endorsed that membership. Britain did not join the euro currency because it was not strong enough to sustain (having been thrown out of the Exchange Rate Mechanism – ERM – in 1992. Events proved the wisdom of that decision (Italy, Greece, Portugal, Spain etc., etc.), but it simply reinforced the perception of not being good Europeans. Now, it seems that the French are not over keen either, but let's not say anymore on that.

The fact of the matter is that the European Union is seen as too big, too undemocratic and too meddling – the people have spoken, rightly or wrongly, but that voice is ignored at your peril, whoever you are.

Glen Bullivant
Editorial board CreditManager Europe

SAVE THE DATE!

FECMA
Federation of European
Credit Management Associations

20. & 21. May 2015

Brussels, Belgium

Pan-European FECMA Credit Management Congress

„European Best Practices – Inspiration for Credit Managers and Credit Professionals“

Suggests, we are offering a platform for the expert exchange about the current status as well as ongoing developments in the field of European Credit Management that will update and inform participants through not only focused presentations held by well experienced guest speakers, but also discussion rounds with the participants and finally the intensive exchange with your colleagues from all over Europe.

The main topics of the 2015 Congress are:

- Global Economic Game Changes: What to expect from the Future in Europe?
- Credit Management Strategies: an European Perspective
- DNA of the European Credit Director: What are the Key Success Factors?
- Corporate Turnarounds: Success and Failure Factors

The Federation of European Credit Management Associations (FECMA) would be extremely pleased if you took interest in joining the Pan-European Congress.

For further information, please feel free to contact Pascale Jongejans at fecma@sbb.nl or dial +31 35 69 54 103.

www.cm-congress.eu

BACKGROUND

CROSS-BORDER DEBT RECOVERY

The European Parliament and the Council makes it simpler! European businesses consider the European Union as a potential market for doing cross-border commercial transactions. This is due to the EU market size, the single market rules which result in less compliance costs and the absence of cross-border bureaucracy.

Josef Busuttil
Director General Malta Association of Credit Management
jbusuttil@macm.org.mt

Notwithstanding the benefits, not all is rosy to conduct cross-border commercial transactions in the EU. Stark differences in culture, language and customers' attitudes and preferences may still exist, hence, hindering cross-border trade. But one of the biggest concerns of businesses is to recover cross-border debt from their respective customers.

Given that 99% of businesses in the EU are small and medium-sized enterprises (SMEs), recovering cross-border debts may be difficult, cumbersome and expensive for them, especially if they have to pursue lawsuits in other countries.

Very often, instituting a law suit in another country may require the supplier to provide translated documents of evidence of debt and to hire a local lawyer in order to seek legal assistance as applicable to the foreign law, which may differ from that of the supplier, and also to comply with the court procedures of the country foreign to the supplier. And this does not necessarily mean that the trade creditor will eventually get hold of his money.

The European Commission claims that around one million small businesses are still finding it difficult to recover their cross-border debts. The amount of these debts reaches €600 million which businesses are writing off and hence lost every year.

TO MAKE LIFE SIMPLER AND EASIER FOR EUROPEAN BUSINESSES AND ENTREPRENEURS, THE EUROPEAN COMMISSION PROPOSED THE EUROPEAN ACCOUNT PRESERVATION ORDER...

To make life simpler and easier for European businesses and entrepreneurs, the European Commission proposed The European Account Preservation Order, which the European Parliament endorsed and voted in favour in Strasbourg on 15 April 2014. This proposal was backed by 597 votes for, 33 against and 37 abstentions.

Following this vote, the European Parliament and the Council of the European Union signed The European Account Preservation Order into law on Thursday, 15th May 2014.

The European Account Preservation Order is an European procedure that will assist trade creditors recover millions in cross-border debts. By this procedure, trade creditors will be allowed to uphold the amount owed in a debtor's bank account under the same conditions in all Members States, except in the UK and Denmark.

The trade creditor still has to obtain a judgement in accordance with the national law or by using simplified

European procedures, such as the European Small Claims Procedure, in order to actually get hold of the money. However, the new European Account Preservation Order should help the trade creditors recovering their cross-border debts more securely, since the Preservation Order will prevent debtors from withdrawing or dissipating their assets while procedures to obtain and enforce judgement are still underway.

In the absence of the Vice-President Viviane Reding, EU Commissioner responsible for Justice, Johannes Hahn, said that this is an important measure for businesses and entrepreneurs in Europe. He reiterated that This Preservation Order will help millions of SMEs save time and money, with an easy procedure in place to quickly recover outstanding debts across borders. Mr Hahn also described this Order "as a good example of how justice policies can stimulate growth. By removing bureaucratic obstacles, extra costs and the legal uncertainty, the EU's single market will become more attractive."

MACM, the Association providing a central national organisation for the promotion and protection of all credit interests pertaining to Maltese businesses, welcomes wholeheartedly this Procedural Order, which has become applicable in Malta and all the other Member States after its publication in the Official Journal – the EU's Statute book – on June 27th 2014.

MASTER OF OBLIGATIONS

Usage of credit insurance software solution ensures ideal liquidity protection in the global trade in goods.

The sense and purpose of commercial credit insurance are easily explained: if the insured party is left with unpaid invoices for delivered goods, the insurance policy takes effect and assumes the damages. This only arises, however, if the insured party has fulfilled all contractual obligations accurately and within the prescribed period. Insurance obligations include, for example, the notification of non-payment, which is temporally fixed. If an invoice has not been settled, the insurance provider should be notified of this immediately. Furthermore, the insured party is obliged at all times to check the up-to-dateness of the cover note. If this has expired or if the request for an increase has not been submitted in good time, this may invalidate the insurance protection for the end customer. In the event of gross misconduct, the insurance provider also reserves the right to cancel payments which have already been approved, or to remove the customer from the insurance protection policy altogether.

As a result, the safeguarding of obligations quickly becomes an imposition. Depending on the order situation, limit handling (i.e. applying for credit limits), which entails the permanent risk of being over-insured or under-insured, is virtually impossible to manage manually. Credit managers and company consultants therefore increasingly recommend the use of software-based early warning systems. "The goal of every company should be to implement a user and growth-oriented form of credit management. In this regard, I believe that installing an IT-supported commercial credit insurance control system is both necessary and economically sensible," explains Andreas Schmitt, Group Credit Manager at the major kitchen appliance manufacturer Rational AG.

CREDIT MANAGERS AND COMPANY CONSULTANTS THEREFORE INCREASINGLY RECOMMEND THE USE OF SOFTWARE-BASED EARLY WARNING SYSTEMS.

Software for all commercial credit

As early as 2007, the RATIONAL Group began using a special software for its processing of commercial credit insurance (see box). The software was developed by cormeta AG (based in Ettlingen, Germany) in cooperation with renowned insurance companies and can be integrated into SAP systems. Using this software, data relevant to commercial credit insurance are made available in real time for financial accounting and sales. This information allows for a holistic approach to credit insurance and management. In the area of accounting, insurance data are automatically updated when booking and/or changing invoices (e.g. validation) and payments. This is also of fundamental importance for the accurate reporting of premiums.

Alongside the software's ability to be integrated into the existing system, another aspect is also important to RATIONAL AG: "We required an international solution with a much greater range of functions than our existing commercial credit insurance module."

