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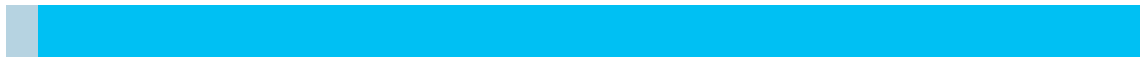
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# 2004 125 YEARS



**Creditreform**

Annual Report 2003/2004



**ANNUAL REPORT 2003 / 2004**

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### Ladies and Gentlemen, Dear Friends of Creditreform,

This year we are celebrating our 125th anniversary. Creditreform was founded on March 9, 1879 in Mainz, initially under the name "Verein Barzahlung", i.e. as an association to promote payment in cash. But within just a few months, the founders realised that the best way of furthering their interests was by means of a "reform of credit", as they put it. And so Creditreform came into being – "to protect against the injurious granting of credit". This is a goal we have been pursuing down to the present day.

In this year's Annual Report, you will find a depiction of our history. But at this point, please allow me to submit a few thoughts which go beyond the straightforward facts, the historical events and dates. To a certain extent, an annual report always entails accounting for and commenting on what has happened in the past year. On the occasion of an anniversary, a more thorough look at both the past and the future is called for, although of course the decisive point on the time axis is and remains the present.

In 2003, Creditreform was able to increase its turnover in Germany – from 392 million to 400 million euros. This represents an increase of around two percent compared with the prior year. Overall, i.e. including our business units in Central and Eastern Europe, we achieved a turnover of 435 million euros, representing growth of 1.6 percent on the 428 million euros posted in 2002. These figures have to be seen

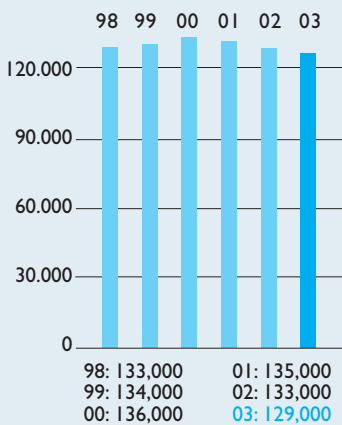
against the background of structures which have remained much the same. In Germany, some 3,400 people work for the 130 Vereine Creditreform, in Europe as a whole the organisation employs 3,700 people in 165 business offices.



Thomas Glatzel, President and Chairman of the Joint Board of Verband der Vereine Creditreform

The key economic indicators for Germany and Europe show that growth has become more modest. The major impulses of the 90s, with the opening up of Eastern Germany and Eastern Europe, with the advance of IT and the Internet, and with new approaches to management and to financing business operations, are now lacking. Between 1990 and 2003, Creditreform's turnover virtually tripled – from 135 to 400 million euros. In the coming years, no such massive rise will be possible. We certainly do not view the future with resignation, though. What we have to do now is consolidate the new. In Germany, and here I am referring particularly to small and medium-sized enterprises, we have to

#### Number of Creditreform members (Germany)



create structures that allow us to apply our innovative strength and our entrepreneurial energy.

In its long history, Creditreform, together with the economy as a whole, has faced difficult times as well. They include the wartime and post-war periods of shortages and scarcity, inflation and devaluation, and attempts by right- or left-wing totalitarian regimes to swallow us up. But despite all the changes in politics, business and technology, we have always – on behalf of our members and clients – pursued the idea that inspired the founding of our organisation. To make the granting of credit more secure by providing information on the credit-worthiness of business partners and to recover moneys owed to our members – these are the two central pillars on which our operations are based. On the following pages, you will be able to read about the development from the telegraph to the Internet and from simple debt collection to receivables management. It is a detailed history, which also reflects the motto "Stay true to yourself, change every day".

In the past few years, the level of indebtedness of private individuals in Germany has grown significantly, and so the provision of commercial reports on consumers is of increasing importance. These days, more than 30,000 CEG reports a month are issued. But fast and at the same time thorough assessment is also required in the field of company ratings. Creditreform Rating AG has introduced balance-sheet rating, which draws on the many company balance sheets in the Creditreform database to enable

client firms to position themselves more objectively, in order to facilitate negotiations with banks or the capital markets.

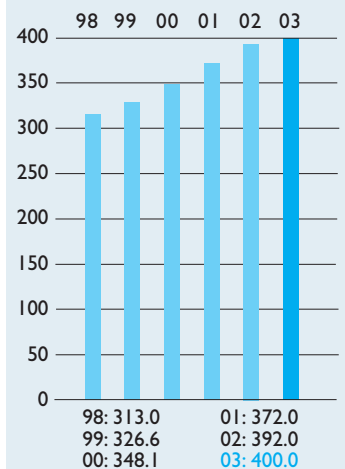
And then, at the interface between business information and receivables management, there is a new venture, named ZaC. This is a data pool where business companies can record their payment experiences with their customers. This data pool, which is growing day by day, is open to any firm ready to provide relevant data of its own. This makes debt collection an even more systematic process. Our efforts in the field of receivables management are also reflected by the ongoing success story of acoreus Collection Services, where the focus is on streamlining debt collection in the telecoms sector by the efficient bundling of even the tiniest cases.

