CASE STUDY: TIPS FROM BAYER

CREDIT RISK AUTOMATION: A PRACTICAL GUIDE

dun & bradstreet

Turbulent economic times mean payment defaults are becoming increasingly common. Amidst this turmoil, the Life-Sciences corporation Bayer has turned crisis into opportunity.

Led by Andreas Wenzel, their Global Credit & Customer Finance Manager, the team has successfully automated their credit management processes and significantly enhanced the quality of risk assessments using Dun & Bradstreet data.

→ Discover how Bayer has strengthened its business resilience by automating credit management processes.

Andreas Wenzel
Global Credit & Customer Finance Manager at Bayer

Why should you automate credit risk assessments?

Automation is never done just for the sake of it, but with the goal of improving efficiency and decision-making. This applies to the field of finance and credit management as well.

1. MORE QUALITY IN LESS TIME

By automating processes in credit management, companies can make faster, higher quality, and more reliable credit decisions.

2. INCREASED FLEXIBILITY IN CHALLENGING SITUATIONS

Companies with automated processes can respond more quickly to challenging situations, satisfying both internal stakeholders and external customers.

3. IMPROVED EFFICIENCY

Automated processes replace manual tasks, freeing up more time for important value-added activities in credit management, such as portfolio management, prioritizing collections, and increasing cash flow. This stimulates growth and strengthens business resilience.

Which are the typical finance tasks that can be automated?

Not all tasks and activities in credit management are suitable for automation. They must meet certain criteria.

1. TIME-CONSUMING TASKS

These tasks involve complex or repetitive actions. This includes monitoring based on precise internal and external data that is seamlessly integrated into your systems, ensuring that everyone involved stays informed and can respond quickly to any alerts. Another example is the automated onboarding of new business partners, which relies on external data.

2. CLEARLY STRUCTURED TASKS

This category includes rule-based approaches to optimize credit limits, effectively monitor portfolios, and reduce the risk of defaulting on payments.

3. LOW-VALUE TASKS

These tasks do not require human input and are not critical to business operations.

What types of automation exist?

Typically there are three types of automation. The more complex the method, the longer and more demanding the integration projects become.

1. DATA ONLY INTEGRATIONS

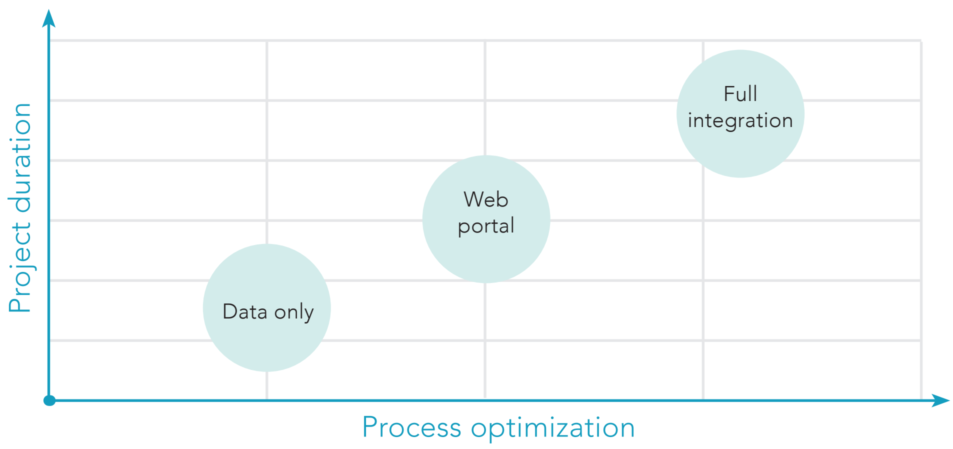
A thorough cleansing and enrichment of master data. This process occurs offline, ensuring that your customer systems remain unaffected.

2. EXTERNALLY HOSTED WEB PORTALS

These services provide credit and financial information on companies worldwide in a standardized user environment. Users can easily download the data and integrate it into their CRM or ERP systems.

3. FULL INTEGRATION INTO CUSTOMER TECH STACKS

The data is integrated directly into CRM or ERP systems such as SAP, Oracle, or Microsoft Dynamics. This ensures a seamless interaction with internal processes. Data integration projects may take longer than other alternatives, but the level of process optimization achieved is significantly higher.



Credit assessment automation in action: The Bayer Case

Automation relies on data and information. The key to success lies in the quality and reliability of these inputs. In the case of Bayer, both internal and external data are utilized (see graphic). Once all data points are available, the decision is made on which data is relevant and suitable for solving the use case.

INTERNAL DATA (BAYER)	EXTERNAL DATA (DUN & BRADSTREET)
• Duration of business relationship	• Financial statements
• Sales/revenue	• Risk scores and PAYDEX®
• Delayed payments	• Geographic location
• Development of payment behaviour	• Industry code

Bayer has chosen to develop its own scorecard, which accurately predicts and assesses the characteristics of its business partners.

This scorecard underwent a thorough evaluation and analysis of available information.

- Dun & Bradstreet examined data associated with Bayer's business partners and identified positive and negative attributes associated with companies at high or low risk.
- These attributes were incorporated into the scorecard, allowing for predefined calculations and rules to generate an individual score for each company.
- With this statistical model, Bayer can now predict the likelihood of payment defaults or delays more effectively.

Learn more about this in our webinar recording.

Watch now

The scorecard as an integral part of business processes

Bayer has seamlessly integrated and automated the scorecard, developed in partnership with Dun & Bradstreet, into its business processes. Here's how it works:

BAYER
Select and request necessary information for each business partner based on AR.

DUN & BRADSTREET
Provide newly requested information and keep existing portfolio continuously up to date.

BAYER
Apply scorecard automatically on available internal/external data and calculate overall score and traffic light status.

BAYER
Display score results and other selected data in cockpit, and use it in approval processes.

Automation

The benefits Bayer achieved from automation and data integration

Automation can bring process improvement and or enhaned efficiency; and the Bayer case is no exception.

From onboarding to credit decision: Bayer identifies business partners, enhances data, and makes decisions based on this information.

The decision-making process from onboarding is more up-to-date, consistent, and comprehensive.

Bayer has implemented a permanent early warning system.

Their Days Sales Outstanding (DSO) has been shortened, reducing bad debt expenses and operating capital costs.

Bayer operates a standardized credit policy based on globally harmonized data.

During uncertain times, credit limits and payment terms are adjusted to mitigate risks.

The internal coordination is simplified, resulting in fewer conflicts with stakeholder groups such as sales, auditing, or credit insurance.

Business resilience has increased through automation.

LIKE TO HEAR
MORE ON THISE TOPIC?

Learn, in detail,
how Bayer implemented the automation
and the most important takeaway.

Watch webinar