Receivables are covered by more than 90%

The software add-on automatically reminds the user about when to collect which data, and the insurer to which the data must be reported. Balances or turnover, sorted by country, are automatically calculated by the system. End-of-month balances and monthly turnover are compiled via a fully automated process. Four weeks before the time limit expires, the system requests a check of the notification of non-payment to the commercial credit insurance. The sales department is notified and the customer is personally reminded of his/her payment obligation. If the customer still fails to pay, a notification of non-payment is effected directly from the software.

»THE SALES DEPARTMENT IS NOTIFIED AND THE CUSTOMER IS PERSONALLY REMINDED OF HIS/HER PAYMENT OBLIGATION.«

Precision landing with premiums

The software solution not only guards against payment defaults or delays, but also offers a range of other advantages. This includes a more precise calculation of premiums which are determined according to the value of the unsettled receivables: the system automatically excludes non-insured items from the calculation. This applies to receivables secured elsewhere (for example by a letter of credit or guarantee) which not have to be insured. Even items that have too long payment terms, or have been valued are filtered. It would hardly be possible to carry out this process manually.

Furthermore, it is also possible to precisely define the scope of the insurance period, for example the notification of insured invoices following the cancellation of a limit. Moreover, the improved data quality can also be seen in the fact that the correct limit check per company can now be carried out in accordance with individual contractual conditions inclusive or exclusive of value-added tax and/or sales tax.

The future of credit management

The usage of the program significantly reduces companies' processing expenses. Along with the assurance that their contractual obligations will be met, they can quickly and easily generate the best possible overview of the insurance situation as well as the performance of the insurance policy. According to RATIONAL Manager Schmitt, „the future of credit management will be clearly marked by process-oriented solutions like the credit insurance program we have installed."

Caption: Sprint through credit management: KVsprint from cormeta is an integrated credit insurance software solution for protection against breaches of obligation. Image: Customer account with credit insurance data.

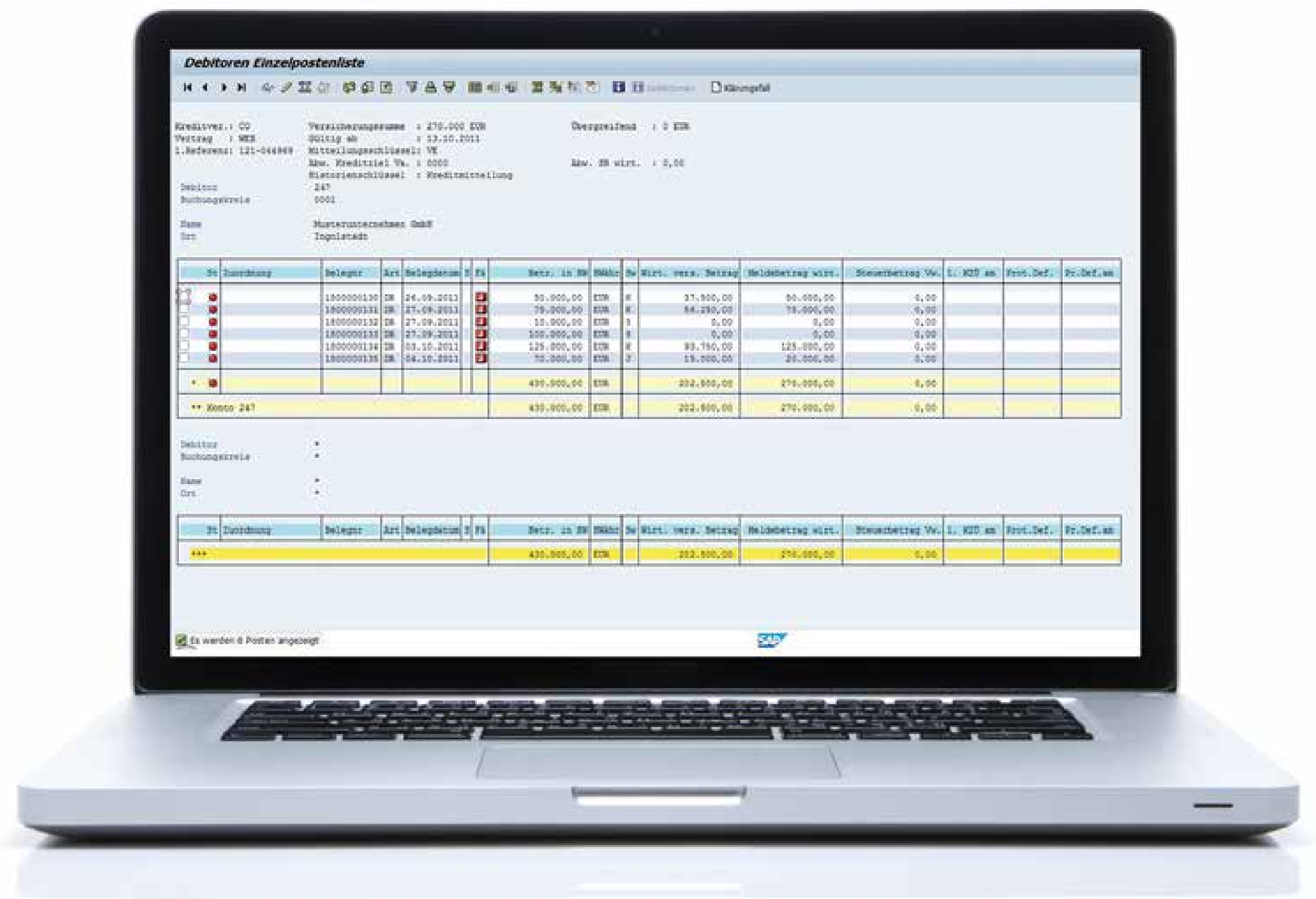
Download link: http://pr-x.de/fileadmin/download/pictures/cormeta/cormeta_kvsprint_debitoren_einzelpostenliste.jpg

KVsprint

- Developed in cooperation with credit insurance companies
- Management of insurance contracts for deliveries/services to domestic and foreign customers
- Illustration of flat-rate export guarantees through federal guarantees (APG contracts)
- Suitable for companies of all sizes and structures
- Comprehensive support of central/branch structures, purchasing associations
- Complete integration into the SAP system; customer data relevant to commercial credit insurance are made directly available for financial accounting and sales
- Integration of the creditworthiness data of credit insurers
- Numerous analysis options
- Profitability reports
- Adaptability to the individual needs of the credit insurance provider and the insured party
- Illustration of the possible cross-company and sector-specific contractual conditions
- Support in the fulfillment of obligations vis-à-vis the insurer (including control over the exceeding of the maximum credit period, notification of end-of-month balances/monthly turnover, self-inspection of the creditworthiness of flat-rate insured customers)

One solution, many advantages

- Minimising credit risk through involvement in order processing
- Reduced expense through an automated notification system
- Faster processing of credit insurance policies
- Considerable cost savings
- Ensuring fulfillment of contractual obligations
- Recalling data in cases of damage
- Complete documentation of the insurance process
- Up-to-date assessment of customer liquidity
- Constant transparency regarding the contractual situation



Covering trade risk, the world over

Wherever you trade, the risk of non-payment is always present.

Whether it's a customer becoming insolvent, a protracted payment default, less stable economic environments or political interference, Atradius trade credit insurance can protect your business from financial loss caused by these risks.

As well as ensuring you receive up to 90% of the value of any insured losses, should you need to make a claim, credit insurance also has the potential to ease access to finance, as banks often insist on credit insurance before advancing funds.