All the innovations of recent years, including spinning off units or founding joint ventures, creating new databases or evaluation tools, and, not least, our efforts to promote the Mittelstand and maintain its structures both in our own organisation and in Germany as a whole – all this has to be seen against the background of a lively and varied past. All the changes are ultimately geared to one goal: to protect our members "against the injurious granting of credit".

Yours,

*T. Glatzer*

**Creditreform turnover**  
(in Mio. Euro)



## Commercial reports for greater security

The exchange of information on business firms to ensure greater security in business relations has been the

focus of Creditreform's work for 125 years. With 3.6 million data records, Creditreform now has the world's biggest information database on German business companies. The figure for Europe as a whole is over 20 million. This vast stock of data attracts great interest on the part of Creditreform's members: last year, we issued over seven million commercial reports in Germany.

### New consumer products

But Creditreform customers are interested in information not just on firms but also on private individuals. Anyone supplying goods or services to final consumers can

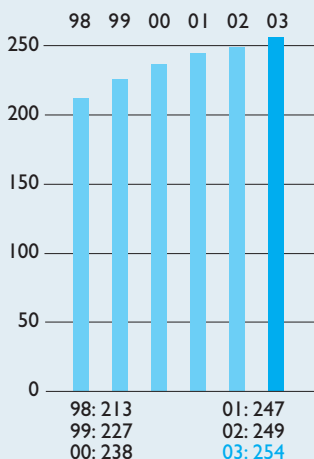
their own experience on the payment conduct of their customers.

Consumer Standard offers an insight into the debtors lists of local courts and provides information on debt collection proceedings and the shareholdings of private individuals. Consumer Advanced offers firms the opportunity to file any negative payment experiences with

private customers and in return to receive access to a database containing similar information from other members. Using Consumer Professional calls for a compliance declaration and the regular provision of both positive and negative payment experiences.

### Commercial reports Germany

(Index 1990 = 100)



acquire data on the credit-worthiness of its customers via CEG Creditreform Consumer GmbH. At present, information is available on around 15.7 million individuals, with a total of around 38.9 million items of information. This means that statistically, CEG has data on one German citizen in every five. Now, with three new product variants, CEG seeks to inform its customers even better and more quickly. Consumer Standard, Consumer Advanced and Consumer Professional permit graduated access to the private individuals databases, and give firms the option of integrating

Now, just over a year after the introduction of the new product variants, an initial positive balance sheet can be drawn up. With around 60 new customers every day, CEG can claim that its products meet demand.

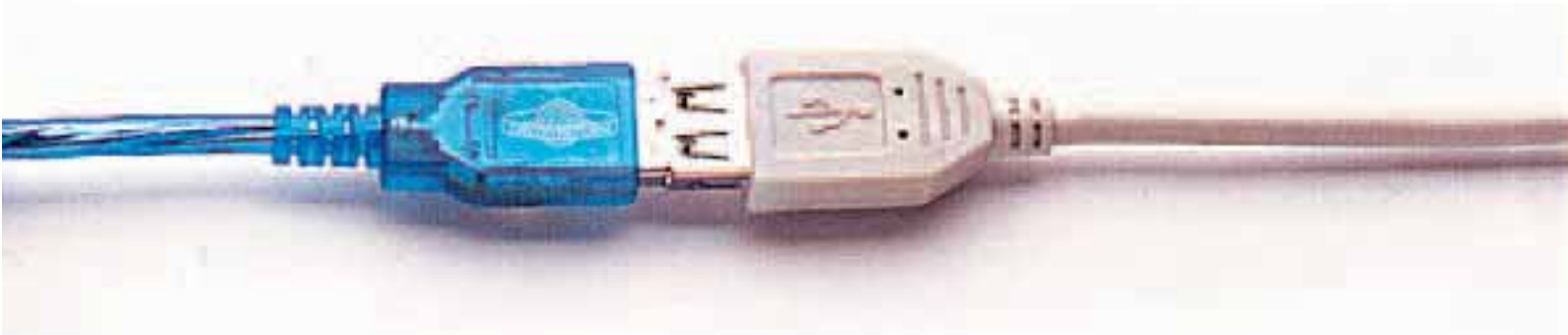
### Payment experience to protect against liquidity crises

Commercial reports form the main basis for credit risk management to protect against payment default following the supply of goods or services. In this field, Credit-

reform is positioning itself increasingly strongly in the German market. Alongside risk analyses and consultancy, the organisation's credit management solutions and automated credit standing assessment systems support decision-making by member companies and thus offer an ideal basis for effective credit risk management.

payment terms and credit limits to be adjusted in good time.

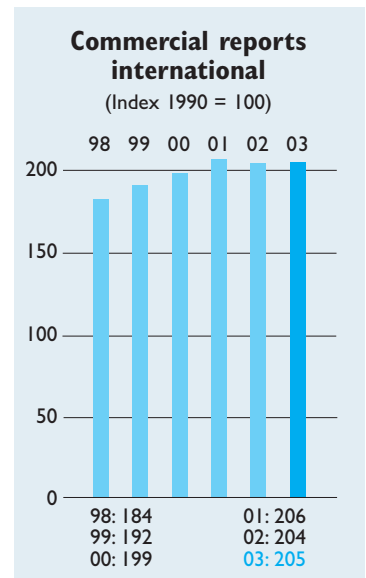
Interest in ZaC is extensive: in January 2004, there were already 8.0 million data items from participating companies across the business spectrum.



