



Electrolux Credit Strategy and example how Nordic credit team work

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Personal Biography



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Creditmanager for Electrolux sales company in Sweden and Norway and responsible for Nordic customer finance Electrolux since 1999.
CEO for Electrolux Credit AB(EC) 2010-2015
(EC merged to Electrolux Hemprodukter AB 2016)
Earlier creditanalyst in Handelskredit 1979-1999
Boardmember of Swedish Creditassociation from 2018 and member of their law group



Svenska Kreditföreningen, SWEDISH CREDIT ASSOCIATION

100 membercompanies which includes 300 members (persons)

Building networks - AW, conferences, event with member companies

Lawgroup - Referall-authority Influence authorities

Creditmanager group – will probably start within short



Electrolux Credit Directive

- Why
- Who
- What does it include
- Tools
- Credit risk monitoring- what shall we do?



Electrolux Credit Directive **Why ?**

- To achieve competitive and professionally performed credit sales, limited bad debts, strong cash flow, and optimized Electrolux Group profit.



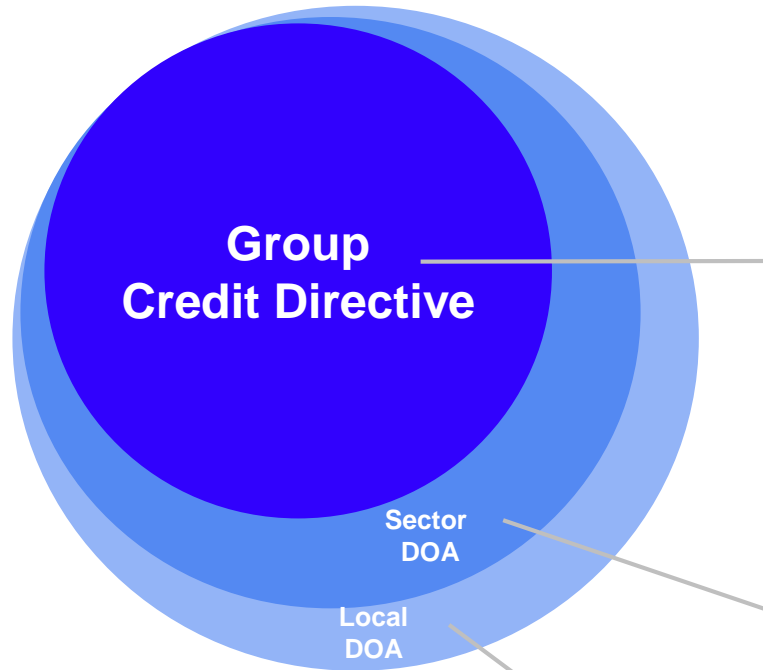
Electrolux Credit Directive **Who?**

Table 1: Responsibilities for Electrolux Group Credit Directive

Responsible Responsibilities	Sector and local Credit manager	Local CEO	Sector CFO	Group Credit management	Group CFO
Write				X	
Sign/approve					X
Implement/Communicate	X	X	X	X	
Follow-up/Review	X	X	X		



Electrolux Credit Directive – **What does it include?**



- All customers should have a credit limit
- Consolidation of all Electrolux exposure to customer groups
- Decisions are made for “gross” credit limit i.e. no netting of collateral/credit insurance incl 10 days deliveries
- Customer credit assessment should be made with Electrolux rating model (ERM)
- Approval authorities are defined
- Approved by Group CFO

Sector specific additions/requirements (DOA)

- Credit limit approval authorities,
- Std payment terms
- Std collection processes
- Approved by Group Credit Management