Atradius is present in 50 countries, with access to information on 100 million companies worldwide, which not only allows us to provide you with local underwriting expertise, but also accurate trade credit risk assessments on your customers.

With global trade, comes global risk, which is why Atradius is your perfect trade credit insurance partner.

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atradius
managing risk, enabling trade

REGULATING PAYMENT PRACTICES THROUGHOUT EUROPE WILL GIVE THE ECONOMY A BOOST!

says Martin van der Hoek, President of VVCM (Dutch Credit Management association). At the beginning of 2014, Martin van der Hoek became the new president of the Dutch member of FECMA, VVCM. In this interview he shares with us his views on the role of VVCM and FECMA, and on the extension of credit in the European environment.

Martin, please introduce yourself to the European Credit community.

My name is Martin van der Hoek. From 1975 until 2012 I have been active in the Credit Insurance industry in Europe, first for NCM, the predecessor of Atradius, and later, since 1998, for Coface. With NCM, I started out as Account Manager, then turned to Product Development and Country Risk, did Sales and fulfilled several Management roles in the commercial field. For Allgemeine Kredit / Coface I set up the Dutch branch office, which consisted of one employee when we started in 1998, and which now has 80 employees in the office in Breda. Since my retirement I have been working for STECIS, the education arm of ICISA, which is the International Credit Insurance & Surety Association, and I have taken on the role of president of VVCM, the Dutch Credit Management association, which is of course also part of FECMA. In VVCM, my aim is to work on innovation, knowledge sharing and cooperation within FECMA. We need to improve the position of credit managers, and we also need to work on the environment in which credit is extended, looking at the European legal environment, the willingness of banks to extend credit, the willingness of Credit Insurers to provide credit cover, the possibilities to obtain sound information on buyers and the possibilities to collect your debts in a professional way.

You are clearly quite ambitious in you plans for VVCM. What will be your priorities in the coming period?

Next year VVCM will celebrate its 25th anniversary. This means we will celebrate 25 years of protecting and improving the position of the credit manager within the company. A lot has been achieved, but this will still be one of the main goals of our association. One of the main functions of VVCM has also been – and still is – to provide the right package of credit management courses to improve the skills and knowledge levels of its members. And this is not a static field – we need to update our members through permanent education on all changes in the legal and economic environment. It would be ridiculous to have someone who became Certified Credit Manager in 1998 use his title in 2014 if this person would not have kept up with all developments in our sector in the past 16 years – we live in a completely different world now! VVCM is very aware of this continuously changing environment and our added value is very much that we – and therefore our members – do keep up with developments.

Our association also has a role to play in managing the credit terms in different sectors. In the Netherlands we have seen numerous large buyers, like Philips and HEMA, who decided to unilaterally extend their payment terms from 30 to 60 or even 90 days. In my view this is clearly an abuse of power on the side of the buyer, which should be fought, and where VVCM also has a role to play. We have good contacts in The Hague through our Political committee, and are pushing for legal framework to avoid this kind of power play. We take France as an example, where credit terms are now governed by law and have been set per trade sector, to provide clarity to all parties and to achieve a level playing field. This not only goes for commercial entities, we also need to put pressure on government entities who are infamous for their ridiculously late payments. This bad practice of government bodies has disastrous effects, as you can imagine that the suppliers of governments, who are kept waiting for their money for months and sometimes even years, at some point will no longer be able to fulfill their own financial obligations. This knock on effect has a very grave cost to the economy in Europe and should therefore be tackled comprehensively on a European level.

So all in all the main aim of VVCM, and of FECMA for that matter, is to fight for the interests of creditors, and if a Credit Manager can turn to his boss to say: "Look what VVCM and FECMA have achieved to improve our position!", that will mean we have accomplished our mission.

Could you be a bit more specific about the role you see for FECMA?

Firstly, FECMA should make an inventory of the credit management environment in each of the member states. This environment is influenced by the economy, there will be cultural and legal differences, but there is also a general interest: we all need credit terms to be in line with the normal practice in different trade sectors. You should not sell flowers on a 6 months payment term, just like you can't sell a plane with a one week payment term... Every product and service has its own "habitual" credit period, and FECMA's challenge is to implement and guard these payment terms across Europe. This can be done by advising national and European legislators. In the end it's in everybody's interest to improve the structure of extending credit in a sensible and predictable way. Banks will become more flexible in a sound credit environment, Credit Insurers will improve their cover levels, and all in all we give the European economy an enormous boost. That's my dream for the future!

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GROUP-WIDE CREDIT MANAGEMENT

Organizational Potential and IT Support In large organizations, group-wide credit management can make an important contribution to the success of the company group as a whole. The primary aims are to decrease the total amount of credit, reduce the operating costs in this area, bundle the available know-how and improve the control over credit risks at group level.

Implementing a group-wide solution however requires careful planning and an integrated approach, considering some key organisational components and required decisions:

- how, in a decentralized organization, synergies in credit management tasks can be increased,
- whether, and how, tasks can be centralized,
- whether, and when, a shared-service concept makes sense in credit management,
- which reporting and control procedures are worthwhile at group level and
- how software solutions can help to realize the relevant requirements.

Organizational models

The standardization of credit management processes and the group-wide unification of credit policy are heavily dependent on the homogeneity of order processing and the markets operated in.

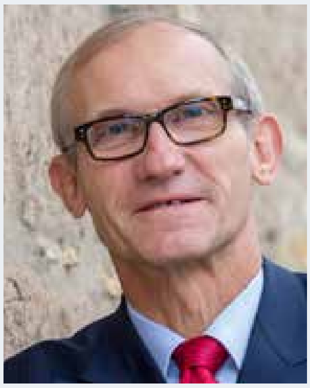
Homogenous structures tend to lead to a unified credit policy (sometimes with region-specific conditions), which in extreme cases can evolve into a shared service centre for credit management. It is important, however, that the connection to sales departments is not lost and that the necessary customer contact is maintained. For this reason, it could be of advantage to organize certain functions such as order monitoring, management of securities or dunning procedures decentrally.

In a heavily decentralized system, participative methods can be used in which dispersed and central credit management departments coordinate with each other. Depending on the distribution of competencies, however, at least the reporting tasks must be performed centrally.

Technical design variants

Within the framework of the group, outstanding customer payments and customer credit limits must be aggregated and compiled in order to evaluate the overall situation. This aggregation can be performed using VAT identification numbers or the ID numbers from creditworthiness information suppliers.

Further reports contribute to a group-wide improvement in credit management. Payment terms can be compared between subsidiaries and an internal payment record pool can help to identify bad payments in individual companies and to generate negotiation potential in relation to these, or to identify deterioration in payment behaviour as a warning signal. The development of customer relationships in the various market segments can be checked. The changes in turnover and exposure and the utilization of limits in the various subsidiaries can be compared, or the development of customer securities covering the credit can be investigated. In relation to risk, sorting the accounts receivables according to risk classes or the likelihood of default is necessary. If one or more credit insurance contracts



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are in use, evaluations can be made across the individual subsidiaries or customers as well as taking a complete overview of the group.

In general, the reporting system should not just provide observations for particular dates but should demonstrate the development over a period of time, so that improvements can be made or the success of previous activities can be measured.

