



CREDIT MANAGEMENT

Shared Services Credit Management for 170,000+ Customers Across 3 Continents

Learn how Air Products and Chemicals, Inc. automated their credit management services attuned with their Shared Business Services.

*No order processed incorrectly. No order blocked unnecessarily.
No Business disruptions.*

**CB Ananthan, Manager - Customer Support Services - Americas,
Global Credit, AR Reporting, Air Products**

Boarding the Shared Services Express

In deploying global solutions using a shared services framework the credit and A/R teams have to face certain challenges such as:

- Fair amount of waste in the A/R processes
- Compliance challenges
- Suspicion in Credit Data Quality
- Limited capability to manage a large and complex global portfolio

The key requirements for a shared services solution are:

1. Ability to deploy a unified, global solution to ensure process standardization
2. Ability to track outcomes in order to hold teams accountable to SLAs and KPIs
3. Single-source of truth accessible by all teams to ensure accurate processing of credit information
4. High levels of automation to ensure that teams focus on the high-impact credit decisions vs. low-value data operations
5. Low IT footprint to easily manage a globally deployed solution over the long-term

Lack of Technology equals Limitations in A/R processes

Lack of Standardization, Objectivity, Transparency

- **Credit reviews done manually, outside of SAP:** Since the credit reviews were done manually, it did not follow a standard procedure and was prone to inconsistencies between different credit analysts across regions.
- Again, the credit scoring had to be done manually calculated by the analysts taking into account various parameters.
- Integrity of data could not be validated; lack of transparency

About Air Products and Chemicals, Inc.

Air Products is a leader in the global industrial gas industry with established leading positions in diverse end markets, including energy, chemicals, metals, electronics and manufacturing

Headquarters: Allentown, Pennsylvania, USA

Revenue: \$7.5 billion (FY 16)

Industry: Industrial gas, Chemicals

Number of employees: 19,700

Receivables Landscape

The Credit and A/R team in Air Products handled a large volume of transactions. All of it was done manually which resulted in delay.

The Accounts Receivable dimensions that Air Products deal with are:

Number of ship-tos: 170,000+

Number of payers: 125,000+

Number of invoices issued: ~5 million / year

Low Productivity

- The Transaction Code in SAP for Credit Management had to be individually updated for Risk Category Code, Credit Limit and Block Indicator for every customer
- **No automatic workflows:** A standardized procedure was absent for processing credit which led to delayed results
- **Manual data aggregation:** Collecting credit information from credit agencies was entirely manual
- Limited ability to perform periodic credit review of existing portfolios

Lack of Measurement and Compliance

- No functional data (credit reviews, Blocked Order reviews, credit limit approvals)
- Limited reporting of credit risk dimensions – limits, exposure, etc.



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Benefits of SAP Receivables Management: Efficiencies from standardized system functionality



Improved Order to Cash Operations

- Real-time data on Credit exposure, Past Due AR, Deductions, Disputes
- Performance management through SLAs and KPIs



Governance and compliance regime supported by standardized global system



Better Management of large customer portfolio across 50 countries

- Minimal disruptions to order management and fulfilment
- Nimble credit risk assessment and alignment of collection strategies
- Visibility to deductions and disputes by root cause



Decrease in IT footprint

- Greater functional control over system

About the Solution

Credit Decision Accelerator

From an entirely manual process of onboarding customers and doing credit reviews, Air Products automated their A/R process

1. Workflows:

- **Credit Review:** The credit review process for existing customers has been automated. The solution is able to pull data from credit agencies and customer payment trends without manual intervention
- **Credit Limit Approval:** The credit limit gets modified based on customer purchase history and credibility
- **Blocked Order Review:** In case of a blocked order, the system reviews it based on some in-built business rules specified by the company

2. **Integration with Rating Agencies:** The system is integrated with 6 credit agencies world-wide such as Experian and Equifax. This means that the system is capable of automatically pulling data from the agencies. The credit analysts no longer need to manually collect information and enter them on a spreadsheet.

3. **Scoring Models:** The credit scoring process includes various parameters such as number of years in business, annual sales, negative indicators, external scores, etc. There is a provision of assigning weightages to each parameter for a standardized scoring model across all customers for calculating credit score and credit limit.

4. **Supplemental Characteristics:** This feature brings the functionality to directly pull data from SAP and display it on the dashboard. It also enables a structured approach by defining fields and categories such as General Data, Exemption Data, Customer Classification, etc.
5. **Mass Update transactions:** Rather than individually updating each field, the system performs calculations and mass updates the key fields based on various scoring models.
6. **Reduced dependence on IT:** The credit analysts have minimal involvement with the IT department. The Credit Decision Accelerator has a built-in feature to edit workflow rules, scoring rules and perform mass updates.

Summary of Benefits

Productivity

- Manual tasks significantly reduced
- Workflows designed to help drive daily workload
- More time available for value-added tasks to support broader decision making

Standardization, Objectivity and Transparency

- Credit risk scoring across all regions including credit limit calculation
- Improved transparency in credit scoring
- Ability to schedule credit reviews of existing customers

Measurement and Compliance

- Functional data to measure performance and comply with SLA
- Generation of workflows for credit analysts segregated into various stages.