FECMA Magazine for European Credit Managers 1/2013

CreditManager Europe

FECMA
Federation of European Credit Management Associations

Europe: Insolvencies, country risks and export risks

Austria raises the bar for Credit Managers

Schmidt-Gevelsberg fully in (credit) control

QICM shares best practice

Back office duties crucial for getting paid on time

New network links collectors and creditors globally


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DIRECTORY AND FOREWORD

Welcome to the third issue of CreditManager Europe, the final issue before the FECMA Pan European Credit Conference, which is being held in Budapest on 16th and 17th May, 2013. Issue 3 is packed with articles and information, both practical and relevant to today's credit managers working in Europe, as indeed is the forthcoming Conference. The venue, the Hungarian Academy, is a magnificent building, full of history and beauty, as is the Hungarian capital itself, and reminds us that even though built in an age of empire and glory, it has survived war and revolution to continue to be a valuable contributor to the affairs of the 21st century.

It was announced on the 7th January, 2013, that Britain's oldest man, Thomas Reginald Dean, had died at the age of 110 years and 63 days. Born the year after the death of Queen Victoria, Mr. Dean lived through two world wars, a great depression (one could argue, perhaps, two great depressions), the fall of empires, and the redrawing of the map of Europe. During his life, he was the subject of five British monarchs (though one was never crowned) and in the same period, the House of Commons witnessed 26 Prime Ministers. The pace of technological change during those 110 years and 63 days is staggering when one looks back and sees it in the context of the lifetime of one man – it is no exaggeration to say that practically everything we take for granted in 2013 happened after 1902.

On the other hand, some things do not change. Mr. Dean would have understood the value of trust, and therefore credit, and as an army chaplain serving in Burma in the Second World War, he would have recognised the value of people talking to each other. The need for co-operation and understanding, listening and hearing, is fundamental to good credit management, and whatever the technology and gadgetry available in today's high speed world, that fundamental remains. It is doubtful that back in 1944 Mr. Dean would have called it networking, but that's what we call it, and Internet and all that entails is just another method to be utilised. It is not a replacement for face to face, but it is a valuable enhancement.

FECMA strives to bring the credit managers of Europe closer together in knowledge, professionalism, understanding and trust, and the Hungarian Academy, once a jewel in the crown of the Austria-Hungary Empire, is now the focal point for credit managers across Europe to meet, exchange and forge new links.

Glen Bullivant FICM

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QUALITY IN CREDIT MANAGEMENT

A Credit Managers Perspective

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In these days of financial uncertainty and instability, there has never been a time when the role of the credit department, in any organisation, has been more necessary or critical to the success of the business.

As Credit Manager for Aimia Foods Ltd, a family owned business with a £60m turnover, extreme vigilance, focus and investment, all play a part in ensuring that good cash flow is paramount, aged debt is controlled and any bad debts are kept to an absolute minimum.

Where does QICM feature in this?

QICM is the accreditation that demonstrates credit departments have reached a standard, set down by the Institute of Credit Management. Their policies and procedures are right for their business and that the intangible, the attitude, motivation, dedication and commitment from the credit team, leaves no-one in any doubt that the sales ledger, the most important aspect of any business, is in exactly the right hands.

What impact has gaining the QICM Accreditation had on my department and Aimia Foods?

We achieved the QICM Accreditation in 2011, at the time, we felt a great deal of pride and confidence that our policies and procedures did, in fact, meet the high standards laid down by the Institute, but, more than that, it prompted me to look at ways I could improve the department, to really make a difference and to raise our game further.

Aimia as a business have demonstrated their support for our progress and development in various ways, all team members are either AICM or MICM (grad) members of the Institute of Credit Management and further study in this area is keenly encouraged. Investment in training, learning and development continue to be supported and recent nominations for the British ICM Credit Awards, where we have been shortlisted for three categories, Credit Professional of the Year, Commercial Credit Team of the Year and Credit Employer of the Year have all been sponsored and encouraged by Aimia as a mark of their confidence and faith in our abilities. For the business, Aimia have also included our QICM accreditation in company presentations in order to demonstrate to potential clients that we know how to manage our cash flow and that credit is taken seriously within our business.

Most significantly though, in 2012, Aimia invested in a business information tool called Qlik View, originally designed as a sales tool, after we had achieved the QICM accreditation, they decided to invest further and dedicate a section specifically to credit management. This tool has enabled 'at a glance' reporting in every aspect of credit and the analysis of the information easier to ascertain. It has made a difference in reporting, dispute resolution, payment performance and credit notes where re-occurrence of problem areas are easily identified and highlighted for action.

This has become a 'Best Practice' tool which I am able to share with other QICM accredited companies.

For me, as Credit Manager, the development of the QICM accreditation, the Best Practice Networking events and the contacts within this group of accredited companies has been invaluable. To share best practise tips with some of the best credit brains in the profession, to be able to talk about credit and to seek and give advice over various aspects of credit is something that we, in the credit profession, have waited a long time for.

TO SHARE BEST PRACTISE TIPS WITH SOME OF THE BEST CREDIT BRAINS IN THE PROFESSION, ...IS SOMETHING THAT WE HAVE WAITED A LONG TIME FOR.

These days, we expect more from our Institute and QICM gives us that, the support, the networking facility, the workshops, the introduction of the 'White Papers' and Best Practice examples all assist in raising the standards in the credit departments of Uk businesses.

To belong to the QICM Accredited group of companies and subsequent Credit Community, from all areas of industry, not only demonstrates the drive, passion and determination we all feel in trying to make a difference and assist our own businesses in surviving the difficult economic climate but, as a whole, in contributing to the economic recovery of our country by displaying high standards, best practise and commitment to do just that.

COLUMN

AN OSCAR FOR THE LEADING PART:

Credit Manager as the hero in an economic crisis!

Dr. Michael Sauter CCM
Executive Board Member SHS VIVEON AG
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It could be a scenario in an economic thriller, but unfortunately it is bitter reality: The current economic crisis affects enterprises worldwide. Fewer orders, more payment defaults, and high losses in sales are a constant threat. To detect risks in business relationships early and manage their finances successfully, companies must work ever more with key figures and early warning systems. This is where credit management may get the chance to play a leading part worthy of an Academy Award: As an interface for all customer information it has important data at its disposal relevant to other departments and ultimately to the entire company. Whereas a credit manager used to have a supporting role as manager of accounts receivable, he should now finally come out of the shadows. As an internal consultant he can steer his company successfully through the crisis.

Casting the parts properly

First, though, the view of many enterprises of their own risk management needs to change. To gain an overview of all risks and to ensure liquidity, risk management must begin with the identification of potential customers in sales and then be part of the entire customer lifecycle. Credit management should play a central part here by gathering internal and external information on a potential customer early on, and continuing this process during the business relationship. Credit management must then regularly prompt various fellow protagonists with this information – most importantly corporate management and sales.

Credit management can, for example, continually deliver reports to corporate management, keeping them apprised of the current status of the company, thus enabling them to react quickly if necessary. Another important partner of credit management is the sales department. By means of integrated workflows both departments should merge their know-how and manage risks and opportunities of a customer together. Only if a company develops a 360-degree view of a customer can existing sales potentials be tapped successfully.

Guaranteed success thanks to credit management

In order to become a central function within a company, credit management must take an active role, clearly define processes, and automate standard processes. The road to success may be rocky, but it's worth it – only an excellent cooperation between all departments enables a company to celebrate successes on all stages of the world even in economically difficult times. Thanks to credit management the thriller then turns into a story with a happy ending!

GETTING PAID ON TIME

Doing business in highly competitive and saturated markets obliges businesses to focus their resources on meeting the needs and expectations of their customers even more. But firms may tend to emphasise on providing high quality products augmented with good customer service in order to attract more business and maintain market share whilst may perceive the administrative paperwork as less important. Nonetheless, the back office duties are also critical for the smooth running of the business itself and also to continue sustaining good customer relationship.

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From a marketing perspective, satisfying and exceeding customers' needs is surely essential for the success of a business but proper administration is of equal significance and cannot be held over until there is time for doing it. This applies for the invoicing process in particular.

Lacking an efficient and accurate invoicing process may lead to late payment and disputes with customers with the consequence of thwarting the hard earned good customer relationship and also prompting cash flow difficulties to the firm supplying the goods or services. Therefore, businesses should recognise the importance of the invoicing process and must perceive it as part of the whole business transaction to the benefit of both the seller and the buyer.