Business companies are becoming increasingly aware of the importance of credit risk management and more and more firms are interested in the possibility of a systematic exchange of their own experiences in this field. And so last year Creditreform set up a data pool, known as ZaC, for exchanging payment experiences and illustrating "Who pays how?" Pool participants can list their positive or negative payment experiences with their own clientele and in return obtain access to the payment experience data posted by other member companies. The new system offers the chance to observe the payment conduct of individual customers over a period of time to identify any deterioration that may indicate an upcoming liquidity crisis. In this way, ZaC forms an extremely important early warning function, enabling

### Better marketing with MARKUS

MARKUS is a new system which combines high-quality topical data from the Creditreform database with powerful, user-friendly retrieval software. MARKUS is a database which can be obtained as a DVD or accessed online via the Internet for business information on 890,000 German and Austrian companies posted in commercial registers. It offers flexible applications for marketing and sales. It can be used, for instance, to research specific company data or to draw up address lists and rankings for mailing campaigns. With the help of precise target group selection options, MARKUS enables comprehensive analyses to be carried out on market potential, customer structures or the links between different companies in a large group.



## Security fast

Only just under two-thirds of German business firms pay their invoices punctually within the agreed period. The moment an invoice becomes due, creditor are faced by the question of how to get their money. Every year, Creditreform is commissioned to handle around 1.5 million cases of debt collection. As a general rule, we try to get the invoice settled without going to court. This is something that requires precise knowledge of the debtor's financial situation. And thanks to the Creditreform database, this knowledge is usually available.

An appraisal of the debtor's credit standing reveals the chances of collecting the debt. In hopeless cases, the claim should be taken out of the books in order to avoid additional costs.

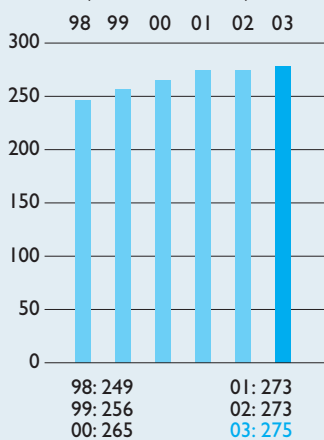
Outsourcing receivables management has the additional advantage that the debtor then has to bear all the costs incurred in collecting the debt. If the work is done internally, the costs of the company's own personnel cannot be recompensed, apart from telephone and postage costs.

Another factor is that commissioning a third party makes it absolutely clear to the debtor that no further delay in payment will be accepted. In other words a controlled escalation takes place. But it is one that does not impact negatively on the business relationship between the debtor and the creditor, because debt collection companies like Creditreform operate prudently and free of emotion. Debtors often shy off personal contacts with their creditors in order to avoid any discussion of financial bottle-

necks. Debt collection staff on the other hand have specialised in dealing with debtors. At the same time, they ensure that, for example, relevant deadlines and statutes of limitation are monitored closely. This so-called third-party effect increases the chances of debt recovery, but it provides only a partial explanation of the high degree of success which Creditreform achieves in this field. Even more important is that the debtor is aware that Creditreform is now keeping not only his conduct in this particular debt collection case but also his general payment behaviour under observation and that this will be reflected in any commercial reports.

### Debt-collection orders Germany

(Index 1990 = 100)



## acoreus Collection Services

acoreus Collection Services GmbH (aCS) went into operation at the end of 2001. Founded jointly by Creditreform and acoreus AG, this specialised debt collection company acts on behalf of leading vendors of telecommunications services (call-by-call, Internet-by-call, service numbers, WLAN etc.).

The background to this particular debt collection service is that since the liberalisation of the telecommunications market, Deutsche Telekom bills its customers for any services provided by third-party vendors but does not involve itself in collecting the moneys concerned, nor does it handle any inquiries or complaints.

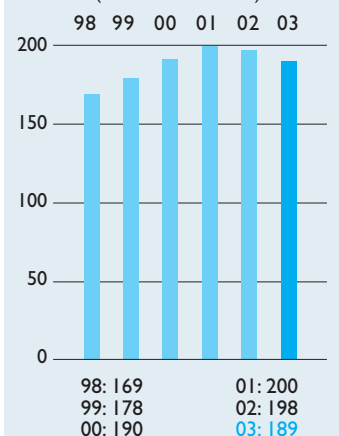
Reason enough for aCS to specialise in collecting such debts. The company is geared to electronic volume debt collection and successfully collects even small amounts of money. Since it operates simultaneously for a number of customers, it can also do so cost-effectively. Thanks to its high degree of automation and the close integration of the debt collection process with the receivables management operations of its co-parent acoreus AG, aCS can offer efficient work sequences and great reliability. acoreus AG and aCS have now established themselves as leaders in the market segment of outsourcing partners for call-by-call and Internet-by-call.

## Factoring

In Germany as elsewhere, factoring is gaining an importance as an alternative form of financing. The Creditreform Group offers factoring for companies with an annual turnover upwards of 250,000 euros, thus making this form of financing available to small and medium-sized companies. There are now eleven Crefo Factoring offices throughout Germany, which provides close proximity to clients. Open full-service factoring ensures that money owed is quickly credited to the client's account. Crefo Factoring also assumes responsibility for customer accounts and takes over complete receivables management. And above all: it also bears 100 percent of the default risk incurred in the factored invoices.