If the credit managers at the group's headquarters have wider-reaching authority, stipulations can be made regarding group-wide customer credit limits. The total level of credit the group will allow for a particular customer can be defined. It is then possible to monitor this through aggregation of the limits for the individual subsidiaries and the extent to which those limits are being utilized. A credit management software system can take over both the aggregation and the monitoring tasks.

Central vs. decentralized organisation of credit management

	Decentralized approach	Participative approach	Centralized appraoch (pos. shared service centre)
Decentralized activities	• Creditworthiness evaluation • Credit limit/payment term • Securities management • Debt collection • Writing off • Blocking of costumer/order	• Creditworthiness evaluation in agreement with central office • Credit limit allocation observing group framework • Securities management • Debt collection • Blocking of costumer/order	• Order monitoring • Pos. Securities management • Sales Department interaction • Negative feedback from Sales Dept.
Centralized activities	• Information/reporting function only	• Central creditworthiness evaluation • Group credit limit → distribution to units • Reporting • Pos. blocking when limit is reached	• Creditworthiness evaluation • Credit limit/payment term • Financial planning/security requirements • Monitoring • Dept collection • Blocking of costumer/order

Dimensionen: (country) subsidiaries. fields of business

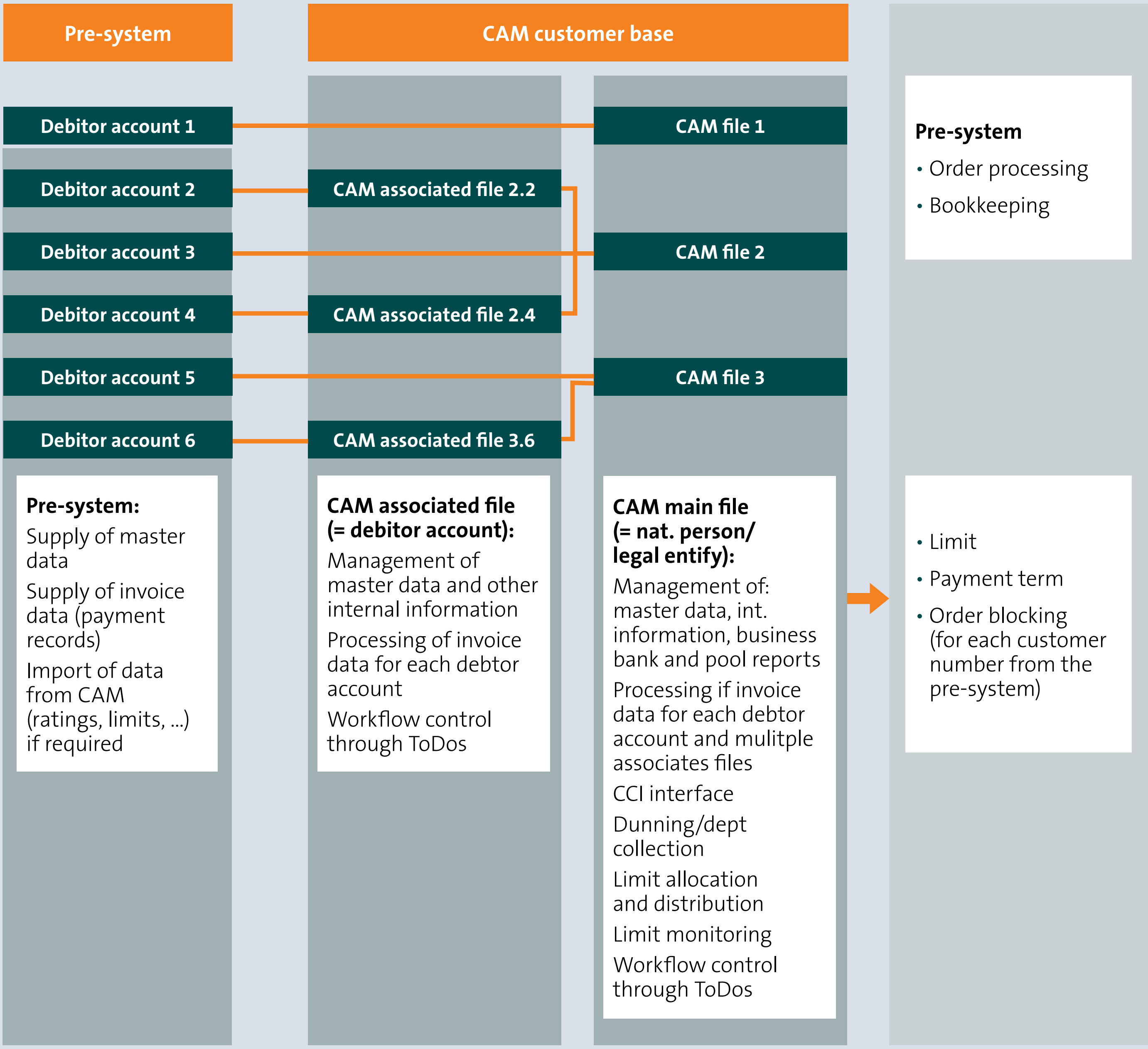
In order to provide appropriate support for the group-wide control of credit management, a comprehensive software solution is essential. An important requirement on such software when dealing with legally independent group subsidiaries is that it has the ability to manage multiple customer bases. Whether credit management is performed within one customer base or is distributed between multiple customer bases depends on the homogeneity of the specialist requirements.

For very centrally orientated credit management with heavily unified structures, a single customer base would be the preferred solution. In contrast, multiple customer bases are preferable when the credit policy is more specific to individual subsidiaries or business areas. In this case, a consolidating customer base could be used at group level.

The correct and complete depiction of customer limits, accounts receivable and payment periods is only possible if, at group level or across multiple subsidiaries, individual pieces of information from the databases of pre-systems can be appropriately compiled and aggregated. This has to be possible both within a single customer base and across multiple customer bases. For this purpose, it is necessary that individual customer accounts and debitor file information can be aggregated and evaluated hierarchically at multiple levels. The software must be able to do this.

Which external and internal information can be provided centrally from across the subsidiaries and possibly across the various customer bases must also be determined. In addition, an appropriate system of user authorizations must make sure that particular data is only available to the users authorized to see it. When authority is placed centrally, functionality must be available that allows stipulations to be made at the level of individual customer bases or even individual customer accounts.

Distribution of tasks with hierachically aggregated customer data in a credit management system



Conclusion

In company groups, credit management tasks can be distributed in various ways depending on the structure of the subsidiaries and their individual requirements.

Modern credit management solutions are necessary in order to support the relevant tasks appropriately across the entire group. It is essential that the credit management software is capable of realizing the various organizational and technical solutions flexibly and to a high standard so that the group does not need to change its own organization to fit in with the software.

If this requirement is met, the entire group will benefit from greater transparency in credit-management-relevant figures and decisions. This will improve the effectiveness of the credit management across the group and will therefore make an important contribution to company success.

OUTLOOK ON THE 2ND FECMA EUROPEAN CREDIT MANAGEMENT CONGRESS

After the successful first FECMA Congress organised in May 2013 in Budapest, the second event now is planned to run over one and a half days, commencing on the afternoon of 20th May through to 21st May 2015 in Brussels, Belgium, with plenary sessions – the full intended programme is outlined on the Congress website www.cm-congress.eu.

From the outset, the intention has been that the Congress should be a platform for credit managers from across Europe, representing the full range of commerce and industry. This is to be achieved by establishing a long-term relationship and network basis between participants and sponsors, underpinned by offering first-class service and content. In the medium to long term, the FECMA European Credit Management Congress will become the leading gathering of professional credit managers from across the Continent.