The invoice

An invoice may serve as an official record of the sale to a customer but from a credit management point of view, the main and sole scope of an invoice is **to facilitate payment for the goods and services provided to the customer.** This implies that an invoice should specify clearly the amount owed by the customer, by when it should be paid and to whom the payment should be made.

Good credit management practice suggests that a firm supplying goods or services to customers should assist its clientele to complete the sale by paying their dues on time. This can only be possible if the invoice served to the customer is:

1. Timely

No invoice, no payment! Funny and obvious as it may sound, some firms issue invoices late or by the end of the month and then expect to get paid on time or according to the agreed credit terms. An invoice should be issued and served to the customer upon the delivery of the goods purchased, mainly for two main reasons:

a. Prompt Payment:
Experience shows us that the longer the invoice takes to be issued and served to the customer, the longer the customer takes to pay that invoice. Firms should always keep in mind that their customers may have other suppliers that are requesting payment. Firms are competing not only when they are selling but also when they are getting paid. Therefore, efficiency in the billing process may help the supplier to get paid before his competitors.

b. Sound Cash Flow Management:
When credit terms are involved and the invoice is issued late, the supplier himself would be extending the agreed credit terms unintentionally to the detriment of his cash flow and profit. For example, if 30-days credit terms are agreed between the seller and the buyer and the goods are delivered in the beginning of the month but the invoice is only served by the end of that month, the credit terms may well be extended to 60 days by the supplier with a negative effect on the bottom line!

2. Accuracy

Customers will only pay undisputed invoices. If customers disagree with any detail that features in the invoice, they just don't pay. Disputed invoices cause not only late payment and cash flow difficulties but also operational inefficiencies to both the seller and the buyer because to resolve disputes takes time and requires more internal resources.

3. Completeness

The invoice should include the supplier's details with the correct VAT number. All contact details should be prominently provided and this includes the telephone number of the supplier. It is to be remembered that some customers may still prefer to make contact with their suppliers by phone and not electronically!

The invoice should describe precisely the goods and services purchased together with the number of units purchased. The contact details of the customer and the address of the delivery of the goods supplied should also be illustrated. The correct VAT number of the customer should be provided and checked for its validity.

Clauses referring to the agreed credit terms and to late payment interest and charges, including any action taken by the supplier in case of late payment are always commendable and MACM Members should also include the caveat provided by the Association to adhere to the Data Protection provisions.

4. Understandable

The invoice should be clearly printed on good quality paper with no advertising clutters for better effectiveness. It should be simple to read and easy to follow by the customer receiving it. Any discounts granted should be shown and clearly calculated for ease of reference.

Living in an electronic era, it is suggested to include the Bankers' details of the supplier, the supplier's account number, IBAN and the BIC in case the customer prefers to pay electronically.

Issuing an invoice to customers may seem to be trivial by some firms but in actual fact it is an important document for both the customer and the supplier alike. Invoice customers late, be inaccurate in the figures provided, be incomplete with the required information and send invoices that cannot be understood and you will drive up the cost of doing business for your customer and your firm to say the least!

DRAGON URGES SUPPLIERS TO TAKE MORE RESPONSIBILITY IN GETTING PAID

Businesses should consider alternative funding mechanisms

James Caan, the serial entrepreneur, is urging smaller businesses to take more responsibility for their own actions in getting paid, and to consider alternative funding mechanisms in order to keep the cash flowing.

Writing the first in a new series of guest blogs for the Institute of Credit Management (ICM), Caan suggests that small businesses need to act to remove the barriers to payment: "The basics are, of course, to invoice on time, promptly and accurately," he says. "They are also to ensure that your quote has been accepted, the product or service delivered, and the terms and conditions of payment agreed in advance.

"If you do nothing else but stick to these simple rules, then your business will not only survive, but it will actually have every prospect of growing and contributing to the economic recovery that we so dearly seek."

And he says that there is more small business can do: "The Government is keen on encouraging the banks to lend but alternative funding mechanisms such as factoring and invoice discounting rarely deserve the negative publicity they are inclined to attract, and Supply Chain Finance – a particular favourite of Government in 2012 – also has its place for certain companies at certain times."

Knowing your customer, Caan acknowledges, is a particular mantra of the ICM, and again the tools at a company's disposal – from credit reference agencies to credit insurance – all have a role to play: "They not only protect you from the damaging impact of not getting paid, but more positively in taking on new customers and even new markets, safe in the knowledge that you are better informed," he adds.

Caan says that professional credit managers, and Members of the ICM specifically, have a critical role to play, and that they are already actively supporting the UK recovery: "As professionals, it is incumbent upon the ICM and its Members throughout 2013 and beyond to ensure that the support is there for these companies when they need it most."

Philip King, Chief Executive of the ICM, agrees, and highlights the recent surge in demand for the ICM's Managing Cashflow Guides, produced for the Department for Business, Innovation and Skills (BIS), that have now exceeded 400,000 downloads. The most popular of the 12 Guides is the one entitled 'Payment Terms':

"Demand for the 'Payment Terms' Guide has almost doubled in the last year (from c23,000 to c43,000) and in total represents almost a quarter of all of the Guides downloaded*," he says. "This provides graphic proof that many businesses are already focused on keeping the cash flowing and seeking professional advice wherever it is available."

As well as being CEO of the ICM, King is also on the board of Start Up Loans – a new Government vision to provide young and emerging talent with access to start-up capital and the expertise of an experienced mentor. Start Up Loans is chaired by James Caan.

In addition to the Managing Cashflow Guides, the ICM also manages the Prompt Payment Code (PPC) on behalf of BIS.

"There is a clear appetite to learn more about the benefits of prompt payment and effective cashflow management," he concludes, "and we will continue to support businesses to ensure they get access to the best advice wherever we can provide it."

To view James Caan's guest blog, please visit: http://www.icm.org.uk/home/ceos-blog

WATERLOO – ARE WE THERE YET?

Waterloo has three great claims to fame. The first is obvious, and probably the most famous of all, with a date which lives in history, and certainly helped change the world in which we all live – 6th April, 1974. Singing in English, two girls and two boys from Sweden calling themselves Abba won the Eurovision Song Contest. The second is one of London's great railway stations, situated near the River Thames South Bank and serving southern England. First established in 1848, the present buildings began life in 1922. As for the third claim to fame, suffice it to say that on Sunday 18th June 1815, a combined British/Prussian force finally ended the domination ambitions of Napoleon Bonaparte at a place in present day Belgium which we now refer to as Waterloo.

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That result (Wellington 1 – Bonaparte 0) also signalled the beginning for the United Kingdom of a period known as "Splendid Isolation" and for about eighty years thereafter the feature of British foreign policy was to maintain that splendid isolation. The actions of one of Queen Victoria's grandsons towards the end of that century put paid to all that, but let's not dwell on that here. All that we need say is that for over a century, Britain and Europe have been inextricably involved with each other, and that for the last forty years Britain and Europe have been the same thing – an island, yes, but an island off the coast of Europe and therefore, European. Hang on a minute – not so, if you listen to some on the Right of the UK Conservative Party and the United Kingdom Independence Party (UKIP). Listen to their outpourings, and it may be 2013, but you could be forgiven for thinking that we were back in the era of "Splendid Isolation" again.

It is not the Euro this time – that topic in terms of UK membership is about as dead as a dung beetle that has been trodden on by a rhinoceros. This time it is a frenzy of "in or out" being whipped up by right wing media and even further right wing politicians. The Prime Minister, David Cameron, wants a "new" relationship, but this is more to do with what national issues Brussels should handle and which would be better handled at individual national level – in other words, less in the way of unnecessary and inappropriate European Directives. The Dutch have the answer (of course – they always can be relied upon to be calm and sensible) and that is that all 27 countries should sit together and decide together what is "European" and what is "National".

Everyone is alarmed by this current UK approach, with pressure for a referendum coming from some just adding inflammatory pieces to the already growing fire. The problem with referendums is that there can be a temptation to vote with the heart rather than the head, and another piece of inappropriate European legislation might just be one step too far. Of course, as one of my Italian colleagues said to me some years ago – "the trouble with you British is that if you do not like it, you argue and argue, but if you lose, then you sign up and implement to the letter. We, on the other hand, sign up to keep the peace, but then ignore. It makes for a much quieter life". President Obama has weighed in – the US definitely wants to see a strong UK as part of a strong Europe – and Germany certainly sees the UK as a necessary counter balance to France.

