

Flying high in credit management

Success Story Deutsche AVIA-
Mineralöl AG



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High turnovers with just a few customers – this describes the credit management situation at the German company AVIA Mineralöl-AG. Thanks to the use of the software for annual report analysis ‚CAM Industry & Trade‘, AVIA now has all its customer information centralized in one system. A comprehensive overview of the risk situation for each customer is possible for any of the staff. Annoying media breakdowns and time-consuming manual comparisons are now passé. As a result, the negotiating position in relation to commercial credit insurers has improved. The overall financial stability of the group has also profited from the targeted support of individual shareholder companies that is now possible.

LARGE TURNOVER - SMALL MARGINS - HIGH RISK

Marinus Kraus, a young German ski jumper, flies from success to success on the biggest ski jumps of the world with the AVIA logo on his outfit. This is also what AVIA is doing, only without the skis. Even though the company does not seem to have much in common with the young sportsman at first sight, the combination makes a lot of sense. Cosmopolitan, success-orientated and thereby never forgetting to keep an eye on one's own security.

You could ask why a company with only 39 active customers needs a credit management system with electronic file management and automated balance sheet analysis. But although in this case there are only a few risks to be checked, the sums of money involved, with an annual turnover of 2.7 billion euros, are very high. „The smallest credit limit that we have in our system is €1 million, the largest is €27 million,“ reports Dieter Kirschner, Business Manager at the German AVIA Mineralöl-AG. The necessity to check only a few customers, but with very high credit amounts, is a result of AVIA's history and business model.

ABOUT AVIA

In 1927 a group of independent oil companies in Switzerland joined together in order to obtain better purchasing conditions from the large conglomerates. These days, AVIA is represented by over 85 medium-sized companies in 14 European countries. AVIA is active in the sales and marketing of oil products throughout Europe and operates more than 3,000 filling stations, of which around 850 are in Germany. This makes AVIA the most widespread conglomerate-independent oil products brand in Europe.

Picture: AVIA Mineralöl-AG

The members of the German AVIA now market all forms of energy. In addition to the classical oil products, grid-based energy sources such as natural gas and electricity are also sold. In Germany, AVIA consists of 30 medium-sized companies as shareholders as well as a large number of licensees. The core businesses of the AVIA companies are the operation of AVIA filling stations, the supply of large customers with diesel fuel, the supply of lubricants and also heating oil and pellets.

Companies that become AVIA shareholders can buy oil products through AVIA and therefore profit from its market strength. AVIA itself sells its products without profit margin and is financed by the membership fees paid by the shareholders. This secures the best prices. At the same time, AVIA carries the risk of insolvency of the shareholders. With the low number of companies and the high sums involved, a bankruptcy would affect everyone and could possibly endanger their existence. This is the reason that AVIA decided to use a modern credit management system like CAM Industry & Trade.

COMPANY EVALUATION WITH CAM INDUSTRY & TRADE

Today, all the information about a particular shareholder is presented bundled in one credit file.

„We were in great need of this“, explains Kirschner. „The available information such as business reports, balance sheet analyses and commercial credit insurance was spread between various departments using partial solutions and it was impossible to bring all the information together.“

With CAM Industry & Trade, all the staff at AVIA can now access the same information and knowledge. In addition, the system support has the decisive advantage that consistent evaluations are now possible. *„Previously, we did not rate our shareholders. It was always an individual estimate: a standard evaluation procedure did not exist.“* The risk of making mistakes was correspondingly high.

These days, fixed rules for evaluation have been set up in CAM Industry & Trade and the system automatically creates the necessary ratings. The limits negotiated with the credit insurance companies now also flow into CAM Industry & Trade, as do the agreed securities or conditions. These could be anything from guarantees or land to cash deposits, reports Kirschner. Every day the employees use CAM Industry & Trade to take a look at the level of exposure in order to recognize problems at an early stage. Kirschner himself checks each day to see whether credit limits have been exceeded. CAM Industry & Trade automatically creates a ToDo message and Kirschner can easily navigate to the appropriate file, contact the customer and decide what needs to be done.

IT-SUPPORTED BALANCE SHEET ANALYSIS AS PART OF AVIA'S RISK-MANAGEMENT SYSTEM

The starting point for the procurement of credit management software was balance sheet analysis. This was previously performed manually and was therefore very costly and time-consuming. At AVIA, they realized that professional balance sheet analysis software would give them a better negotiating position in relation to credit insurance companies. The software CAM Industry & Trade for the analysis of annual reports promised automation and thereby an acceleration of the processes.

The annual reports of the shareholder companies are now entered into the system and CAM Industry & Trade automatically calculates the predetermined key figures and creates a rating on its own.

„The shareholders themselves supply the annual reports and in return receive the analyses. This procedure is well-accepted. The shareholders also have a great interest in the stability of the group and the early detection of problematic developments provi-

des security for everybody's business“, explains Kirschner. Beyond this, CAM Industry & Trade provides AVIA with a further interesting tool. With the help of benchmark analyses the shareholder companies can be compared with each other. This information is also provided as feedback to the shareholders. So each company can see very transparently how it performs within the group.

Process optimization and risk management as a target The main reason for introducing credit management software was not primarily the avoidance of defaults on payments. Instead, the main aim was to accelerate processes, detect risk positions, eliminate sources of errors and provide a unified overview of all the available information. *„Our negotiating position relative to the credit insurance companies was thereby strengthened and I also see it as a service for our shareholders.“* As AVIA is very transparent with the data and the calculated ratings, optimization potential for every shareholder can easily be identified.

Dieter Kirschner seems visibly relieved. The qualified business manager has been with AVIA for over six years and is confident about the future. *„Now that we have CAM Industry & Trade, I have often thought in retrospect that we could have introduced such software much sooner.“*

SUCCESSSES IN CREDIT MANAGEMENT AT AVIA

- ✓ **All customer information available centrally on one system**
- ✓ **Overview of the risk situation of each shareholder company for all staff**
- ✓ **Accelerated processes**
- ✓ **Standardized evaluation procedures**
- ✓ **Fast and professional balance sheet analysis**
- ✓ **Improved negotiating position with credit insurance companies**

Enabling Success.



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