Label: Successful –
Credit management at HERMA

Success Story HERMA GmbH

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Much has changed at HERMA since the introduction of credit management software. Nowadays automation means that decisions are made on applications in just a few hours rather than several days as they were in the past. The software is completely accepted by the staff and has become an indispensable tool in the day-to-day credit management activities.

HERMA COMPANY GROUP

„I sold the first labels at the beginning of February - to Daimler." These words from 1906 are credited to company founder Heinrich Hermann, in his description of how everything got started. A lot has happened in the meantime. HERMA has developed into a leading international company group in the manufacture and trading of self-adhesive products, labelling solutions and labelling machines.

In 2015 the HERMA Group had a turnover of 304.5 million euros, a significant increase over the previous year. This makes HERMA the most strongly growing company in the market and this trend is set to continue in the coming years. In particular, the increasing internationalization is the major driver of growth for HERMA. Many large international companies are among the customers of the Swabian firm and exclusive marketing partnerships, e.g. in the Middle East, extend the radius of international activity.

The important preconditions for the strong growth include not only the dedication of the 945 members of staff but also the strong presence on internationally important markets and the willingness to invest in manufacturing and development. Also in credit management, HERMA has teamed up with an innovative partner and profits from an IT system that helps to achieve sustained decreases in costs and in defaults on claims, thus strengthening the company's competitiveness.

SAP INTERFACE

SAP is the leading system at HERMA and the company wanted this to continue to be the case after the introduction of credit management software. Customer master data is processed exclusively in SAP and is exported from there to the credit management software. „In 2011 we decided to introduce CAM Industry & Trade from SCHUMANN. We wanted a central creditworthiness checking system with interfaces to the business information providers that we use, which automatically maintains contact with SAP and transfers the relevant information", remembers Alexander Volker Petzold, head of the financial department at HERMA.

Today, new or updated master data as well as current payment information is transferred from SAP to CAM Industry & Trade at various intervals. CAM Industry & Trade determines rating information and credit limits, and passes these back to SAP.

At HERMA, customers often belong to more than one business area. For these different areas, different limits often existed in SAP for the same customer. These were administered in SAP using only text entries. This information is now transmitted to CAM Industry & Trade together with payment records data in order to determine the utilization of limits correctly. Through processing by the expert systems, the available information is taken into account when allocating limits, which are then exported to SAP. Both the limit for the particular credit control area and the company group credit limit are transferred.

AUTOMATIC OBSERVATION OF THE RULES FRAMEWORK

A very essential point for HERMA was the automatic observation of the company's credit management rules and guidelines. Before the introduction of CAM Industry & Trade a standard rules system in the form of organizational directives was used for checking orders. In addition, special situations were recorded individually in a collection of specific cases.

„*In the course of the introduction of the CAM Industry & Trade software, we summarized our guidelines, which previously did not exist in a consistently described form. This was a good opportunity to review our own processes and rules*", explains Uwe Müller, member of staff in the area of finance and Project Leader for the introduction of the credit management software.

The automatic observation of these guidelines is performed by CAM Industry & Trade. Today, diverse aspects of payment information are automatically interpreted as negative attributes and are taken into account in the aggregated risk report and in limit allocation. „*The flexible mapping of special rules for credit management was also important to us – to enable them to be adapted quickly without any additional programming", reports Müller further*", reports Müller further.

Checking credit in connection with orders was a lengthy, manual process at HERMA. There were diverse exceptional situations that resulted in a high level of manual effort. An example: for a customer with a credit limit of 100,000 EUR and existing credit of 90,000 EUR a new order came in amounting to 20,000 EUR, which would usually not be approved due to exceeding of the limit. The rules specify that in individual cases a special credit limit of, for example, up to 130,000 EUR can be approved if no overdue positions exist and it has not been necessary to send dunning letters to the customer in recent history.

The customer has to pay on time in order to initiate increased deliveries. Today CAM Industry & Trade takes over the realization of the rules framework automatically, exports the relevant limit to SAP and, for example in cases where limits are exceeded, creates a ToDo message, which can also be sent by E-mail to the responsible member of staff if desired.

EARLY WARNING AND MONITORING

This early warning system has proved its worth. These days, the system automatically checks all new information. This is then taken into account in the evaluations and as soon as a deterioration is detected, the relevant member of staff is informed. Early warning criteria are not necessarily limited to worsening of payment behaviour or rating deterioration.

At HERMA, company and industry specialities also have to be taken into account in the early warning criteria. Often, these are indicators that the customer is a candidate for future default. This could include unexplained changes in ordering behaviour which could be an indication that competing companies have stopped supplying the customer, who now orders from HERMA instead. Such early warning indicators are also taken into account in the credit management software and now result in a warning being delivered to the E-mail account of the responsible member of staff.

CAM INDUSTRY & TRADE IN USE – SUCCESSES AND RESULTS

Alexander Volker Petzold loves figures; the watch on his left wrist shows the time digitally. But he does not need to use his watch to check the time that it now takes to process credit applications. „*We have significantly speeded up our processes. Research, evaluation and decisions on new customers are now possible in just a few hours. Previously, we needed several days for this or even a whole week.*"

The times in which reports had to be ordered by fax and then manually entered in the system are now in the past. The slow and lengthy processing has evolved into a smooth (part)automated workflow thanks to system support.

This smooth process begins with the essential master data. The system-supported address comparison ensures consistent quality and eliminates mistakes. The VAT-ID number (a requirement under tax law) is now verifiable for all customers on the basis of the correct master data. „*There are no more duplicate data sets and one is therefore always working on the correct customer file – a great improvement for the staff*", says Müller.

Up to seven people now work with CAM Industry & Trade daily in the Accounts Department. „*All of them are very satisfied; none of them would like to go back to the old system. That's really something special. I have experienced other IT systems to which there was resistance from colleagues, even after five years*", reports Petzold. With support from CAM Industry & Trade, standing in for colleagues has also become simple and uncomplicated; long initiation periods or applications remaining unprocessed for a long time are now things of the past. Irrespective of the ever-increasing amount of work that has to be done in such a fast-growing company, the same number of people work in credit management at HERMA as in 2011. Software support has made this possible. Routine tasks are now performed by the system and the staff can be used for important, value-creating activities.

Whereas previously in unclear cases key figures were often calculated from the annual report data contained in reports, it is now possible to rely on a system which, despite automated processes, allows enough flexibility for manual intervention within defined limits. The benefits have been realized exactly as the company hoped.

Tasks performed by credit management software at HERMA

✓ **Process and workflow optimization**

✓ **Central creditworthiness checking system with interfaces to relevant business information agencies and automatic import of master data**

✓ **Interface/integration into the ERP system SAP**

✓ **Realization of the credit policy without programming**

✓ **Fast, proactive instead of reactive credit management**

Enabling Success.