My advice to all is to keep calm and carry on. Until someone fills in the English Channel (or La Manche, if you prefer), Britain will always be an island and a little relic of "Splendid Isolation" remains in the British DNA. Just look at British trucks next time you drive on the autoroute or autobahn – the advertising on the wagons will invariably say "Daily Services – UK & Europe". Some even say "Europe Direct" – just how far out of my way do I have to go to get from the UK to Mainland Europe indirectly? My specific advice to Mr Cameron is do not make Brussels your Waterloo – you don't have Wellington and Blucher with you this time.

FECMA COUNCIL MEETING ON 9TH NOVEMBER 2012 IN PRAGUE

The décor of the Fecma Council meeting this Autumn was the historical town of Prague in Czech Republic. The Czech Association was the host. This young Association did do their utmost to arrange everything in an excellent way. The day before the Council meeting Mark Harrison of the Czech Association (CZICM) did organised the first Credit Management Conference in Czech Republic. It was a big success.

The Council talked about several different issues on Credit Management in Europe. New Credit Management Associations are being set up in Austria, Switzerland and Poland. The Fecma members try to help them were possible.

Jim Logue of the Irish Credit Management Association (IICM) gave a presentation about their new initiative, called the Best Practise Initiative. The IICM encountered that credit managers disappeared as a member after they finished their educational program. To keep them on board of the Association they developed an accreditation called Best Practice Initiative. The philosophy is to encourage companies to keep on putting effort in the profession of Credit Management.

In the UK the QICM is introduced. The principle is the same. Right after the meeting Chris Sanders gave a lively presentation on the QICM.

The Fecma Council discussed the content of the Guide to Credit Management Practise throughout Europe. This Guide in on our website www.fecma.eu and contains now 6 Chapters.

These chapters are:

Chapter 1: Credit Policy
Chapter 2: The Invoice
Chapter 3: Risk Assessment
Chapter 4: Measuring Performance in Credit Management
Chapter 5: Minimum Requirements
Chapter 6: Customer Focus on Credit Management
Chapter 7 on E-billing is almost ready and will be published soon.

Levente Bogdany of the Hungarian Association (HCMA) informed the Fecma Council about CMI Europe which was launched a couple of months ago. The first round started on July 1st and was a great success. Hungary, the Netherlands, the UK, France, Italy, Ireland, Czech Republic, Belgium and Malta contributed. CMI Index is a perfect tool to make Fecma more visible.

And of course the Fecma Council talked about the first Fecma Pan European Congress which offers a platform for the expert exchange about the current status as well as ongoing developments in the field of international Credit Management that will update and inform participants through not only focussed presentations held by well experienced guest speakers, but also discussion rounds with the articipants and finally the intensive exchange with colleagues from all over Europe.

This first Pan-European FECMA Credit Management Congress is in **Budapest from May 16 to 17, 2013.**
The title is: **"European Best Practices – Inspiration for Credit Managers"**

All the practical information about the Congress can be found on the website www.cm-congress.eu.

If you want to know more about it, do not hesitate to contact the Secretariat of Fecma
by telephone: 00 31/35 69 54 103 or by email: fecma@sbb.nl

BACKGROUND

CREDIT MANAGEMENT IN ENTERPRISES

We like to inform readers, that on basis of the „Minimum requirements for the Credit Management in Austria MRCM" (Mindestanforderungen an das Credit Management in Österreich) the Austrian Standard Institute, Vienna, decided to announce a Norm (ÖNORM D 1040) for the issuance of certificates to confirm the good quality of the credit management of the company upon application. Current studies confirm that inadequately performed management of debtor risk is one of the main reasons for the bankruptcy of companies.

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Contents of the MRCM

The objective of this Norm is the improvement of credit management in enterprises by issuing recognised guidelines for credit management by companies. This Norm contains the services available internally as well as the organisation and the underlying processes, the staff involved with their expertise, their authority and their ethical guidelines. The ÖNORM will cover requirements regarding appraisal and monitoring of creditworthiness, segmentation of clients, invoicing, reminder mechanism as well as legal steps including filing lawsuits. Standards are laid down regarding personnel, vocational training, communication with customers, delays, dunning methods and key performance indicators. Not included is the standardization of services rendered by contractual partners of the company like banks, insurance companies, lawyers, information agencies, consultants and debt collection agencies.

Credit Management for Non-Banking Industry Companies

Protect yourself effectively against bad debt losses and late payments. With the MRCM (Minimum Requirements for Credit Management) certification of your loans. Developed by the Bundesverband Credit Management Österreich (Federal Association Credit Management Austria) together with practitioners from the financial sector and real economy, the standards take into account the needs of various sizes of company from different industries. We would gladly let you know how you can set up an adequate system for structured credit management in your organization, based on the MRCM standard.

Who is the Austrian Standard Institute

The Austrian Standards Institute is the neutral Austrian platform recognised worldwide for national, European and international standardization. It coordinates and manages the work of 5.900 experts. The experts are delegated by enterprises, authorities, testing centres, research institutes and special interest groups. The Austrian Standard Institute is a neutral and independent service organisation, not an authority. As a non-profit, private association it provides since 1920 the platform for the development of norms, standards and basic rules.

With a certified credit management audit by the Austrian Standard Institute you can expect to:

- Minimize bad debt losses and improve your solvency rating
- Improve net cash flow
- Raise staff awareness for use of credit management processes
- Tap potentials for improvement in your organization, processes, or documentation
- Optimize your existing credit management system – from credit checks to invoicing to debt recovery

We supported the standardization of the credit management and have been working on this issue for more than 2 years. We hope that we are right in the assumption that a certificate on the quality of the credit management will become a positive sign for banks and other providers of services like credit insurers, bond insurers, factoring institutes, information agencies etc. A certificate of this kind should help in negotiating favourable terms of credit.

The first audit for obtaining a certificate by the Austrian Standard Certificate will start in February/March 2013.

GUARDEAN®
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GUARDEAN DebiTEX
International Credit Management Software

Optimises processes. Reduces credit costs. Provides transparency. Ensures reliable reporting.

Features & Benefits:

- Current overview of customer status (e.g. credit rating, limit calculation, collection status)
- Optimisation of credit management processes (e.g. through automation)
- Online access to more than 50 international credit agencies and payment history pools worldwide
- Online interface to credit insurers (e.g. Euler Hermes, Coface, Atradius) to manage limit processes and obligations
- Decrease in credit costs (e.g. reduction in bad debts or days sales outstanding/DSO)
- Standard software solution ensures stable and calculable total cost of ownership (TCO)

For further information please visit www.guardean.com

RESPONDING TO CUSTOMERS INDIVIDUALLY

thanks to a professional credit management system!
International forwarder Schmidt-Gevelsberg has to deal with a large volume of orders every day. To ensure that it is nevertheless able to respond to each and every customer individually, the company relies on a professional and effective credit management system with software support.

It all started in 1893 with 18 horses and one heavy goods cart. In those days, the number of customers was still manageable and individual support and personal contact with customers were both standard practice. Today, almost 120 years later, international forwarder Schmidt-Gevelsberg has 20,000 m² of warehousing space, a transport fleet of 180 vehicles and 120 swap bodies, and looks after some 16,000 customers worldwide – 5,000 of whom are regular customers. This makes for a large volume of orders every day – from both new and existing customers – which isn't only a challenge for the entire logistics process but also for the company's credit management system: decisions need to be made fast, whilst keeping one eye on all the risks.

Just as it did in 1893, the company today places great importance on maintaining personal contact with its customers and looking after them individually. Initially therefore, it attempted to continue administering new applications and existing customers manually, even in the field of credit management. The effort was enormous, and led to a high risk of unsafe credit decisions. "What's more, we barely had any time left to respond to customers individually and take account of their overall situation when making decisions", explained Klaus P. Böhme, Head of Finance and Controlling at Schmidt-Gevelsberg. But it's in precisely such a constantly changing and intensely competitive market environment as the forwarding and logistics sector that customer-oriented decisions are particularly needed, as are speed and flexibility. In order to be able to guarantee ongoing high levels of quality in this respect, the company set itself the goal of enhancing its credit management system by degrees.

The opening shot was fired in autumn 2010 with the introduction of GUARDEAN's DebiTEX credit management software. The software bundles all risk-related information from internal and external data sources, such as information agencies for example, and uses this to automatically derive a personalized credit limit for each individual customer. The company additionally developed its own credit guidelines and evaluated appropriate internal and external information gathered for risk assessment purposes. "The possibility of consolidating a wide range of data through the system as a basis for decision-making, thus enabling swifter and better decisions to be made, was the main driver in convincing us to adopt DebiTEX. Furthermore, we are now able to factor in each of our customers' individual circumstances. Instead of declining supposedly risky contracts, we can instead select suitable payment scenarios, for example. This creates trust on both sides, and lays the foundations for a loyal and long-term relationship with our customers", commented Böhme.