### Debt-collection orders international

(Index 1990 = 100)



## Year One as an AG

Creditreform AG is now one year old. It was founded at the end of 2002 to function as a holding for the companies aCS, bedirect, microm, CEG, ECOFIS, e-crefo and Creditreform Rating AG. The aim was to bring the operative business of the sub-sidiaries and joint ventures of the Verband der Vereine Creditreform together under one legal umbrella. The companies concerned offer a spectrum of products and services relating to business information, receivables management, rating, marketing and the IT sector.

### Volume debt collection specialist

One of these companies is aCS (acoreus Collection Service), founded by Creditreform in cooperation with Acoreus AG to provide specialised receivables management services in the field of call-by-call and Internet-by-call. Since it was set up just two years ago, the company has been able to establish

itself successfully in the market for electronic volume debt collection in the telecoms sector. CEG Creditreform Consumer GmbH is an information service-provider geared to offering facts and figures on private individuals which assist business firms in their decision-making processes prior to granting credit. The

CEG services consist of a new-style concept where inter-sector data are linked in modular fashion with state-of-the-art risk management solutions and systems in order to provide the basis for prudent credit decisions in the consumer area. CEG services are particularly in

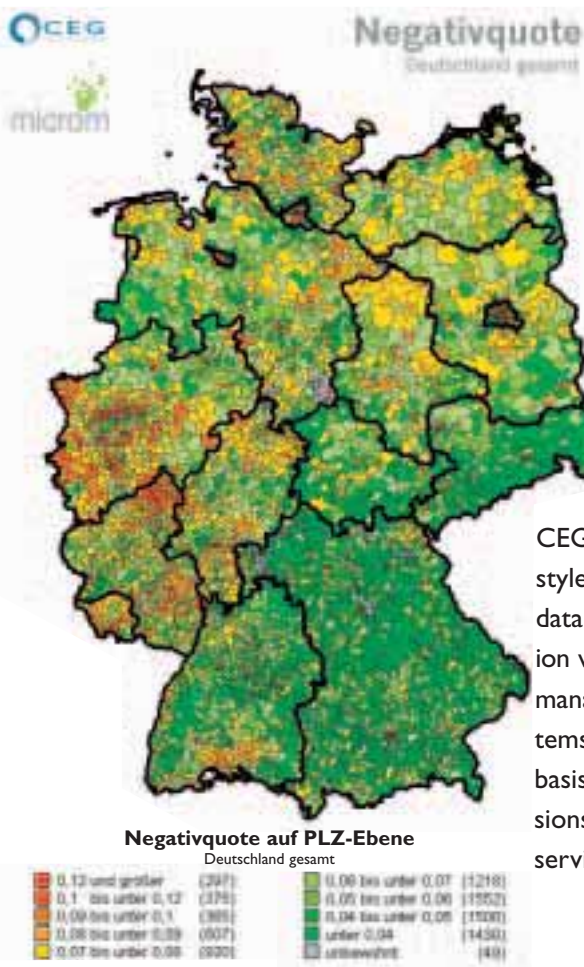
demand by clients in the mail order and telecommunications sectors.

In cooperation with its subsidiary microm Micromarketing-Systeme und Consult GmbH, CEG last year for the first time published a "Debtors' Atlas" showing the geographical distribution in Germany of individuals with negative credit-worthiness features such as statutory declarations or negative payment experiences.

With the help of this atlas, negative ratios (the number of persons with negative features compared with the total number of all individuals over 18) can be depicted on the basis of federal states all the way through to sections of streets. Overall, the debtors' atlas shows that in large population centres, the negative ratios have increased significantly. Any differentiated survey starts at the level of postal codes and the areas they represent. Such depictions make it clear for example that even in towns and cities with average results, there are individual districts with very high or very low negative ratios which colour the overall picture. The Atlas provides even more meaningful results when smaller areas, such as sections of streets, are examined.

### Optimising marketing activities

Since 1992, microm has been one of the leading specialists in the field of target group and geo-marketing. It evaluates existing customer data to optimise sales and marketing activities. It also integrates external facts and figures in existing customer data-stocks in order to define and localise target groups precisely. By means of systematic data analysis, this enables new business acquisition to be managed more efficiently, the value of individual customers to be enhanced, and old or former customers to





be reactivated. In addition, microm offers individual advisory services and the development and implementation of specific solution concepts for all issues relating to addresses and geographical areas.

In February 2003, in cooperation with GfK Panel Services and Global Direct, microm launched a new product which provides services that go beyond the scope of a traditional household panel – with its detailed depiction, via buyer structures and buyer conduct, of relevant market activities – to project target groups from GfK's consumer panel across geographical areas and link the data to the addresses of an individually defined target group. This enables Panel Direct, as the new product is called, to calculate regional target group potential, making it easier for retailers, for example, to gear their sales ranges perfectly to a particular location or to plan sales promotion measures on a regional basis.

## **B2B with bedirect**

bedirect is a company founded jointly by Creditreform and AZ direct. At the core of the services it offers is a database containing around six million active and passive firms, self-employed professionals, information on local authorities and institutions, and in-depth business and marketing information. The nationwide B2B data stock enables bedirect to draw up made-to-measure address lists for new business acquisition and system solutions for supplementing, updating and precision tapping of business-to-business customer stocks.