The event will take place in Brussels, the capital city of Belgium and of Brussels Capital Region. It is entirely surrounded by Dutch-speaking Flanders and its constituent Flemish Brabant province. As headquarters of many European institutions, Brussels might also be considered

something of a capital for the European Union.

Being at the crossroads of cultures (the Germanic in the North and the Romance in the South) and playing an important role in Europe, Brussels fits the definition of the archetypal "melting pot", but still retains its own unique character. The population of the city of Brussels is 1 million and the population of Brussels metropolitan area is just over 2 million.

The FECMA European Credit Management Congress will take place on 20 and 21 May 2015, starting in the afternoon on the 20th.

On the afternoon of the 20th May we have several speakers on International Credit Management Topics. One of the speakers will outline to delegates the DNA of a Credit Manager. At the end there will be a panel discussion about Credit Management Strategies. In the evening the dinner will include a special invited guest speaker of some prominence (possibly even a Belgian government minister).

It will also be the intention that the „The European Credit Management Award" will be presented at the dinner 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 is made every 2 years during the Fecma European Credit Management Congress.

On the second day (21st May 2015) the morning begins with some very interesting presentations from the practices of the Credit Manager. The goal is to learn from the experience of colleagues.

After lunch Credit Manager from the Automotive and Pharmaceutical branches will share their best practices with delagates.

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.

About 200-300 participants of which about 50% from Belgium and other West-European countries will participate. Participants will be Credit Managers in Business to Business (about 2/3) and Business to Consumer (1/3) industry. The Congress language will be English.

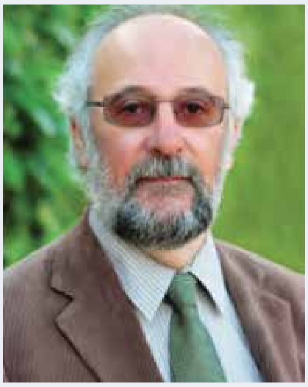
The attendance fee for members of a FECMA Association will be € 295,- plus VAT, for non-members € 495,- plus VAT. Service Provider, who are not sponsors, will be charged € 795,- plus VAT.

For more information about attending or sponsoring this event please contact Pascale Jongejans of the Fecma Secretariat on fecma@sbb.nl or by telephone on 00-31-35-6954103.

Mr. Eric van de Beeten, Director and owner of MaxCredible, commented as follows: "Innovation is of major interest for the industry. A great many things are developing themselves, and it's crucial that customers do take advantage of this. Every break-through in the developments of services and products, does promote others to innovate as well, seeking the margins of possibilities. MaxCredible is main sponsor of the Credit Management.

HOW IMPORTANT IS THE INVESTMENT IN TRADE CREDIT?

We like to think of credit management as being very important because of the huge investment in trade credit and of the resulting importance of accounts receivable on the balance sheet of a company.



Ludo Theunissen
Voorzitter Instituut voor Kredietmanagement

We can easily find references to these investments in technical, scientific and commercial publications, where we very often find impressive figures on the share of trade credit in the total investment – or rather in the total assets. The rates that are mentioned can easily vary between 30 and 40%, which would result in trade credit being the most important asset of the company. This would bring us to the conclusion that it should also be the main area of attention. Besides this quick – maybe too quick – conclusion, it is obvious that most companies are indeed facing a huge investment in working capital.

In the end every element on the assets side of the balance sheet must be financed from a source that appears on the equity and liabilities side, and as we know every kind of financing has its specific cost.

So we may wonder whether these figures are more or less correct, or in other words: how important is the actual investment in trade credit for a 'normal' enterprise?

Can we find reliable data to calculate this? Yes we can! At least we can do this in Belgium based on the huge amount of financial information that is collected and published by the Balance Sheet Central of the National Bank. This database contains detailed information on all companies that have to file their annual accounts every year. Just to give an idea: for 2012 the balance sheet central comprises accounts on 394460 companies!

Filing the accounts is done electronically, and has to conform to a rather detailed and predefined format. This format corresponds to the structure of the accounts as it is determined in the Belgian accounting legislation.

This also means that the accounts to be filed can be generated directly from the general ledger. In fact all the accounting software packages on the market can generate the information automatically to submit it to the balance sheet central.

There are in fact 2 different formats: there are (figures for 2012) 24578 companies that use the so called complete schedule, while 367125 can use the 'abbreviated' schedule. The type of schedule that has to be used by a given company is determined by criteria that refer to the size of the company: number of employees, total turnover and balance sheet total. Roughly speaking we can say that the bigger companies use the complete schedule, while the smaller ones will be allowed to use the abbreviated one.

The difference between the 2 schedules lies in the level of detail for some of the accounts. And also for the abbreviated schedule some mentions are optional. The most important one is the turnover. This means that for the abbreviated accounts the P&L begins with the amount of the added value. The turnover is an optional piece of information. About one out of five of the companies in this group mentions the turnover although it is not mandatory.

This implies that we will not be able to use the turnover in statistical analysis since we are not sure whether the figure we find for the 20% of the sample companies that decided to publish it, is representative for this whole population. Intuitively we would expect that this would not be the case: there can be different reasons for a company to publish the turnover. One of them can be that they are doing quite well, that the tunover is increasing, and that the complete set of information gives a positive image of the company. We can also imagine that a company where things are not going very well, may be tempted to limit the information given to the minimum legal requirements.

That explains why we can not use ratios such as DSO for our research, since we need the value of the turnover to calculate it.

Interesting for an industry analysis is the availability on the same website of 'global financial statements' for specific industries. Based on the industry that is identified for each company by the well known NACE-code, the Balance sheet central calculates a group of 'globalisations'. In these overviews the figures of all the companies classified in a specific industry are summed up and represented as one global entity. It consists of the balance sheet, the P&L statement and the notes with more detailed information on specific items. Moreover a series of financial ratios is calculated.

For these financial ratios a quartile disrtribution is added, allowing a more specific interpretation of the results. The 2nd quartile gives the median and there is also an average value that is calculated based on the globalisered values.

For our current analysis we will use a group of companies that is of course as big as possible. We select the group 'total of all non-financial companies'.

For this group all the companies in the database are used, except financial institutions, insurance companies an,d some public enterprises. Those companies have an activity that is completely dfiferent from the other industries, and they also have balance sheets that are fundamentally different. They also have to file their annual accounts at the Central Balance Sheet Office, but they have to use schedules that are specific for their industry.