The company's credit management personnel no longer have to deal with routine tasks as part of their day-to-day business, meaning that they can spend more time on cus-

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About Schmidt-Gevelsberg
Schmidt-Gevelsberg GmbH is one of the oldest established traditional Transport and Logistics businesses in Germany. The company's performance has enabled it to grow continuously. The new Distribution Terminal in Schwelm was completed in summer 2005. Measuring 8,000 m² and with almost 90 bays, it means that the company is perfectly equipped for worldwide door-to-door services. Schmidt-Gevelsberg GmbH now employs over 300 people and has 20,000 m² of warehouse space, a fleet of 180 vehicles and 120 swap body units.

www.schmidt-gevelsberg.de

tomer-oriented decisions. If a customer changes his payment habits, for example, the credit manager will be informed via a list updated by the system on a daily basis. As a result, the company can react quickly and can approach customers personally, where required. "We can ask them where they're having difficulties and then work out a joint solution together. This goes down well with customers too", commented Böhme, recalling a case where a customer of several decades asked that his payment deadline be extended for a particular order. The team at Schmidt-Gevelsberg dropped in to see him personally as a result. "Based on the data from DebiTEX we could see that this customer had always paid his bills extremely punctually. He then also explained to us the reasons for his temporary liquidity squeeze and we worked out a solution together", said Böhme. "The customer was delighted and has remained loyal to us ever since."

These positive experiences, together with improved business ratios, have borne out the company's decision: a professional credit management system not only reduces the risk of bad debts, but also fosters long-term, sustainable customer relationships. As a result, Schmidt-Gevelsberg is continuously enhancing its credit management system – and with success: in November 2011, the company received official certification from TÜV Rheinland. This confirms that Schmidt-Gevelsberg's credit management system meets the minimum requirements for corporate credit management (CCM) as defined by the Bundesverband Credit Management e.V. (German Association for Credit Management). “In today’s environment, the success of both major and mid-tier companies depends on developing and professionalizing their credit management systems", commented Horst Döller, product manager at TÜV Rheinland. "Our certification process gives companies' credit management departments the opportunity to provide transparent evidence that they have achieved a given level of process quality."

"This certification enabled us to not only substantiate the quality of our credit management system internally, but also to deploy this to our advantage vis-à-vis external interested parties, such as auditors and credit insurers", added Böhme. Optimizing its credit management system has enabled the international forwarder to manage its risks better, and hence to guarantee its own liquidity. "And that is also important for our customers, after all", concluded Böhme. As a result, Schmidt-Gevelsberg can carry on offering the same excellent, personalized service that it always used to when it was first starting out with its 18 horses.

QICM BEST PRACTICE EXAMPLES

I believe that I have one of the best jobs in Credit Management as I spend my time visiting credit management teams and talking to enthusiastic and passionate people about credit management, from Directors of Credit to apprentices, from experienced professionals to those who have just started their careers in our industry. The one thing they have in common is a hunger for knowledge and a desire to do better, as Brian Morgan the Credit Manager from Veolia Environmental Services says 'We want to be better tomorrow than we are today.'

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This one simple statement sets the tone and the culture in everything his department does, and like the best inventions and statements the simple ones are always the best. Like the ICM's **Quality in Credit Management** (QICM) accreditation, the idea started with a simple question at the ICM2008 Conference from Philip King (CEO ICM) 'What does good look like?' and 4 years later we have what we think are the right criteria to answer that question and at the time of writing this we have 29 companies from many different industries who have achieved the QICM Accreditation. However, like all things one size doesn't fit all and one company's Best Practice is different from the next but the one thing that all 29 have in common is a desire to be better tomorrow that they are today and a willingness to share their 'Best Practice' with others, and this fits in with the objective of QICM to 'Improve standards in Credit Management'. So I thought that I would share some of the best practice I have seen on my travels, as you can appreciate there are a great deal of interesting and innovative methods and procedures out there, but I have picked 3 of the most interesting operational examples which are simple and low cost which can be implemented anywhere and in any organisation regardless of size, complexity or industry.

Team Communication & Recognition

For this I go back to Brian Morgan and Veolia Environmental Services Team. Every morning at the start of the day they have session called 'The Morning Boards'. There are around 6 different teams in the credit department each with a notice board on wheels (2m x 1m) which has targets, issues, meetings, absence and objectives listed on it. The team leaders run through their 'board' with their team including any systems problems, who is in and out of the office, delegating work around the department arranging holiday cover etc. Targets are reviewed and discussed and actions noted. This in itself is good but if an individual has achieved a good result, for example collecting an old debt or resolving a difficult dispute, the individual will write this on a 'post-it' note and place this on the board. The next morning the Team Leader gathers these up and in front of the team the success is recognised and celebrated in front of the whole team. A simple low cost idea which boosts morale, recognises those who have done a good job and keeps the team up to date on what is going on in the business.

DSO Drivers and Measurement

I saw this approach about 2 years ago at an ICM Masterclass Event in London, but understood it better when I went to meet Frank Anderson at AB Agri in the UK to complete their QICM Renewal Assessment last year. This is how Frank understands the 'content' of his DSO and as a result where to focus time and effort on improving it. He shared this approach at the QICM Best Practice Conference in last year and got some very positive feedback. If you understand what a DSO day is worth to your business in terms of debt then you can start doing this for yourself, for example if your DSO day is worth €2m and your debt in query is €6m then simply put you have 3 DSO days tied up in disputes, this may then be something you would want to discuss with the manager of the team responsible for the resolution of disputes, sales or customer services. Frank has taken this further, measuring in this simple way all aspects of his debtors ledger, what is current, overdue, disputed debt and type of disputes and the DSO for specific contracts and customers which may be outside standard terms. This not only helps him to focus action but also ensures that ownership of the DSO measure not only rests with the credit team but also with others in the business as well.

Roadmap & Stakeholder Management

We formally introduced this new QICM Criteria in May 2012 but had piloted this in a number of assessments prior to its introduction. We had what I call the 'technical' criteria in place like Credit Policy, Compliance, Professional and Personal Development, Performance Measurement etc. from the beginning of the QICM Accreditation Programme but we recognised that in order to increase awareness in credit management within the business, the credit team need to communicate what they are doing and their plans for the future, so we added this to the QICM Accreditation Criteria. This has been a very successful introduction and I have seen some excellent 'roadmaps' and stakeholder management plans on my travels, from large companies like Siemens, Veolia and Shell to smaller organisations and teams. The format and contents of these plans may all be different but the one thing they have in common, like the credit management teams themselves, is a desire to share information with the business and demonstrate the benefits of good credit management. The Credit Management teams who do this well, like those mentioned, become integrated into the business and form part of the management team which determines the direction of the company and sales and marketing strategies. These **'Credit Strategies'** are an approach that some QICM Accredited Companies do extremely well and are perhaps a subject for another article!

Best Practice in Credit Management is everywhere and the characteristics of QICM Accredited Companies is one of a constant desire to improve whilst sharing what they do well with others and for that I am very grateful, as it makes my job interesting and I am always learning something, so many thanks to Brian, Frank and the other 27 QICM Companies for this.

CREDITREFORM QUERIES PRACTICABILITY

of the European Small Claims Procedure. No significant improvement, inconsistent implementation across countries

Creditreform, founded 1879 in Germany, is today the leading provider of comprehensive credit management solutions and services in Europe and China. 4,500 skilled employees in 169 offices in 22 countries serve more than 150,000 clients. The group turnover in 2011 reached EUR 543 m.

In cooperation with nationally leading partners Creditreform offers expert credit reports on all active companies worldwide. Creditreform's business information products permit a detailed insight into a company's solvency situation, such as payment behaviour and financial status, including balance sheets and profit and loss accounts. Through its comprehensive database they offer their clients online access to credit reports of more than 24 million companies in 26 European countries. Creditreform also assist its clients to collect their overdue accounts receivable. Their local experts know the language, business mentality and legal particularities of each respective country. Handling the case locally often brings the debtor to agree to an amicable solution and so avoids the hassle and cost of a court procedure.

Creditreform's clients commissioned the agency last year to collect more than 2 million open claims with a total volume of more than EUR 1.2 bn.