## **Building up a balance-sheet database**

External ratings to assess the credit-worthiness of business companies are becoming increasingly important. Commercial banks are now planning to build up an agency for the external rating of small and medium-sized companies. Creditreform Rating AG already offers external ratings for SMEs to create greater transparency and to help such firms when negotiating with banks over loans.

To improve the quality of the information provided, Creditreform Rating AG will in future offer balance-sheet appraisals of individual companies. Creditreform members will be able to access these by logging into the website [www.creditreform.de](http://www.creditreform.de).

## **Ecofis – your IT service-provider**

Ecofis stands for high-quality services in the areas network management, IT security, hosting and web technology. It seeks to cooperate closely with its clients to create tailor-made solutions for optimising and then implementing technical and business management corporate processes.

## Recovery yes – upturn no

In 2003, the small and medium-size enterprises that form the backbone of German business continued to suffer under the weak economy. The chief burden was the lack of any dynamic domestic demand. However, from mid-2003, as the global economy started to pick up again, a recovery began.

In a Creditreform survey in December, 29.4 percent of SMEs described their orders and business situation as good or very good. Compared with the spring survey, this represented an increase of 8.9 percentage points in positive assessments. The turnover situation also improved in the course of the year: in the winter survey, 23.3 percent of all firms reported higher sales, as against 13.1 percent in the spring.

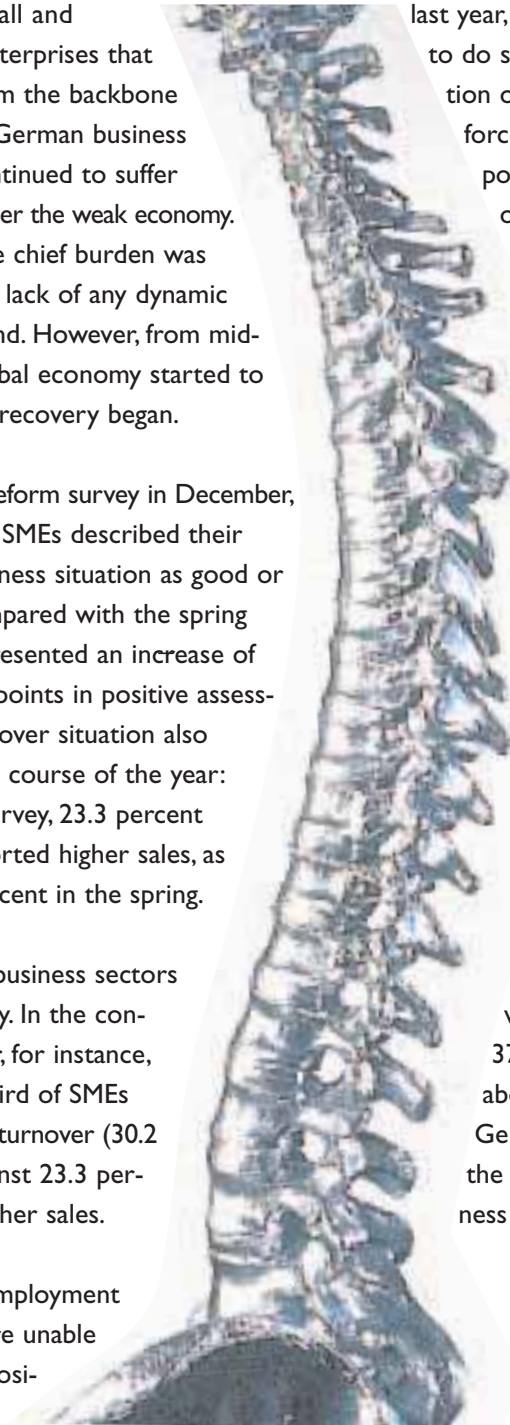
But not all business sectors benefited equally. In the construction sector, for instance, close on one third of SMEs reported lower turnover (30.2 percent) as against 23.3 percent posting higher sales.

From the employment angle, SMEs were unable to trigger any positive impulses

last year, and will probably not be able to do so this year either. The proportion of firms reducing their workforces in 2003 was 13 percentage points higher than the proportion of companies stepping up the number of employees. This year, only 12 percent of SMEs expect to be able to recruit additional personnel.

### Halt to speed of increase in business insolvencies

The number of business insolvencies in 2003 rose to 39,700 – an all-time record for Germany. Nonetheless, the figure also represented a slower rate of increase in this field. Whereas in 2002, the insolvency total rose by 16.1 percent, the figure in 2003 was 5.5 percent (prior year: 37,620). The rise was driven above all by firms in Western Germany; in the Eastern part of the country the number of business insolvencies actually fell.