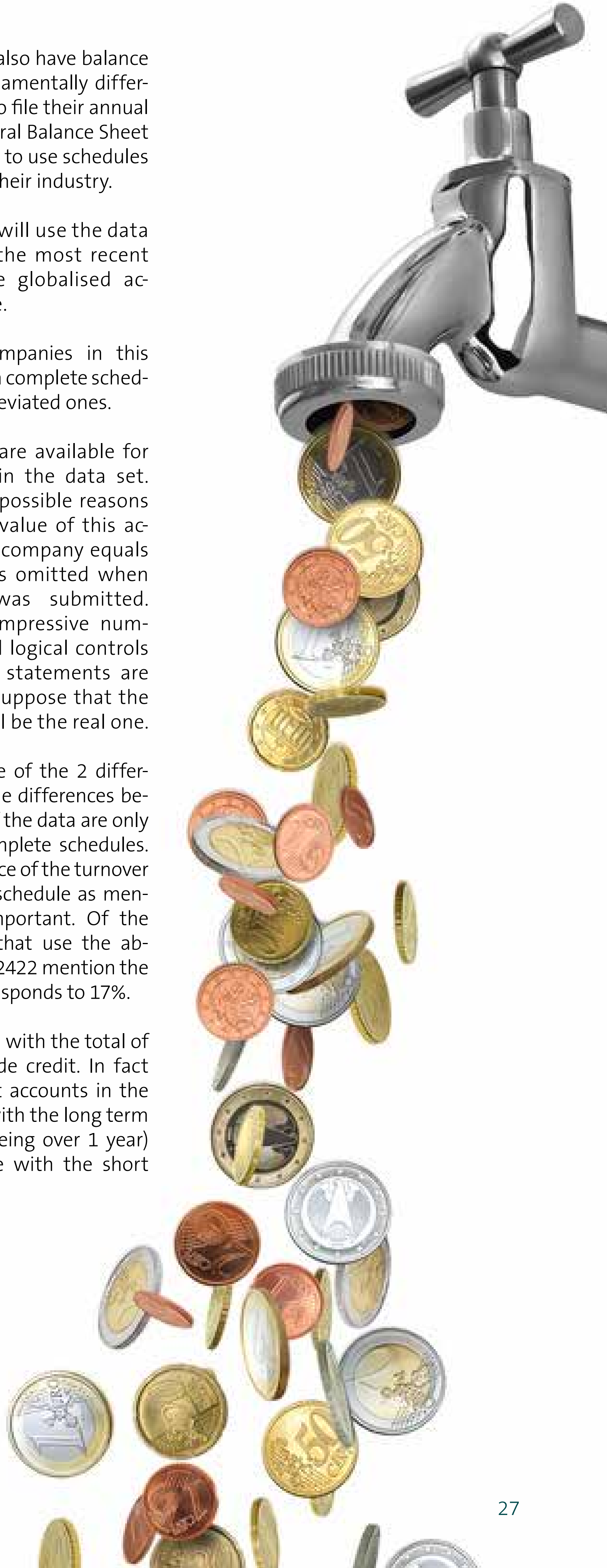
For the analysis we will use the data for the year 2012, the most recent year for which the globalised accounts are available.

The number of companies in this group is 20500 with a complete schedule and 313423 abbreviated ones.

Not all the figures are available for all the companies in the data set. There are different possible reasons for this: either the value of this account for a specific company equals 0, or the figure was omitted when the information was submitted. Since there is an impressive number of technical and logical controls when the financial statements are submitted we can suppose that the first explanation will be the real one.

Due to the existence of the 2 different schedules and the differences between them some of the data are only available for the complete schedules. Especially the abscence of the turnover for the abbreviated schedule as mentioned before, is important. Of the 313423 companies that use the abbreviated schedule 52422 mention the turnover, which corresponds to 17%.

We start the analysis with the total of the outstanding trade credit. In fact there are 2 different accounts in the balance sheet: one with the long term credits (long term being over 1 year) and the second one with the short term trade credit.



The results are shown in the table below (amounts are in million €)

	Complete	Abbreviated	Total
Trade credit over 1 year	16.027	531	16.558
Trade credit less 1 year	102.405	25.673	128.078
Total trade credit	118.432	26.204	144.636
Total Assets	952.903	231.252	1.184.154
% of trade assets			
Trade credit over 1 year	1,7	0,2	1,4
Trade credit less 1 year	10,7	11,1	10,8
Total trade credit	12,4	11,3	12,2

As we can see the total outstanding trade credit corrresponds to 12.2% of the total assets for the total of all companies. The main part is in the short term trade debt. There is however a remarkable difference between bigger and smaller companies. It is only for bigger companies that there is a relevant amount of long term credit. These are credits that were awarded to a customer for a commercial transaction with a payment term of over a year.

Anyhow the figure we find here is below than the figures we often find in litterature.

This could be explained by the composition of the sample of companies that was used here. There may be specific industries where these proportions could be very different.

In order to have an idea about the diversity of the results we could take a look at the DSO, the Days of Sales Outstanding. This is one of the financial ratios for which we have a quartile disribution. We will of course only be able to judge this for the bigger companies (the ones that are using the complete schedule).

This is the resulting distribution:

	Quartile 1	Quartile 2	Quartile 3	Based on globalised accounts
DSO (days)	28	53	58	47

We can see tat the results are wide spread. For the first quartile, correspoding to the lowest 25%, we find 28 days, while the 3d quartile shows a value of 85. This implies that in this group of companies 25% of them have a DSO that is 85 days or more!

This shows that the group of companies is not homogeneous.

This obviously has to do with specific industry characteristics. It is clear that for an industrial company the fixed assets for industrial infrastructure will be very important and so will be the total of the assets. For a consultancy firm there will often be hardly any other assets than trade credit.

This analysis confirms that trade credit is very important – and so is credit management.

But it also makes very clear that using ratios and proportions of balance sheets is very tricky, given the very important impact of the industry on the structure and content of the balance sheet.

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CMI® – THE GERMAN ROLE IN THE EUROPEAN ECONOMY

In the first quarter of 2013 the German CreditManagementIndex was included into the Credit Manager Index Europe. In order to analyze the role of Germany in the European economy after the period of one year, the German CMI is compared to the CMI-Europe and CMIs from European countries which have been considered in every publication of the CMI-Europe from the fourth quarter of 2012 until the fourth quarter of 2013. In addition to that it can be evaluated in how far the values of the different indices match with actual economic development in the associated countries.

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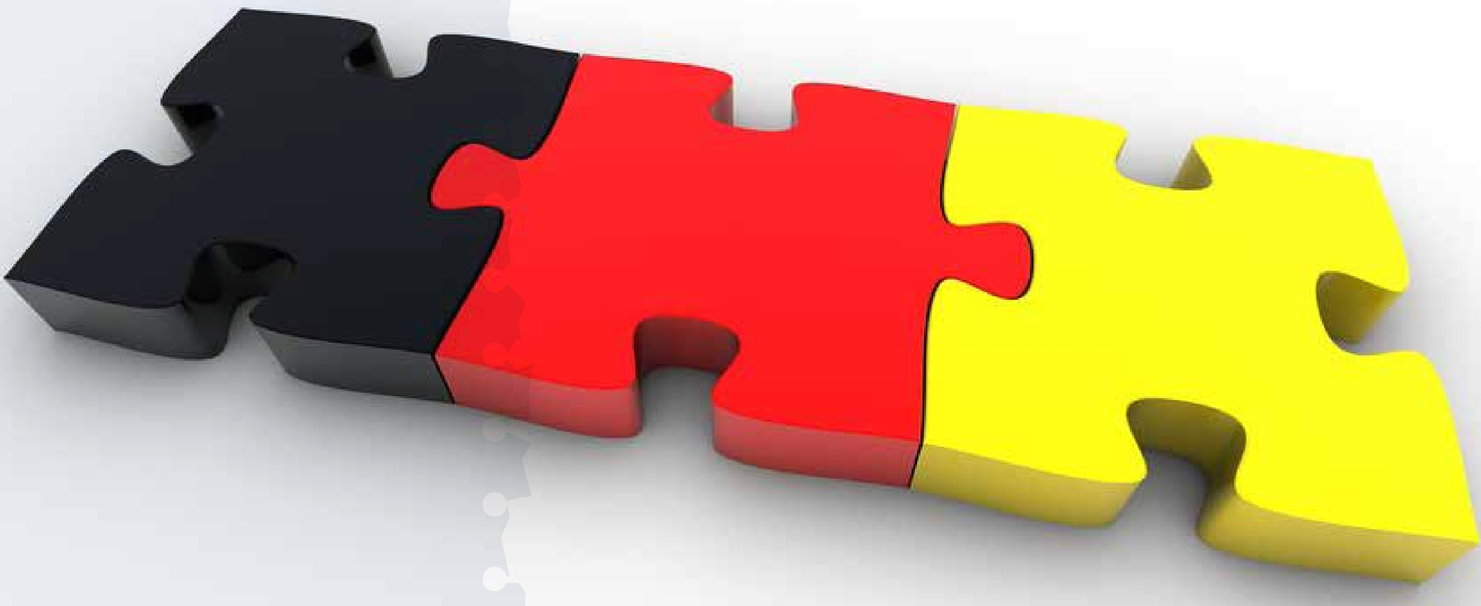
In the following table, a list with the indices and the corresponding figures in the relevant quarters is given. Belgium, France, Italy, Malta and Sweden have been excluded since their indices are only listed in some of the quarterly publications of the CMI-Europe.