Creditreform, one of the largest European collection agencies with offices in 22 European countries and in China, considered the European Small Claims Procedure (ESCP) substantially failed four years after its introduction. By ESCP procedures like the realization of cross-border loans to small claims were supposed to be simplified and speeded up. It is available to litigants as an alternative to the national procedures of the individual Member States is available. The Regulation applies in all Member States of the European Union except Denmark.

For all practical purposes, the ESCP proves to be largely ineffective. "In countries where the implementation chances were good even without the European Small Claims Procedure, the ratings we achieve with the procedure remain good – however, in countries with low rates, the chances of implementation using this procedure remain low", said Wolfgang Keusgen, Head of Department of International Services at Creditreform.

CREDITREFORM'S CLIENTS COMMISSIONED THE AGENCY LAST YEAR TO COLLECT MORE THAN 2 MILLION OPEN CLAIMS WITH A TOTAL VOLUME OF MORE THAN EUR 1.2 BN.

In addition, the ESCP process has often not led to the desired simplifications. In most cases, the process time still exceeds one year. Besides, in some countries, enforcement costs are in no reasonable proportion to the amount receivable. This fact is also favored by complicated procedures specifics. Thus, the application of witness statements can be made at any time by either party, which means that the process must be conducted in a nationwide common adversary proceeding.

Taken as a whole, the procedure is very complicated, and especially small claims are often not economical. "This is aggravated by the fact that even four years after its official launch the ESCP is still not implemented in all EU countries, and in some courts it is still largely unknown", said Keusgen.

Generally, this procedure is only for completely documentable and "uncomplicated" demands – ideally receivables from goods with proof of chain from ordering to delivery verification. However, it is not recommended for the enforcement of claims for damages or cancellation fees.

Based on the experience in the first four years since the introduction of the procedure, Creditreform has decided to not consider ESCP within the international debt collection process. Instead, the court of small claims will be enforced only on the proven ways as part of national debt collection procedures.

A WINNING NIGHT FOR ICM 2013 AWARDS

MORE than 400 guests donned black tie and evening gowns to attend the all-new ICM British Credit Awards 2013 at London's Hilton Park Lane earlier this month, and recognise some of the very best from the world of commercial and consumer credit.

Sean Feast
Managing Editor
Credit Management magazine
editorial@icm.org.uk

The winners included a broad range of businesses, including big names such as Britvic (Best Use of Credit Technology), Experian (Credit Information Provider for the Year) and Schenker (Collections Team of the Year).

It also included arguably perhaps lesser-known and more niche firms such as SmartSearch (Fraud/AML Initiative of the Year), MarketInvoice (Commercial Finance Provider of the Year) and Eaton – UK Electrical Division (Commercial Credit Team of the Year).

Sharon Adams of AIMIA FOODS won the title of Credit Professional of the Year, with the judges – chaired by ICM President Stephen Baister – describing her work as simply 'Outstanding'. The biggest winner on the night, however, was undoubtedly Veolia Environmental Services (UK). It scooped not only Credit Employer of the Year but also an individual prize for Charlotte Ashford as the credit profession's Best Newcomer. Brian Morgan of Veolia also won the ICM Achievement Award for his acknowledged contribution to best practice.

The Sir Roger Cork Prize, awarded to the ICM student who achieves the highest aggregate marks for ICM examinations within a calendar year, went to Mark Tylar.

Speaking on the night, ICM Chief Executive Philip King said that the judges had some tough decisions to make owing to the quality of entries: "The judges reviewed some amazing submissions, and my one big regret is that there can only be one winner in each category," he said. "Everyone, whether a winner or runner up, should be proud of what they have achieved and recognise how well they have done."

The ICM British Credit Awards 2013 were organised for the ICM by Incisive Media, and presented by rugby legend Martin Bayfield. A full list of winners can be found in the supplement in the middle of this issue.

Rugby legend Martin Bayfield

Philip King speaking at the all-new ICM British Credit Awards 2013

The Three Waiters entertain the audience

PAN-European FECMA Credit Management Congress

Program | 16th May 2013

Dr. Erzsébet Antal

Alberto Bottoni

Valérie Collot FICM

Alberto Cotti

Claes Jacobsson

13:00 – 14:00 **Registration**

14:00 – 14:20 **Welcome and Opening by FECMA**
Glen Bullivant FICM, FECMA, United Kingdom

Welcome by Hungarian Credit Management Association
Péter Szentirmay, HCMA, Hungary

14:20 – 14:50 **International Credit Management:**
How to survive in today´s changing business environment
Claes Jacobsson, Scania Financial Services, Sweden

14:50 – 15:20 **Credit Management Best Practices: What we can learn from each other**
Willibrord Van Leeuwen, Wolters Kluwer, Netherlands

15:20 – 16:00 **Networking coffee break**

16:00 – 16:30 **Global Economic Forecast & Risk Outlook:**
What´s driving Credit Management?
Júlia Király, Magyar Nemzeti Bank / Central Bank of the Republic of Hungary, Hungary

16:30 – 17:00 **Credit Management in Hungary: Status, Challenges and Outlook**
Dr. Erzsébet Antal, Waberer's International, Hungary

17:00 – 18:00 **Panel discussion**

Credit Management Strategies and Execution: a European Perspective

Moderator:
Philip King FICM, Institute of Credit Management, United Kingdom

Panelists:
Valérie Collot FICM, Sagem Defense Securite, France
Alberto Cotti, Donna Karan, Italy
Andrea Kelchen, Sapa Group, Hungary
Frederic Wittmans, Ingram Micro, Belgium

18:00 – 19:30 **Hotel Check-In**

19:30 – 20:00 **Registration for the Dinner**

From 20:00 **Dinner** (with musical entertainment), opening speech and presentation of "FECMA Lifetime Achievement Award".
This event is also available for spouses at the price of € 49,00.

PAN-European FECMA Credit Management Congress

Program | 17th May 2013

Philip King FICM

Júlia Király

Joerg Peter Kowalewski

Brian Morgan FICM

Andreas Wenzel

8:30 – 9:00	**Registration**
9:00 – 9:10	**Welcome and Opening by FECMA** **Glen Bullivant FICM,** FECMA, United Kingdom
9:10 – 9:45	**Trends & Best Practices in Credit Management: A Journey through Recent Findings** **Prof. ir. Ludo Theunissen,** University Gent, Belgium
9:45 – 10:20	**Credit Management Building Blocks: How to manage Credit effectively** **Dr. Michael Sauter CCM,** SHS VIVEON, Germany
10:20 – 11:00	**Networking coffee break**
11:00 – 11:45	**Credit Management Frameworks: International Credit Policy and Credit Management KPIs** **Maarit Siijärvi,** UPM – The Biofore Company, Finland
11:45 – 12:30	**Credit Management Processes: Organisation, Automation and Software Support** **Andreas Wenzel,** Agfa Graphics, Belgium
12:30 – 14:00	**Networking lunch**
14:00 – 14:45	**Credit Management Principles: Quality and Excellence as Driving Forces** **Brian Morgan FICM,** Veolia Environmental Services, United Kingdom
14:45 – 15:30	**International Credit Management: Organisational Models for Local and International Players** **Alberto Bottoni,** ABB Schweiz, Switzerland
15:30 – 16:00	**Networking coffee break**
16:00 – 16:30	**Credit Management as a Profit Centre and the Role of the Credit Manager: how to add Value to your business** **Joerg Peter Kowalewski,** km credit consulting, Germany
16:30 – 17:00	**Final get together** with drinks and finger food