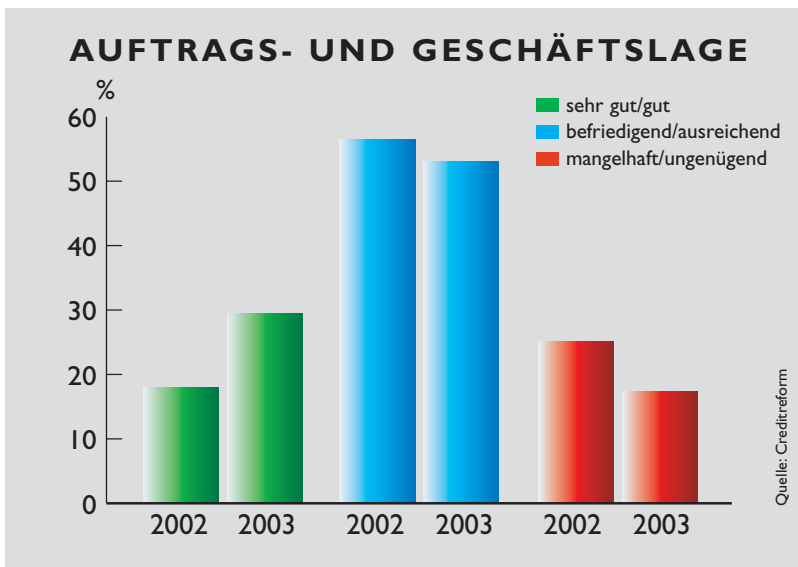


Where consumer bankruptcies are concerned – insolvency applications by private individuals – the massive upward trend continues unabated: In 2003, 60,100 consumers and formerly self-employed persons applied for bankruptcy (28.7 percent more than the year before) with the aim of being freed from their remaining debts in six years time.

## Europe: close on 160,000 business failures

In Europe as a whole, the number of business collapses also reached a new high, but here too, the growth rate slowed down. In 2003, 157,138 business firms filed for insolvency, 3.9 percent more than in the prior year. In

2002, the increase was all of 10.9 percent. The biggest rise in business insolvencies was posted by Portugal, where the number climbed by 42.4 percent to 2,980. At the other end of the scale was Ireland, which was able to reduce its insolvency total by 16.6 percent to 316 cases.



The total damage caused by insolvency to business companies, private individuals and the public sector totalled 40.5 billion euros – 2.1 billion euros more than in 2002. And the number of insolvency-related job losses in 2003 was 613,000, a rise of 23,000 on the year before.

Throughout Europe, insolvencies resulted in the loss of 1.7 million jobs, an increase of 100,000 or 6.3 percent on the year before.

## Creditreform under the Kaisers (1879 to 1918)



### The early years of industrial expansion: Speculative fervour and credit fraud

The 19th century is considered the age of acceleration. Steamships, the railways and the telegraph facilitated communication across long distances. Commerce and monetary transactions also spread, and provided mutual support for one another. But this development gave rise to new problems: the geographical growth of markets and the evolution of long-distance trade caused the personal connections between manufacturers, dealers and consumers to disappear. The opportunities for earning a profit were great, but so were the risks involved.

But this opened the door to credit fraud. And the judiciary of the time evidently offered no adequate handle against poor payment morale on the part of debtors. "Human weakness, the lack of personal knowledge and professional expertise, self-interest and malice stand in the way of any fruitful development of credit relationships", wrote the above-mentioned encyclopaedia in 1889. As a result it saw an "undermining of the well-being of debtors and creditors".

There were three ways of solving the problem:

- The granting of credit needed to be organised better ("Creditreform"), i.e. payment proceedings and dunning needed to be regulated, and security had to be obtained to offset the threat of losses.
- Payment in cash was to be promoted,
- and the most important point: the credit-worthiness of business firms required closer investigation.

In England, then the world's leading trading nation, the first commercial credit inquiry agencies were established towards the end of the 1820s. The first English credit reporting office to gain any significance was the firm of Seyd & Co., founded in 1858 (Ernest Seyd, *California and its Resources: A Work for the Merchant, the Capitalist, and the Emigrant*, London 1858). Later, such agencies were also set up in the USA, in France, in the Netherlands and in Austria. Germany followed in the 1860s.

### Commercial inquiry agencies and creditor protection associations

In Germany as elsewhere, it was private enterprise which furthered the efforts to reform the credit system. Two different routes were pursued. On the one hand, commercial credit reporting offices were founded to sell information to interested parties – a service virtually unknown in Germany up to then. And on the other hand, merchants and traders formed so-called creditor protection associations to counter credit fraud and poor payment conduct.

*"In most instances of the granting of credit, in particular in business and trade transactions (trade credit), the person involved and his economic situation are at the forefront of considerations, while the other means by which credit is supported do not obtain. An accurate evaluation of credit seekers and their future capabilities is, however, not merely difficult but often impossible. In such cases, one endeavours to obtain credit references through third parties. Such references may be requested and provided by business associates, public authorities, the managements of mutual protection associations, chambers of trade, consulates and in especially comprehensive form by institutions established particularly for this purpose, the credit reporting bureaux."*

*"Credit must not provide any incentive to undermine the financial well-being of creditor or debtor. Unfortunately, this condition is not always fulfilled, partly because it is difficult to precisely measure economic credit need and credit-worthiness, partly also because human weakness, the lack of personal knowledge and professional expertise, self-interest and malice stand in the way of any fruitful development of credit relationships."*

*"...unsolid credit, for instance, furthers the worst conceivable form of communism, in that it makes the innocent atone for the weakness, negligence and immorality of third parties, and as it were opens up the prospect of a reward for guilt in the form of spoils obtained without sacrifice. The means toward overcoming these grievances and diminishing their effect are a beneficial organisation of credit, institutions which facilitate the examination of credit-worthiness, promote payment in cash, and provide security against the threat of losses, such as the mutual protection societies (cf.), the credit inquiry bureaux (cf. the associations recently founded under the name Creditreform, which have made it their task to recover by means of dunning procedures moneys owed by bad debtors and to provide reports to their members on credit-worthiness and to grant discounts for cash payment ..."*

(Meyer's *Konversationslexikon* 1889).