Comparing the CMI-Europe with the CMI from Germany it can be seen that the CMI-Europe follows a continuous positive trend whereas the CMI-Germany is subject to variations. From the lowest value in Q2/2013 on, the CMI-Germany continues to recover and outperforms the CMI-Europe at the end of 2013. In order to integrate the CMI-Germany into the European context it is necessary to look at the indices from different countries which are also reporting into the CMI-Europe.

The following three graphs picture the history of the CMIs from Hungary, the Netherlands and the United Kingdom, which continuously reported to the CMI-Europe. It can be seen that the CMI of Hungary started with the lowest value of all in the end of 2012 then improved drastically and had the highest value with 58,90 at the end of 2013. During this time in no quarter a backward development occurred. “The results of the Hungarian CMI concur with the domestic economic devel-



	Q4 / 2012	Q1 / 2013	Q2 / 2013	Q3 / 2013	Q4 / 2013
CMI Europe	**50,00**	**50,80**	**53,90**	**54,40**	**55,40**
CMI Germany	52,35	51,99	50,67	52,17	56,14
CMI Hungary	42,30	44,30	53,30	53,80	58,90
CMI Netherlands	54,60	45,50	48,00	45,50	45,50
CMI United Kingdom	49,40	51,90	55,00	57,20	58,50

opment. After a regression in 2012 the Hungarian gross domestic product improved in 2013. It can be seen that the positive development was predicted by the Hungarian CMI. The comparison of past values of CMIs and actual financial values in the corresponding countries lets us verify that the CMIs are a good predictor of future economic development", Jan Schneider-Maessen head of the Federal Association of Credit Management in Germany says.

The graph of the United Kingdom also shows a steady improvement. Still it is obvious that it is not as vigorous as the one from Hungary. The only CMI with an alerting decline is the one from the Netherlands. From a positive value of 54,60 it dropped in the first quarter of 2013 to 45,50 and could not recover until the end of the year. In this case it can also be seen that the CMI was a good predictor for the growing economic crisis in the Netherlands.

Analyzing the overall fluctuation it can be stated that the German CMI is the steadiest with a difference between the highest and lowest value of 5,47. The variation of the CMI-Europe is a little greater with a 5,50 difference between the most extreme values. The highest difference can be seen in Hungary where the value at the end of 2012 is 16,60 points lower than the highest at the end of the next year. The indices of the Netherlands and the United Kingdom both vary 9,10 points. This shows that the German economy is the most stable among the considered countries.

The low variation in the CMI-Europe is due to the aggregation of the values from the different countries. The negative development in the index from the Netherlands and the positive development in the Hungarian index even out and result in a steady positive trend. "The decline at the beginning of the year and the increase at the end as seen in the German CMI can be explained when the high dependency of the German economy on the export business is considered.", Prof. Dr. Matthias Schumann, head of the Chair of Application Systems and E-Business at the University of Göttingen says. At the beginning of 2013 the suffering economic conditions in countries like the Netherlands have greater effect on the German economy than on any other. Since these negative effects did not worsen throughout the year the continuous positive development in other countries pushes the German economy. It can also be seen that all indices show a positive or in the case of Netherlands a steady trend which gives reason to expect an improving economic development in 2014.

VVCM INNOVATION AWARD

It was now some three years ago, that within the ranks of Dutch VVCM the idea of an innovation award rose from an initiative based upon creation of a yearly award, stimulating new concepts, products and services within the broad field of credit management, cash flow management, collections, order-to-cash strategies etc. Ever since, the VVCM Innovation Award is supported by MaxCredible, main sponsor of VVCM.

Jan Moes
Board Member VVCM
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I do quote the President of VVCM at that time, Peter Meefout, in an interview by Peter Postmus, editor of our Dutch magazine, "De Credit Manager" in winter 2013: "As VVCM we did take this initiative, to send a clear signal from our (Dutch) credit management association, about the great interest on innovation in our business. For instance, developments on the field of information technology are getting faster and faster, and we are convinced that efficiency effects and optimization of (credit management) processes on a large scale can and will be achieved, when we do have the true and upright will to change."Mr. Meefout continues: "Our goal is, to stimulate professionals as well as (credit) managers, sharing together with colleagues and the broader interested public, all good ideas, often grown in daily practises and operations at the working floor. Too often we do see bloccades of initiatives stay within individual companies and organisations, while at the end, a total industry or sector could make use of a new solution."