FECMA LIFETIME ACHIEVEMENT AWARD

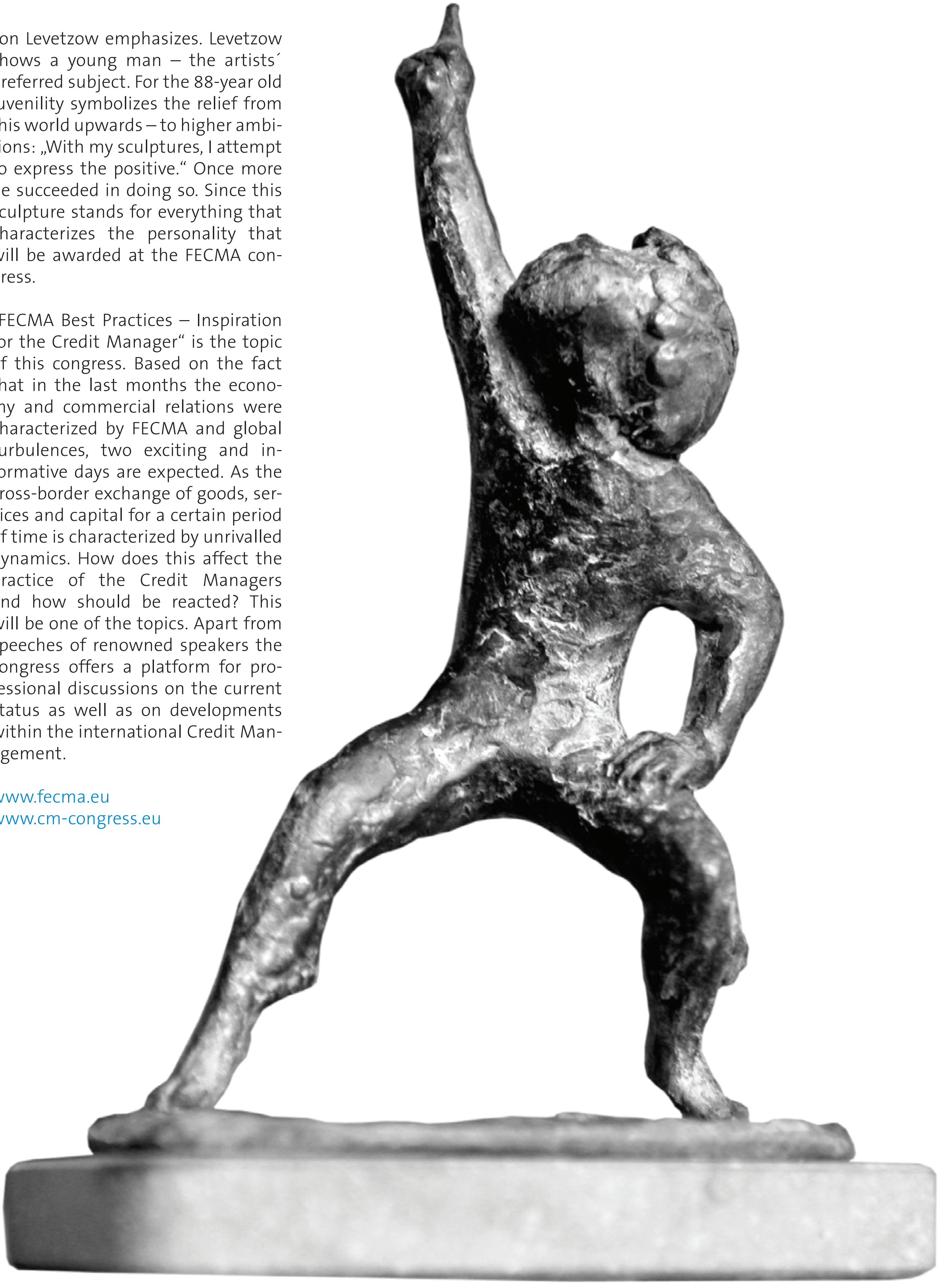
Determination – Stableness – Farsightedness – Eagerness – Motivation. Five positive characteristics – united in one small bronze sculpture. The artist Dieter von Levetzow, living in the Lower Rhine town Kranenburg – by the way a great-grandnephew of Goethe´s last love Ulrike von Levetzow – has created this sculpture exclusively for the FECMA (Federation of European Credit Management Associations). "The decision was made last year", the chairman of the Bundesverband Credit Management e.V., Jan Schneider-Maessen emphasizes: "With this sculpture we want to honour a personality from the Credit Management for her lifework," Schneider-Maessen announces.

The awards ceremony is a premiere. The person who will be awarded this price remains a secret. At least up to the FECMA congress that takes place on May 16 and 17 in Budapest. It is not a secret that the award is unique. Dieter von Levetzow, who already at the age of 16 became student of the university of fine arts in Weimar, is a philanthropist. His figural sculptures that are not only visible in several Low Rhine cities, express vivid gestures and represent the orientation towards life. His FECMA sculpture shows a young man with his index finger raised: „With this gesture I wanted to express that the figure looks towards the future", Dieter

von Levetzow emphasizes. Levetzow shows a young man – the artists´ preferred subject. For the 88-year old juvenility symbolizes the relief from this world upwards – to higher ambitions: „With my sculptures, I attempt to express the positive.“ Once more he succeeded in doing so. Since this sculpture stands for everything that characterizes the personality that will be awarded at the FECMA congress.

„FECMA Best Practices – Inspiration for the Credit Manager“ is the topic of this congress. Based on the fact that in the last months the economy and commercial relations were characterized by FECMA and global turbulences, two exciting and informative days are expected. As the cross-border exchange of goods, services and capital for a certain period of time is characterized by unrivalled dynamics. How does this affect the practice of the Credit Managers and how should be reacted? This will be one of the topics. Apart from speeches of renowned speakers the congress offers a platform for professional discussions on the current status as well as on developments within the international Credit Management.

www.fecma.eu
www.cm-congress.eu



AURIGA: FIND DEBT COLLECTION PARTNERS WORLDWIDE

According to data from the European Commission, European companies write off 600 million euros every year in legitimate claims against foreign debtors. The reason for this is that they do not have the expertise or ability to carry their interests through effectively abroad. The new Auriga Credit Network web portal offers a solution.

Olaf Pauls
Director
Auriga Credit Network
opauls@scorecontrol.ch

International debts management presents creditors with serious challenges. Luigi Di Cerbo knows this. The 48-year-old is one of the two founders of Auriga Credit Network, a new web portal that makes it possible for creditors and debt collection companies to exchange collection jobs across borders. “Payment deadlines, debts limitation rules and jurisdiction differ between individual countries, sometimes to a considerable extent. On top of that, there are cultural differences when addressing debtors. The process often fails because the creditor does not know the debtor’s language and cannot effectively address difficulties with payment.”

This is where the business idea thought up by Luigi Di Cerbo and Olaf Pauls comes into play. They are both experts in debts management and have more than two decades of comprehensive and practical experience. Di Cerbo, a lawyer, began his career in Switzerland in the 80s at Intrum Justitia AG. In 1993 he founded the debt collection company C&S Credit Management AG as a joint partner. After several stints in other businesses in the industry, including Deltavista AG, in 2009 he began to work with the Swiss company Scorecontrol AG, which he still does today as Chairman of the Board of Directors and majority shareholder. His business partner Olaf Pauls, also trained in law, is a debts management IT expert. In Germany in the 90s, he developed a software package for debt collection companies and took charge of distributing it. In 2003 he became Managing Director of Score Control AG.

A marketplace for open claims

Auriga sees itself as “the gate to international credit management”: Creditors register open claims in an online marketplace. Reputable debt collection partners in the claims’ target countries make their services available. If both are in agreement, they make a deal. All of this requires only a few clicks of the mouse. The principle even works if creditor and contractor speak different languages. The back-end software assists communication in the user’s own language. “This solution is valuable to all creditors without an international network,” says Pauls. No previous knowledge of the software is required, continues the 45-year-old IT expert. The portal is set up so practically and clearly that any client can use it without any problems.

They start by logging into the website www.aurigacreditnetwork.com. Clients register as “creditors”. In the “debtor” field, they then enter information on the claim, including the name and address of the debtor and information on the type of claim and due date. As well as data on the main claim, details of secondary claims can also be requested, for example on fees and creditors’ expenses. There is also a calculator function to determine the accrued interest.

Once this information has been provided, Auriga presents the client with a list of available debt collection partners in the claim's target country, including debt collection companies, credit bureaus, credit management agencies, factoring businesses, lawyers or investigators offering their services through the portal. Symbols mark companies that are members of associations which monitor the collection of debts. "That ensures reputability," says Di Cerbo. "Partners who register with Auriga automatically agree to abide by the Code of Conduct of the Federation of European National Collection Associations, FENCA."

THE WEB PORTAL FUNCTIONS AS AN IN-HOUSE SOLUTION, THROUGH WHICH THE ENTIRE COLLECTION PROCESS CAN BE MANAGED FROM THE CREDITOR'S OWN DESK

Fast, secure and easy

The appropriate partner can be selected from this list, and a contract can be awarded directly. Alternatively, there is an "obtain a quote" field available. If the creditor clicks on it, all the partners in the list are asked to provide a quote for the claim supplied. "Within a few days the creditor will receive a number of offers to choose from," explains Pauls. Communication takes place through a mailbox system in the personal section of the website. The system provides a convenient way for the creditor to distribute contracts simply by clicking the mouse. As one might imagine, this requires very little time. All the details of the offer remain in the messaging system and can be brought up again at any time.