The first commercial credit reporting agency was founded in 1860 by S. Salomon of Stettin, a broker and owner of the Wolffsche Telegraphenagentur. Translated, its full name was "Inquiry Bureau for the Protection of Business Interests for Stettin and the Province of Pomerania". However, it operated only on a regional level. The first organisation with a wider geographical scope was the "Bureau for Inquiries regarding Business and Credit Relationships", founded in 1862 in Berlin by Lesser and Liman. One year later, on the initiative of the Dutch "International Inquiry Bureau Wys Muller & Co", the "Mutua Confidentia" was founded in Germany as an association to protect the interests of merchants and traders. Its focus was primarily on debt collection. So-called "black lists", to be handled confidentially, were issued to warn business people of poor payers.

The first creditor protection associations for commerce, the crafts and trades were founded in Germany in the years following 1860. Craftsmen and retailers established cooperatives to counter the dangers and abuses of credit transactions. In 1864, the "Mutual Protection Association for Trade and Small Business" was founded in Dresden, with similar associations being set up in other parts of Saxony. In 1867, these combined to form the "Federation of Commercial Mutual Protection Associations" and as from 1870 operated inquiry offices which, for a fee, provided credit reports for any members. By 1874, there were around 51 such associations with a total of 6,874 members.

However, these associations were unable to survive for long, since they were run on a purely voluntary basis. In addition, the information supplied was often abused: some firms used the credit reports to gain an advantage over their competitors. At the same time, not all customers laid their cards

on the table, with the result that the reports were basically worthless. Interest in this form of mutual support disappeared. Commercial inquiry agencies proved to be the more successful model and from the



1870s on, the mutual protection associations were increasingly ousted by large business information agencies.

### From "Cash Payment Association" to "Creditreform"

Following the Franco-Prussian war and the founding of the German Empire in 1871, the French reparations payments to Germany initiated a real speculative boom. But in 1873, this was followed by a stock market collapse. Production stagnated and prices fell. The crisis reached its height in 1876/ 77. Price falls of 50 to 60 percent were nothing unusual.

In Germany, the early years of industrial and business expansion are called the

"Gründerjahre", the "founder years", and one child of this period was Creditreform. On May 9, 1879, small tradesmen and craftsmen assembled in Mainz and agreed that in future they would not supply any goods on credit to customers who owed money to another member. The basic idea was to establish a kind of warning service and exchange of experience, and the organisation called itself "Verein Barzahlung Mainz" – the "Cash Payment Association Mainz". The name indicated the programme: the initial 25 members wanted to overcome credit abuse by doing away with credit altogether. They planned to insist on cash payments for their goods; their customers would not be allowed to incur any debts.

However, the battle against credit quickly proved to be in vain; no economy can

function without credit. So the association switched the focus of its efforts to reforming the credit system. Instead of eliminating credit, they now tried to do away with the difficulties and abuses in trade payment and credit transactions – to reform the whole system of credit. Creditreform was born.

On August 9, 1879 at a meeting in Mainz, it was decided to name the association in line with this new reform goal "Verein Creditreform zum Schutze gegen schädliches Creditgeben" - "Creditreform Association to Protect against the Injurious Granting of Credit". Larger companies soon joined the association, and right from the start it pursued three objectives:

- To project members against credit abuse
- The cost-free recovery of receivables
- The provision of reliable information through links with other associations on the basis of reciprocity
- A general reform and modernisation of credit relationships

The model was manifestly persuasive and quickly found imitators. Over the following years, further Vereine Creditreform were founded, in 1880 in Mannheim, Darmstadt and Cologne, in 1882 in Frankfurt/Main, Hanau, Heilbronn, Nuremberg, Offenbach/Main, Ulm, Würzburg and Barmen (Wuppertal), and in 1883 in Aschaffenburg, Bad Kreuznach, Bonn, Freiburg im Breisgau, Giessen, Hanover, Heidelberg, Kaiserslautern, Konstanz, Munich, Neustadt, Pforzheim, Speyer and Trier. Some others founded around this time no longer exist.

In 1883, the by then 15 Vereine Creditreform founded the "Verband der Vereine Creditreform" (VVC) – the "Federation of Creditreform Associations" – and thus gave themselves a centre point and headquarters. The first Federation conference was held on June 8, 1883 in Mannheim. At the fourth annual general meeting in 1886 in Frankfurt



am Main, Creditreform decided to adopt a regional organisation in order to coordinate the growing number of member associations. In 1887, the various associations came together on a regional basis and founded so-called area (regional) federations. In the period up to the start of the First World War, there were 12 such area federations. In 1888, the head office of the national Federation moved from Mainz to Leipzig, where in 1926 it bought a house on Fleischerplatz 1 for its office premises. In 1889, a Creditreform organisation was founded in Austria. In 1892, a new "Statute of the Federation of the Creditreform Associations" was passed. By 1914, there were already 269 such associations, with a total membership of 82,666 firms. In 1939, the figure had increased to 423 Vereine. One feature of this organisational structure was the constant tug-of-war between centralist and decentralist pressures, a polarity that had to be kept in balance. This has remained the case down to the present day.