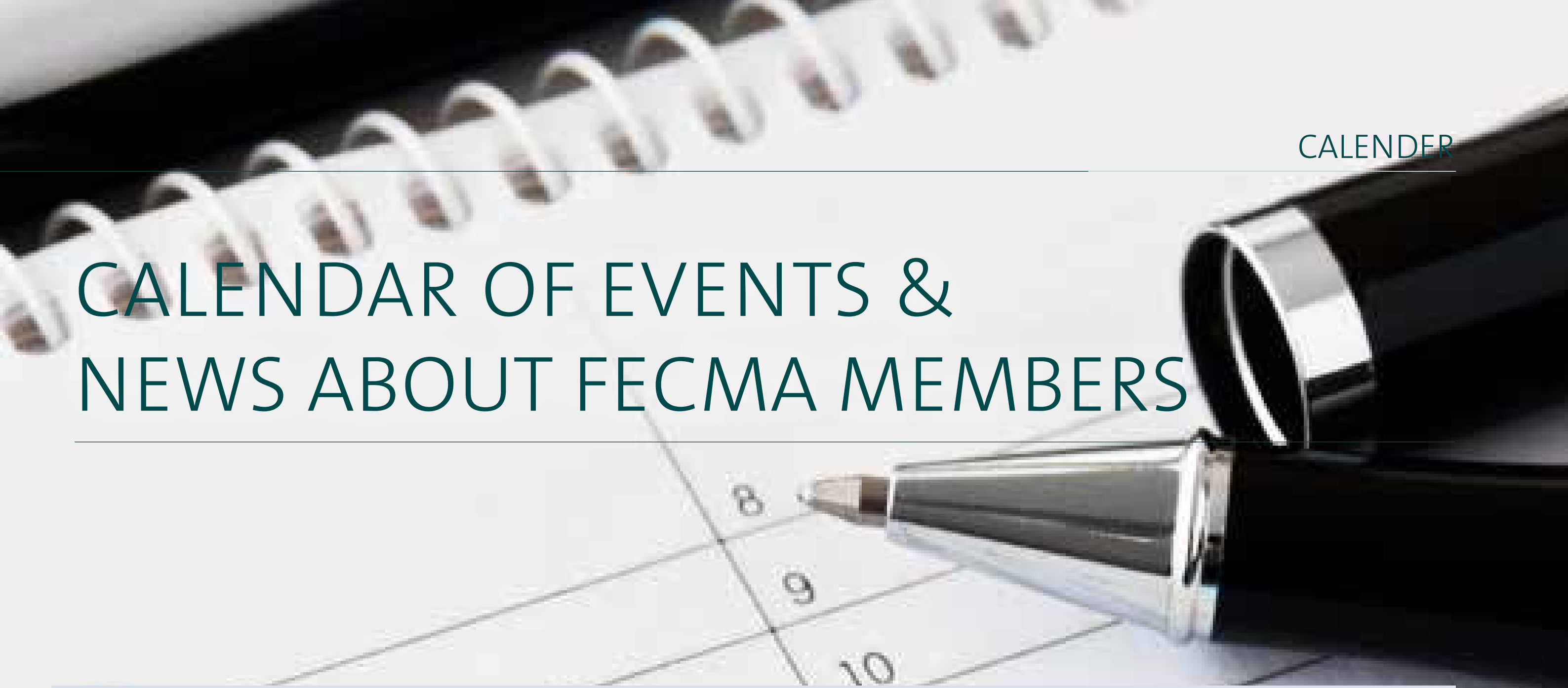
Mr. Eric van de Beeten, Director and owner of MaxCredible, commented as follows: "Innovation is of major interest for the industry. A great many things are developing themselves, and it's crucial that customers do take advantage of this. Every break-through in the developments of services and products, does promote others to innovate as well, seeking the margins of possibilities. MaxCredible is main sponsor of the Credit Management Innovation Award, because innovation of credit management software is key."

Since 2012, the VVCM Innovation Award is awarded at the Credit Expo, one of the main events in credit management in The Netherlands. All nominated cases are audited by a high level, strictly independent jury, the members of which are working in sectors such as management and financial services, sciences and higher professional education .

"We really did form a strong and neutral jury, to make sure that all cases which have been nominated, will be looked at from several angels", Mr. Meefout says.

Earlier winners of the VVCM Innovation Award Burlinq BV & Kwestplus in 2011, for their introduction in Europe of the Credit Managers' Index (CMI), followed by the Royal Organisation of Bailiffs in 2012, for their Filtermodel Innovation Concept, and a private corporation, Co-Pay Bouw BV in 2013, for a revolutional Controlled Payment Platform for the building and estate management industries.

During the last years, we do see a positive development in numbers as well as (high) quality of nominated cases for the VVCM Innovation Award. Within the VVCM ranks, continuity of this phenomenon is foreseen. This certainly will be an interesting topic as well, at the 25th anniversary of VVCM, to be organized during the spring of 2015.



CALENDAR OF EVENTS & NEWS ABOUT FECMA MEMBERS

CALENDAR NETHERLANDS www.vvcm.nl

3rd June 2015 VVCM is celebrating their 25th Anniversary with a special program at a beautiful location "de Wageningse Berg" in Wageningen.

NEWS MALTA www.macm.org.mt

A half-day Conference was organised by MACM on Thursday, 20 November 2014. This Conference addressed the impact of the neighbours' economies on the Maltese economy and the credit environment.

The topics discussed

The economic environment impacts directly on businesses, which may consequentially face a number of challenges. The Maltese business environment is not an exception! Maltese businesses do not operate in a vacuum. The current economic situation of our neighbours effects local businesses, all businesses!

Malta is part of the EU and Eurozone. What happens within the EU and Eurozone has a direct effect on the Maltese economy. The current unstable situation within north African region, especially Libya may pose major challenges to the Maltese business community.

Economic instability may affect jobs and consumer expenditure that may lead to decreased revenue for businesses. A slow profit stream and poor liquidity may make it difficult to sustain the operation of a business and to repay creditors, which situation can limit growth opportunities and negatively impact the long-term viability of businesses.

This conference identified and analysed our neighbours' economic risks which may impact the Maltese business community and commerce. The highly proficient line of speakers highlighted the most critical and potential economic threats to the Maltese economy and trade and also suggested proactive measures to protect cash flow and long-term profit for the local businesses.

CALENDAR SWEDEN www.kreditforeningen.se

The Swedish Credit Association is about to publish the December/winter magazine issue of Credit News called Kreditnytt. The annual meeting will be in late January, and includes the announcement of the winner of the Credit Prize for 2014.

CALENDAR UK www.icm.org.uk

22nd January 2015	ICM London Branch – Burns' Night
27th January 2015	ICM East of England Branch – Annual General Meeting 2015
29th January 2015	ICM Yorkshire Ridings Branch – Annual General Meeting
3rd February 2015	ICM West Midlands Branch – Annual General Meeting and Quiz Night
4th February 2015	ICM British Credit Awards 2015

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CreditManager Europe / FECMA Magazine for European Credit Managers

The "CreditManager Europe / CME" has one goal: to be the source of the best new ideas for professionals in Credit Management across Europe. Since 1986 the Federation of European Credit Management Associations (FECMA) has built permanent links between national Credit Management institutes and organisations and promoted co-operation, debate and discussion on all credit related topics. It has also allowed credit managers across Europe to talk to each other in a professional network, share advice and experience and develop closer understanding.

CME's articles cover a wide range of topics within Credit Management that are relevant to different industries, geographic locations and small, as well as large companies. While the topics may vary, all CME articles share certain characteristics. They are written for senior managers by experts in Credit Management. Proposals for articles demonstrating European best practices, innovative thinking and new approaches in Credit Management are those most likely to meet our readers' needs. They should also avoid any marketing for specific products and services. When evaluating an article, our editors often look for compelling new thinking and how a new idea can be applied to practice.

The best way to inquire about CME's potential interest in a topic is to prepare a proposal or to submit an article. CME is published twice a year with issues in spring (around March/April) and autumn (around October/November) covering 7-10 articles each. Nearly all CME articles undergo some editing and rewriting, and CME typically holds copyright on the final product. Authors continue to own the underlying ideas in the article. Please e-mail your proposal or article to FECMA Secretarial Service at fecma@sbb.nl.

CME deeply appreciates the time and energy required to prepare a proposal or article for our publication, and we are grateful to you for that investment. We are always looking for new ideas that can improve the practice of Credit Management across Europe.

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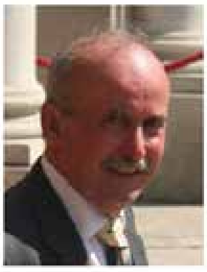

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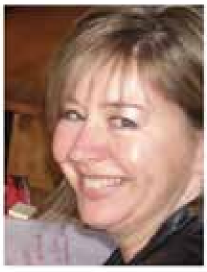

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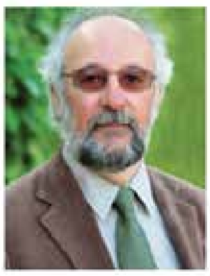

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