The debt collection partners in the target countries can accept offers that they receive through Auriga directly through the web portal. The debt's collection package is filed internally in the debt collection process area, through which the debt is now processed. Creditors can keep themselves informed on the collection process here through live progress reports. Partners are required to update this area regularly. All documents needed to collect the debt, such as delivery notes or copies of invoices, can easily be uploaded here by the creditor and made available to the contractor. "In this way we can ensure that communication takes place in a unified manner," says Pauls, "and in the selected language, of course." When the process is completed, the partner can send the invoice to the creditor, also by upload. The parties transfer the collected funds to each other directly.

"The web portal functions as an in-house solution, through which the entire collection process can be managed from the creditor's own desk," explains IT expert Pauls. It provides businesses with interfaces to the most commonly used ERP systems. The portal is password-protected and secured with the latest encryption methods. All data is saved securely in an external data centre. In the event of any problems, a telephone hotline is available.

Free to creditors

As well as debt collection contracts, there are also supporting functions available such as address searches or debt financing products. "And the most important thing is that using Auriga poses no financial risk to the creditor. Registration is absolutely free of charge, as is setting contracts." The only costs are to debt collection partners. These are 1 per cent of the amount of the claim – a minimum of CHF 2.50 and a maximum of CHF 50. "A creditor also receives a bonus premium of 10 per cent of the partner's acceptance fee, paid by us, for each accepted collection and search contract – so they profit from it twice: once by awarding an international collection contract, and again by receiving a share of our turnover."

What happens next? Auriga's figures clearly point to growth. "We are getting more and more enquiries," says Di Cerbo. Even now, as the business is starting out, they already have more than 500 partners in over 100 countries. The portal is well networked internationally, and a member of the European FENCA and of the globally present Association of Credit and Collection Professionals ACA.

Auriga is used by creditors from the finance, insurance, logistics and export industries. The portal is ultimately valuable for companies in all sectors. "Studies show that only a third of all companies worldwide use external debt collectors. There is enormous potential here," says the IT expert Pauls.

Since February, there has also been an interface available for transferring large debt packages. This allows mass debt collection contracts to be assigned conveniently and securely. "The whole thing works with domestic claims too, of course, which can be offered through Auriga to various debt collection companies in a national pitch," explains Pauls. The quality and user-friendliness of the portal is also constantly being tested. "Auriga is continually being expanded and improved in the interests of the users," affirms Pauls. "For example, it will soon be possible to use the web client to evaluate partners' quality, reply times and trustworthiness. This builds trust, which is indispensable for lasting success in an area as sensitive as debts management."

INSOLVENCIES IN EUROPE

Inteview with Richard Dey, Managing Director at Verband der Verein Creditreform e.V., about Insolvencies in Europe, year 2011/12.

Richard Dey
Managing Director Marketing, Sales and International Services at Verband der Vereine Creditreform
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CM Magazine: Mr. Dey, do you think that the economic situation of a country – marked by the dramatic crisis of the global economy – is reflected in its bankruptcies?

Dey: There is a difference between Central European and peripheral countries. Most of all, the precarious situation of the economies of southern Europe is reflected in insolvency: Greece, Spain, Italy, and Portugal are among the countries with significant increases in the number of corporate insolvencies. Thanks to the relatively good performance in the Central European countries like Germany, France, Austria and the Netherlands, the insolvency situation has adopted no more dramatic extent.

CM Magazine: So would you say that peripheral countries are in the shadow of the debt crisis?

Dey: Well, the number of corporate insolvencies in the EU-15 countries plus Norway and Switzerland has risen in the past year to about 180,000. Thus, a slight increase compared to the previous year was recorded amongst the number of companies affected by a bankruptcy. By historical standards, since the beginning of the financial crisis in 2008/09, the number of bankruptcy cases remains at a high level.

CM Magazine: And do you think there is an increase in job losses of companies at risk of becoming insolvent?

Dey: Unfortunately, the aggravation of the situation among European insolvencies has impacted on the insolvency-related unemployment. Thus, the number of impending job losses rose by about 7.0 percent. In Western Europe, the number of insolvent services company has declined. However, one in every three business bankruptcies is in the service sector and still has the largest share of the insolvencies. About 10.0 percent of the bankruptcies were registered in the manufacturing sector. In the other sectors, the number of insolvencies has increased. The number of bankruptcies in the retail and hospitality industry is increasing to almost 32.0 percent, followed by the share of the construction sector, which is increasing as well.

CM Magazine: Mr. Dey, would you describe the insolvency situation in Eastern Europe as tense?

Dey: The economic environment in Eastern European states was determined in large part by the debt crisis and the resulting consequences in the Western European countries. And overall, the situation in the face of the looming difficult credit situation for companies is tense. Thus, the increase in the number of business failures in Eastern Europe has increased. The largest increases were reported in Bulgaria, Slovenia and Czech Republic. But on the other hand, a significant decline is registered in Latvia and Estonia.
Most bankruptcy cases in Eastern Europe – more than on in every three – were attributable to the retail trade and hospitality industry, followed by the share of the service sector. Almost one in five bankruptcies were among the manufacturing sector. In Central and Eastern Europe, more than 200,000 jobs are likely to be endangered by insolvencies.

CM Magazine: And is a geographic difference in payment experiences or, in other words, do companies in certain regions overdraw longer than in other regions?

Dey: Well, the tendency of last year's figures shows that companies in the Mediterranean region overdraw the longest. The poor payment histories made by export-oriented German companies do not seem to be promising for liquidity of the Southern Companies. So one in four German companies experienced a default in payment of more than a month when it exported goods to Italy. Equally, Spanish and Portuguese companies were considered poor debtors. Almost a fourth of German exporting companies complained about customers from Spain and Portugal, which were above the agreed terms by 30 days. Business relationships to Eastern Europe were affected by similar problems. Only one in ten German exporters had no objection to payment default if delivering goods in countries such as Romania, Croatia, the Czech Republic or Hungary.

In the Central European economies, the situation seemed more positive. In more than three out of ten cases, German companies exporting to Austria and Switzerland were completely spared from a late payment. The Benelux countries appeared as relatively good debtors. Nearly one in four German companies which delivered goods in these economies did not suffer from late payments.

CM Magazine: And, Mr. Dey, as a last point, what trend do U.S. bankruptcy figures show?

Dey: In the U.S., the year 2011 was marked by debt reduction. The number of personal bankruptcies declined. The insolvency situation in the corporate sector was equally encouraging. Since 2011, the number of companies which had to declare insolvency is decreasing.

CM Magazine: Thank you very much for the interview!

COUNTRY- AND EXPORT RISKS IN EUROPE, 2011/12

The German economy has recovered completely from the worldwide recession of 2008/2009 and has done so more quickly than virtually any other economy in Europe. A key role in this rebound has been played by export business, which has acted as a powerful driving force. Export-oriented companies report full order books and good turnover figures, and they have stepped up the export-related proportion of their overall sales revenues. At present, more than a quarter of all exporters (about 27.0 percent) achieve over half of their turnover with cross-border trade. In the case of manufacturing firms, larger companies and those with lengthy export experience this proportion is even higher.

"The economic upswing has led to a further rise in the export ratio of German companies", said Richard Dey, managing director at Verband der Vereine Creditreform. This is shown in last year's figures, where almost half of the firms surveyed increased the export-generated share of their sales revenues, while only few registered lower year-on-year figures. In particular, firms whose foreign partners are in the wholesale/retail sector have benefited from the export boom, while above-average improvements in export business are also reported by companies supplying goods or services to Turkey, Spain/Portugal and the United Kingdom/Ireland.

Plans for further expansion in the export field remain ambitious. In the coming year, more than half of the firms surveyed will seek to increase the export-generated share of their turnover. However, this means that the proportion of optimists has declined slightly. Further expansion in the field of exports is planned especially by industrial companies and construction firms. Expansion of this kind will also create more jobs: one firm in every four is now planning to recruit more personnel.

EXPANSION OF THIS KIND WILL ALSO CREATE MORE JOBS: ONE FIRM IN EVERY FOUR IS NOW PLANNING TO RECRUIT MORE PERSONNEL.

Currently, German exporters see potential for increasing their foreign trade turnover above all in Russia/Ukraine, the Benelux countries and Scandinavia, and then also in Romania, Bulgaria and the Balkan states. The specific focus depends on how long a company has been in the export business. "For instance, German firms with more than 25 years of export experience see growth opportunities above all in Eastern Europe and Russia. Firms with more limited experience in the field of exports will next year tend to target Germany's immediate neighbours and the eurozone in general", so Dey.

