# Far-sightedness and automation as central factors for success

**Success Story**
**Semcoglas Holding GmbH**

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**Semcoglas Holding GmbH is one of the most successful glass processing companies in Europe. It is Germany's third-largest glass processor and is represented at more than 20 locations in Germany and abroad. In 2009, driven by the increasing number of insolvencies, higher commercial credit insurance premiums and intransparent processes in credit management, the decision was made to adopt a comprehensive IT-supported credit management solution. The improvements achieved so far are substantiated by impressive statistics and the trust in the system has grown continuously. In 2016 this formed the basis for further optimization of the company's credit management.**

## MOTIVATION FOR CHANGE (2009)

In 2009 the conditions were difficult. The financial crisis resulted in an increasing number of insolvencies and higher costs for commercial credit insurance (CCI). The customer base of around 15,000 mostly consists of carpenters, window producers and facade constructors. After intensive research the company decided to adopt CAM Industry & Trade from SCHUMANN.

For Semcoglas various targets were associated with the introduction of CAM Industry & Trade. On the one hand, with the introduction of the risk early-warning system the company wanted to reduce the manual work required and evaluate the customers automatically using a sophisticated, comprehensive risk evaluation that takes into account all the available creditworthiness-relevant information. On the other hand, monetary considerations were in focus, such as reduction of default whilst at the same time reducing the premiums for commercial credit insurance and information agency costs.

In order to reach these targets, workflow optimization emerged as a predominant factor for success. The central workflows were defined and suitable (part) automation was set up in the system. For the centrally organized credit management at Semcoglas, unified, mandatory credit guidelines were created. These include objective limit allocation criteria and a limit and risk-dependent information basis.

This is supplemented by the clear regulation of decision-making competencies and responsibilities. It was necessary to establish a high quality of master data.

This includes the avoidance of duplicates and the correct recording of interconnected risks. Comprehensive monitoring and targeted portfolio evaluation and control were also part of the new direction in debitor management at Semcoglas.

## SEE SUCCESS, WIN TRUST, IDENTIFY POTENTIAL

In the meantime, company-wide unified credit guidelines have been established and are put into practice consequently. Every customer is evaluated for creditworthiness according to the SEMCO scorecard. The different branches of the company can access this rating and the associated risk information. Workflows are regulated without inconsistencies and responsibilities and regulations for representation are clearly established. The central instrument of the unified credit policy is a credit application process that is tailored to Semcoglas's specific requirements. This process enables (part) automated credit allocation, checks competencies and responsibilities and collects, for example, external information in a way that is customer-group-related and IT-supported.

Credit insurance can also be organized depending on credit worthiness and order volume. Furthermore, the defined, system-supported workflows dictate mandatory manual steps. For example, the debitor management has successively motivated all employees involved in the process to enter sufficient justifications in the credit limit applications – especially when negative attributes exist. The aim of this is to be able to make decisions on credit limits as quickly as possible without

*Picture: Barbara Eckholdt/Pixelio.de*

needing to make further inquiries. Overall, CAM Industry & Trade enables comprehensive monitoring of all customers and thereby guarantees that the creditworthiness evaluations are always up-to-date. In addition, all credit decisions are fully historized. Irritating, and above all cost-intensive, duplicate files are aggregated in a way that makes sense and risk groupings are formed, so that these days the theme of duplicates and thereby also, for example, multiple orders of the same report and multiple allocated limits for the same risk are no longer issues. This has enabled information and risk costs to be reduced.

Together with SCHUMANN valuable internal information at Semcoglas has been identified and is now integrated into automated risk estimation. Internal payment records are thus taken into account and provide a lot of valuable information, especially about long-standing customers with whom business is done regularly. Furthermore, the inclusion of information from the sales team is a great enrichment. Here, the customer is evaluated through the use of a standardized questionnaire – often from a different viewpoint. The intransparency in evaluating both the customer portfolio and individual risks, which was previously a cause for complaint, has given way to a comprehensive, well-founded evaluation of each and every customer. Also from an overall viewpoint, the customer base can be analysed according to various criteria such as the age of open positions (OP aging) and can be processed in a targeted manner.

## SUCCESS IN FIGURES

The system support from CAM Industry & Trade and the resulting continually increasing level of automation have led to considerable reductions in process costs. For example, the module enCAshMent enables the automated, unified and transparent performance of dunning runs. Personnel costs caused by manual activities have been saved and the communication necessitated by non unified procedures has been eliminated. Equally positive effects have been achieved through the use of an integrated reporting tool for the determination

of provisions for specific bad debts. The unambiguous, tight process organization contributes positively to reducing the duration of outstanding claims. Measures initiated by the system and consequently and promptly carried out by the staff contribute significantly to reducing payment duration. Starting at around 25 days in 2009 it is only 13.57 days in 2017. This is a reduction of 45%. This development has led to a significant reduction of both the capital requirement and the (calculated) interest, and is noticeable as a monetary success.

Since the introduction of CAM Industry & Trade, risk estimation and control in relation to customers as well as the dunning process and targeted use of credit insurance have been considerably improved. As a result, defaults on claims have been heavily reduced. From the introduction of CAM Industry & Trade to the end of 2016 defaults went down by more than 75%.

The finely adjusted early warning system CAM Industry & Trade at Semcoglas indicates deteriorations in creditworthiness at an early stage, thus opening up wide and especially anticipatory scope for action. Unsecured credit lines could therefore be increased in stages in dependence on the rating score and with clearly calculated risk. The successive increase in the discretionary credit limit for commercial credit insurance since the introduction of CAM Industry & Trade can be specifically quantified in monetary terms or expressed as a relative value: The CCI premiums, including extra premiums, went down by 25% from the introduction of CAM Industry & Trade in 2009 to the year 2016 and the CCI credit-check fees have been reduced by 80%.

## OPTIMIZATION IN CREDIT MANAGEMENT

But Semcoglas is not resting on its successes. On the contrary, potentials were identified over the years that have now been realized through far-reaching changes. Adaptations to changing market situations and critical examination of internal processes are a matter of course. Furthermore, the use of CAM Industry & Trade has been extended to other areas of the company.

With suitably designed individual reports, potential turnover can be identified and sales activities can be conducted in a targeted manner.

A further major milestone was the optimization of the credit allocation processes. Inefficiencies were thereby uncovered and eliminated. The biggest success, however, was provided by an enormous increase in automation. Numerous manual process steps are now obsolete. Authorization procedures are supported by automatic routing processes and targeted portfolio evaluations provide the basis for operative and strategic decisions and recommendations for action. In this context the collection of external information has not only been more intensively automated, its utilization has also been changed to suit requirements. This results in optimal exploitation of cost/performance ratios for external suppliers. In addition, an automatic limit allocation for higher volumes has been set up. Branch-specific limit allocation that depends on turnover and ratings, and a fully automatic routing of instructions for action make transparent and secure processes possible, even with higher volumes.

## CONCLUSION

The high level of acceptance of the system by the employees of the holding company and particularly in the branches has contributed to the success of the project. It was essential that all the members of staff supported the fundamental changes in credit management and they have also initiated and supported further steps boldly and with many ideas. Trust in the system also means that the employees can now concentrate on essential activities and profit from efficient and automated processes.

**45%**
reduced receivables duration

**75%**
reduced bad debts

**45%**
Reduced CCI premiums incl. extra premiums

**80%**
reduced CCI credit check fees

**Enabling Success.**