- Local specific additions/requirements (DOA)
- Approved by Sector CFO



Electrolux Credit Directive - **Tools**

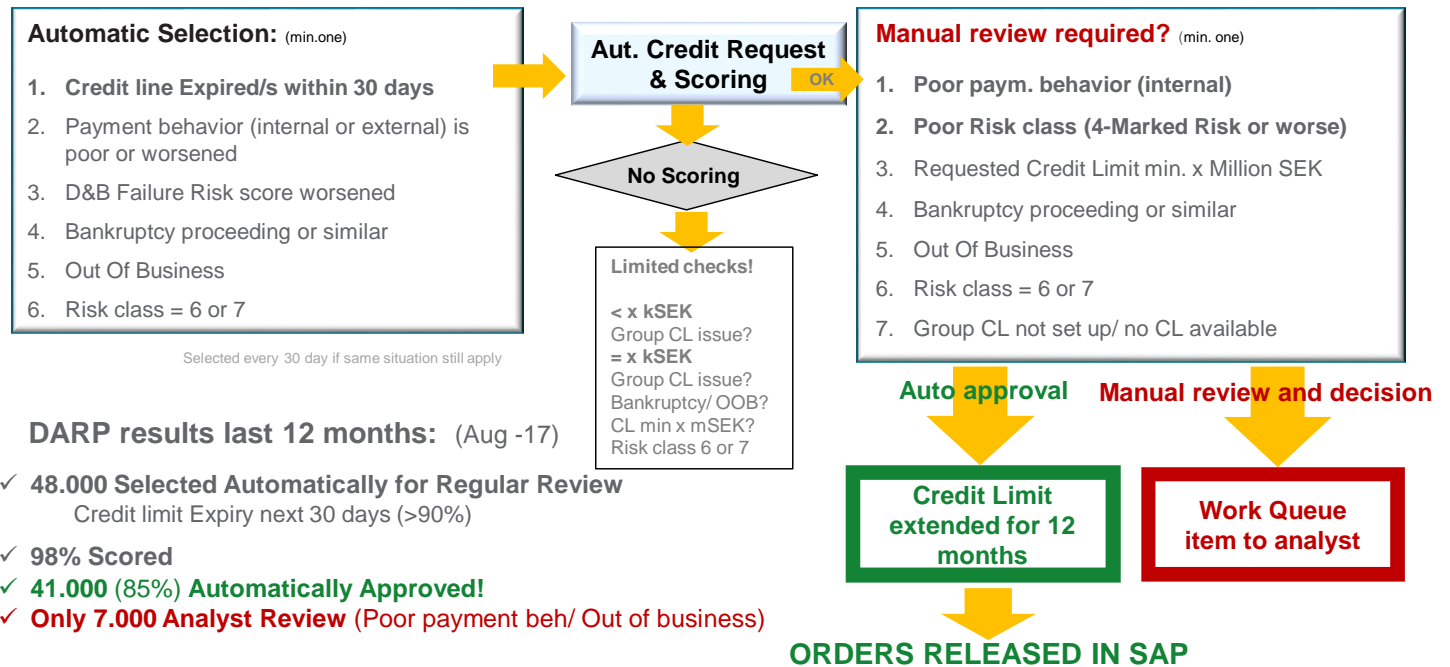
- Electrolux Rating Model- ERM- is a **mandatory tool for credit assessment** within Electrolux Group (web platform provided by Cortera)
- ERM **calculates Risk Score** that is translated to a risk class: Low risk(1), Moderate Risk (2), Medium Risk(3), Marked risk(4), Hight risk(5) and Default(6)
- **Interface** with business system SAP and all limits are approved in ERM and automatically updated in SAP (after 30 min)
- Financial updates by **Dun and Bradstreet and Bureau Van Dike**
- **Customers excluded** : one time customers and private individuals



Automated regular Credit review (DARP)

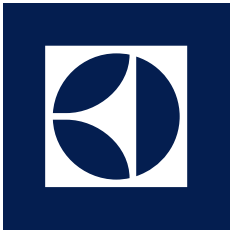
Efficient and Accurate Decision Support

- Runs weekly on Sunday afternoon
- Auto approval for Sole Traders < x kSEK CL (unless bankruptcy)
- **Automatic approval** or **alert to analyst when manual decision is required**
- DARP report – for id. and follow up of expiring CLs and of credit issues



DARP results last 12 months: (Aug -17)

- ✓ **48.000 Selected Automatically for Regular Review**
Credit limit Expiry next 30 days (>90%)
- ✓ **98% Scored**
- ✓ **41.000 (85%) Automatically Approved!**
- ✓ **Only 7.000 Analyst Review** (Poor payment beh/ Out of business)