The biggest risks seen by German exporters are bad debts or customer insolvencies, and, more generally, the poor payment conduct of their European business partners. Rounding out the list of major risks are possible exchange rate fluctuations in transactions with partners outside the eurozone, the lack of reliable business contacts, and the specific legal and tax conditions in the countries dealt with. In this respect, there are differences depending on the particular region being addressed. An above-average number of companies exporting to the Baltic states, Turkey or Eastern Europe, for example, highlight default risks and lengthy accounts outstanding. The problem of very long payment periods is also encountered by firms dealing with business partners in Russia/Ukraine. Exporters experience bureaucratic obstacles above all in the Baltic region, and in Romania, Bulgaria, Poland, Russia/Ukraine, but also in Italy and the Iberian Peninsula. A frequent additional factor in some of these countries is corruption.

"The length of typical payment periods varies substantially within the continent as a whole. The best performers in this respect are the Scandinavian countries, Austria, Switzerland and the Benelux states", so Dey. Figures show that invoices sent to these firms in these countries are generally paid within 30 days.

On the other hand, when German firms export goods or services to any of the countries suffering particularly from the euro crisis, they have to reckon on waiting considerably longer before their invoices are settled. The same applies to parts of Eastern Europe. Only 20-25 percent of those surveyed reported receipt of payment within 30 days. In the case of Russia, Poland and the Baltic states, though, the spectrum of payment conduct is very broad: whereas some German exporters experience comparatively short DSO (days sales outstanding), others have to accept very long payment terms of more than 60 days.

In addition to actual payment periods, delayed payments represent another indicator of a country's payment conduct. German exporters report that in transactions with Austria, Switzerland and the Scandinavian countries, payment deadlines are exceeded only to a limited extent, with more than one third of the relevant firms receiving payment within the agreed period and delays of more than 30 days representing rare exceptions. In Southern Europe (Italy, Spain and Portugal), on the other hand, the agreed term of payment is usually exceeded. Around one German exporter in every four has to be prepared for payment to be delayed by at least 30 days. Tardy payments are also a frequent occurrence in trade with Eastern Europe, but here the length of the delay is less severe. In fact, German firms report that compared with the prior year, the payment conduct of their Eastern European partners has tended to improve, whereas there has been a year-on-year increase in payment delays in transactions with France, Spain/Portugal, and also the Benelux countries.

The proportion of exporters suffering sizeable losses in the field of receivables – losses of more than one percent of their aggregate export-related sales revenues – is only about 7.5 percent of all the companies surveyed. At the same time, only one firm in every five suffered no uncollectable receivables at all. One factor leading to the reduction in the scale of bad debts has been the increasing professionalization of risk management and receivables management in German companies.

"To avoid having to write off losses, German firms depend extensively on credit checks and commercial reports", so Dey. Other frequently employed protective measures are demanding cash in advance, setting credit limits and responding rapidly to payment delays with the help of an efficient dunning system.

NEWS AND CALENDER OF EVENTS

Czech Republic:
The institute of Credit Management in the Czech Republic have sought last year a few national languages native speaker for trainings in the Czech Republic. The benefit to the participants is that a native speaker knows the respective market very well. The first training started in October 2012 in german language and were well received by the participants and were continued in 2013 already successfully. The next trainings are already planned.

The CMI® – Credit Management Index – reflects the collective opinions and expectations of German credit managers. It is calculated quarterly based on assessments of economic trends delivered by the participating companies.

Germany:
In January 2013 the CMI® – Credit Management Index of BvCM e.V. Deutschland – was launched. It is a key figure reflecting the risk expectations of experts specialising in credit management such as Certified Credit Manager (CCM®) or Controller (CCC®). The know-how of these occupational groups is an ideal basis for the early detection of changes in liquidity-oriented risk assessments, future economic developments and trends.

The CMI® – Credit Management Index – reflects the collective opinions and expectations of German credit managers. It is calculated quarterly based on assessments of economic trends delivered by the participating companies.

United Kingdom:
ICM and BIS monthly cashflow ‘tip’ to small businesses
(January 2013) The Institute of Credit Management (ICM) and the Minister of State for Business and Enterprise Michael Fallon have published their monthly ‘tip’ for small businesses to better manage their cashflow.

“Supplying customers without the certainty of getting paid is crazy. Use credit reference information sources to find out all you can – it could save you a bad debt.”

The cashflow ‘tips’ are derived from the series of Managing Cashflow Guides published by the ICM for BIS, of which there have now been more than 400,000 downloads.

For further information, log on to http://www.creditmanagement.org.uk/bisguides.htm

CALENDER AUSTRIA www.credit-manager.at

26th March 2013	Risk management in SMEs, **Vienna**
25th April 2013	International Credit Management – Best practice, **Gunskirchen/Wels**

CALENDER GERMANY www.credit-manager.de

22nd March 2013	Kick off Certified Credit Manager®, **Bochum**
4th April 2013	Kick off Certified Credit Controller®, **Hamburg**
9th April 2013	Working Group International
11th April 2013	Kick off Certified Credit Controller®, **Ingolstadt**
17th April 2013	Regional Event, **Wolfsburg**
7th May 2013	Working Group Insolvence
15th May 2013	Certified Credit Manager Award 2013, **Mainz**

CALENDER NETHERLANDS www.vvcm.nl

21th March 2013	Credit Manager of the year congress, **Houten**
22th May 2013	General meeting of members, **Nieuwegein**
4th April 2013	Meet & Learn (no subject yet), **Woerden**
13th June 2013	Meet & Learn (no subject yet), **Woerden**
3th October 2013	Meet & Learn (no subject yet), **Woerden**
7th November 2013	Credit Expo, **Niewegein**

CALENDER UK www.icm.org.uk

19th March 2013	Change Management Masterclass, **Birmingham**
21st March 2013	Credit Risk & Compliance Masterclass, **Leeds**
17th April 2013	Regional Roadshow, **Newcastle**
14th May 2013	Credit Risk & Compliance Masterclass, **Manchester**
22nd May 2013	Technology Masterclass, **Birmingham**
6th June 2013	Regional Roadshow, **Southampton**
11th June 2013	Technology Masterclass, **Leeds**
14th June 2013	Fellow's Lunch, **London**
20th June 2013	ICM Education Conference, **Birmingham**

BANK REGULATIONS – IT'S NOW OR NEVER!

Pieter Postmus
Manager Global Unit,
The Netherlands at Atradius
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Earlier this month The Netherlands was shocked by another bank nationalisation. Four years ago the disastrous attempted takeover of ABN AMRO led to the nationalisation of not only ABN AMRO itself, but also of the remains of Fortis Bank (the projected buyer of ABN AMRO).

At the same time ING Bank had to be bailed out by the Dutch government after being affected badly by the global financial crisis. Now it's the turn of SNS Reaal, a banking and insurance conglomerate, which always had the profile of a friendly, "small town", midsize financial institution, but went totally off the rails after taking over the real estate arm of ABN AMRO (called "Bouwfonds") in 2006. In the mean time we have seen one of the biggest fraud cases in the history of The Netherlands, where the directors of Bouwfonds turned out to have cheated amongst others the pension fund of Philips for tens of millions of Euro's. At the same time Bouwfonds real estate investments, like the building of a whole new city 10 kilometres outside of Luxembourg city, have gone astray, leaving SNS Reaal in a position where its customers took away their savings at a rate of half a billion euro's a day (yes, another good old fashioned bank run), and the Dutch Minister of Finance Dijsselbloem saw no other option but to take over the bank. This decision costs the Dutch tax payer another 3.7 billion euro's, at a time when the Dutch government has just announced that it will implement cut backs for a total amount of euro 18 billion in the coming 12 months.

How did we get into this mess, and, even more important, how do we get out? To answer this, we can look at the conclusions of "Inside Job", the brilliant documentary about the global financial crisis. This teaches us the following lessons. First of all, the banking sector has to be regulated again, and regulated strictly. Second, the banks should be split into smaller, manageable entities. Investment banks and savings banks should be separated. Third, the "old boys network" of government officials, bankers, lawyers and scientists, who simply had the freedom to do what they wanted at the expense of the customers of the banks, should be cleaned away, and new people should be appointed to make sure we make a fresh start. So far, not a lot has changed, and it will take strong international leadership to really make progress. Hopefully Minister Dijsselbloem, who has recently been appointed as chairman of the Eurogroup, the forum of the Finance Ministers of the European Union, can make the necessary changes on European level, and by doing so, lead the way to a new and improved global financial system.

Pieter Postmus

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Guidelines for Authors –
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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.

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