



Hans van Diest, BMW Financial Services 'Finding the right balance between risks and revenue'

BMW Financial Services started working with OnGuard in 2001. Implemented in The Netherlands and Belgium, OnGuard was chosen to help bring structure to the company's credit risk management policies. A more customer-oriented approach means that customers are allocated a dedicated credit manager and are divided into groups depending on their risk ratings. Customers are then monitored using customized customer profiles. With this system in place, BMW FS hopes to run its credit management department as efficiently and effectively as possible.

Results

- Improved qualitative analysis, reporting and use of KPIs
- Improved efficiency due to strong increase of the percentage automatic credit approvals to 55%
- Increase in use of direct debits: from 87% to 95% in 5 years
- Increase of 10% of overall approved credit applications
- Reduction of credit write offs: 33% in 2007 and 65% since 2004
- Reduction in DSO: from 14 days down to 4
- 35% structural reduction of capital assets regarding accounts receivable

Hans van Diest, Risk Manager BMW Financial Services

- 'OnGuard has helped make the company's credit approval and credit management processes more efficient, more effective and more customer oriented.'
- 'OnGuard has become a vital part of our processes, enabling us to combine our policies with a customer-oriented approach.'
- 'The increased flexibility in the reporting module is an added benefit along with the Key Performance Indicators (KPIs).'
- 'OnGuard is able to exchange information with other systems, both import and export, meaning we now have all of the information we need in one system.'



Hans van Diest:

'OnGuard has helped us achieve our goal of simplifying and improving the quality of our processes: the perfect match.'



Innovative approach

BMW Financial Services' credit risk management strategy is professional and efficient. Initiated in The Netherlands, this Dutch policy has been adopted by the BMW Group, becoming a benchmark in other European countries. Furthermore, Hans van Diest won the Credit Management Award 2008 for the almost total automation of the company's credit risk management processes. Van Diest: "Improving quality within the BMW Group is a continual process. We have simplified and automated our processes in order to stimulate the sale of our products as well as optimise and improve the quality of our services to BMW and MINI dealers and to our customers."

Credit approval

Van Diest explains that for him, credit risk management starts at the credit approval stage and not when invoicing: "We receive almost 10,000 credit applications every year. Statistical score cards have been developed for each of the BMW customer groups which allow us to take calculated risks and maintain a healthy balance between the risks and our revenue." The score cards contain factual information about the contract and the customer and external statistics from credit rating agencies, for example Experian and D&B scores. An essential element on the score card is the customer's payment habits. OnGuard exports this information at customer level, importing it into our credit approval system. This is a very important element on the score card and a very important part of our credit approval policy."

"OnGuard has become a vital part of our processes, enabling us to combine our policies with a customer-oriented approach. By including payment habits on the score cards, we can process almost 55% of the applications automatically. This means that we can approve credit requests from customers in the show rooms within 1 or 2 minutes," Van Diest continues: "In fact, the number of credit approvals has gone up by almost 10%. This is due to the score cards that have been designed

specifically for BMW customer groups and because we have included external statistics and scores which give us additional credit data. This additional information puts us in a better position to assess the risks, and take more calculated risks as a result." "A great result in our pursuit to increase the number of approvals and our efforts to add value to our BMW and MINI dealer organisation," adds Van Diest.

Reporting and results

BMW FS upgraded to OnGuard ICMS to centralise all their data in the one system. "Now the credit management department and the credit approvals department can benefit from one system," explains Van Diest. "The increased flexibility in the reporting module is also an added benefit along with the Key Performance Indicators (KPIs). We have a number of our own KPIs that need data from other systems, data which we can now export straight into OnGuard. Then it's just one click on the button to generate the report. This means we can see, among other things, how the customer's payment habits and risk profile are developing in the customer portfolio. Every customer is given a rating which is registered in OnGuard. After a short while, it's clear to see how these patterns are developing amongst, for example, customers in the IT sector. This makes reporting, analysis and management a whole lot easier."

The future

"OnGuard is able to exchange information with other systems, both import and export, meaning we now have all of the information we need in one system. We expect to be able to achieve even better results in the future by fine tuning the profiles, expanding our use of the queries module and by using more of the additional fields," concludes Van Diest.