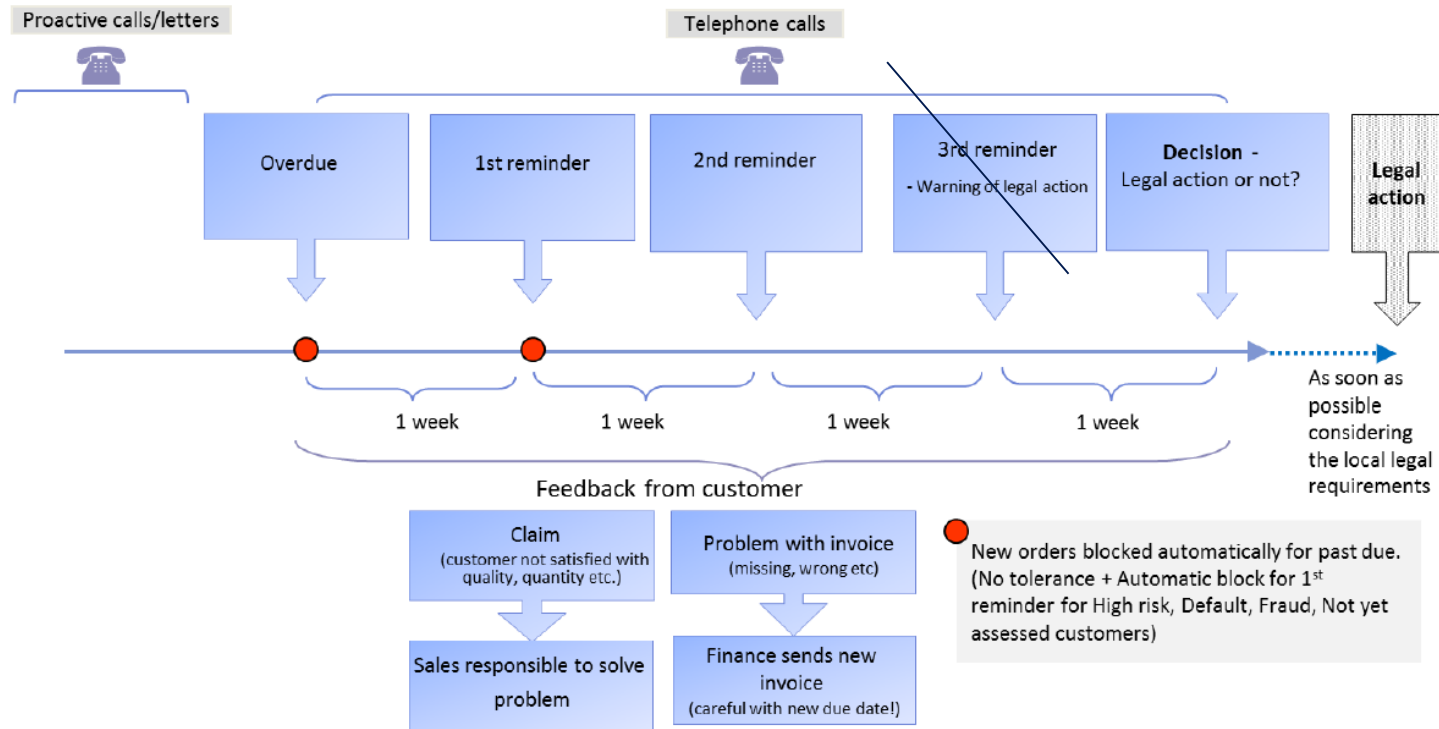


Electrolux Credit Directive - Credit Risk monitoring

- **Credit checks in Sales order system (SAP)**
- **Only authorized personnel** shall be able to release order and delivery blocks
- ERM system provides monitoring information about expired limits etc in a **workflow for creditanalyst** . Most limits are automatically updated but 15% are need to be updated manually due to high risk, payment performance , hierarchy changes
- **Creditinsurance** program , KA shall be covered ,
- **Reminding and collection** , the process should be automated and clearly defined



Electrolux Credit Directive – Reminding and collection Process





Nordic Credit team work, facts and way to work

FACTS

- AR outstanding 1.2 billion SEK
- DSO 50 days,
- NPD -1 day

- Avg Creditcost 2018 = 0,00%



Nordic Credit team work, facts and way to work

- Use **Creditinsurance** for all customers, smooth handling with high discretionary limit
- We are offensive and try to find **solutions to avoid prepayment when insurance refused**– get updated figures or guarantee from ownercompany so insurance is possible or get other guarantees in the company
- **Tight contact with salesteam** . We work together to find a way to get paid from customer asap. This avoid sales to defend customers instead of find solution on the actual problem.
- **Offering financials solutions** to customers: factoring and consumer financing in cooperation with external supplier, monthly installment(1 year) for showrooms/display with retention of title



Nordic Credit team work, facts and way to work

- Smooth process sending customer to **legal dunning**. By file , used in Sweden, Norway and Finland. No cost – instead we get kickback from supplier. Only a cost when we withdraw the claim
- All customers assign to a creditanalyst in SAP **Collection Module** , if customer have overdue invoice > 100' sek or overdue invoices older than 30 days 10' sek – creditanalyst contact customer by mail or phone same day