### **From the battle for recognition to the claim of market leadership**

When Creditreform was founded in 1879, there were already two large private credit reporting agencies in Germany which had been founded shortly before. In 1872, Wilhelm Schimmelpfeng opened his inquiry office in Frankfurt am Main and afterwards set up branches in and outside Germany. Up to the turn of the 20th century, it was the biggest company of its kind in Europe. The second credit agency was American in origin, R. G. Dun & Co. The German branch, founded in Berlin in 1876, was called "Deutsche Auskunftei" or simply "Auskunftei Dun".

In the face of such strong competition, Creditreform needed to grow as quickly as possible. Only a large organisation with an extensive network of branches was in a position to handle inquiries about firms in

distant places. At the same time, it needed closeness to its clientele in order to be able to carry out investigations quickly and at a reasonable price. Another factor was that a large inquiry organisation was in a position to sell a credit report several times and thus at a relatively favourable price. Size also created the air of solidity and seriousness needed to earn the confidence of clients. The early days were difficult, as a brochure issued in 1894 makes clear: many business people had little understanding for the Creditreform organisation or regarded it



with distrust; its competitors denied it any justification and claimed it would not survive; the authorities apparently also took a sceptical view of this newcomer.

So in its first few years, the Creditreform Federation had to fight for recognition as a serious inquiry agency. It sought support particularly from the chambers of industry and commerce. The organisation also established a footing for itself abroad: a foreign inquiry department was set up, and from the mid-1880s affiliated associations, linked by reciprocity agreements, were founded in Switzerland, the Netherlands, Belgium, Austro-Hungary, Denmark and the United Kingdom. Finally, though, came the breakthrough. At the Antwerp World Fair in 1894, Creditreform was awarded a silver medal – public acknowledgement of this new business model.

Just a few years later, the VVC set its sights on market leadership. The results achieved by the Vereine Creditreform in the organisation's relatively short lifetime were

"brilliant", said Federation Managing Director E. Th. Kuntz in 1901. He added that even though its geographical expansion had not yet reached its peak, Creditreform could claim leadership in the field of German business information.

### **Representing the interests of the Mittelstand**

The Verband der Vereine Creditreform brought together people from very different industries and vocations – craftsmen, retailers and wholesalers and industrialists. In some fields their interests were similar, in others they were contrary. What kept them together was their membership of the Mittelstand, then as now the backbone of the German economy, consisting of small and medium-sized, often family-owned firms. 26 percent of the member companies had just one to five employees, 23 percent eleven to 25. Only five percent of all members employed more than 200 people. In 1885, to keep the membership and the individual Vereine informed about current developments, the Federation founded a magazine ("Verbandszeitung der Vereine Creditreform"), with an initial circulation of 20,000. In the course of time, this became a leading periodical for small and medium-sized enterprises (SMEs).

### **The First World War: War time economy without Creditreform**

The First World War, the "primal catastrophe" of the 20th century, curtailed the work of the VVC and other business information services. Although credit investigation agencies were considered important in supporting the war effort, the development of the economy, which was state-controlled and from 1916 geared almost exclusively to wartime operations ("Hindenburg Program"), increasingly restricted the scope of these agencies. In the end, their services became superfluous – the rules of the market economy were all gradually countermanded: many companies received armaments contracts from the state (whose own solvency depended entirely on credit and the ability to print money) without any credit-worthiness checks, while

other firms sought security by demanding cash payments. Creditreform was heavily hit by the dwindling demand for information. The individual Vereine had to dismiss staff or release them for military service.

Since Germany was at war with most of its neighbours, the international inquiry departments were of course hit even more severely. Directly after the outbreak of war or else in the course of the war, all connections with foreign countries were cut off. It was several months before contacts could be resumed with Creditreform's Belgian contractual partner (neutral Belgium had been occupied in order to bypass the fortresses along the eastern border of France). In 1915, diplomatic relations between Germany and Italy were broken off. The Italian partner organisation thereupon had to close down its offices, and during civil unrest the Milan office was completely destroyed. The approval of the military authorities was required before business relations could be resumed with the Polish and Russian areas under German occupation.

At the end of 1916, Creditreform as a whole faced closure: in the course of switching to an all-out wartime economy, the Prussian minister of war issued a stipulation which made dependable research or credit reports virtually impossible. It was only after vigorous protests by the Federation to the war ministries in Berlin and Dresden that this stipulation was modified to such an extent that Creditreform was able to live with it. All the same: the centralised wartime economy made the work of Creditreform superfluous. More and more business was being transacted in cash – between 1914 and the end of 1918, the amount of cash in circulation rose from 7 to almost 30 billion marks.

In addition, inflation made it increasingly difficult to reach any valid assessment of the financial situation of business companies. After all, Germany was financing the war not by means of taxes but through loans and war bonds.



tion of money anyway prevented the provision of precise details on turnover or credit lines, the number of inquiries made to the Creditreform Vereine declined.

The introduction of the so-called Rentenmark on October 13, 1923 – at an exchange rate of one trillion paper marks to one Rentenmark – brought galloping inflation to an end. At the same time, the central and individual state budgets were put in order. At the end of this year of crisis for the Weimar Republic, the then Director General of the Verband der Vereine Creditreform, Hermann Pielert, provided an optimistic view of the future in his New Year's message to the Vereine: the "unparalleled year of suffering that was 1923" had, he said, ended with a "gratifying ray of light", and he was full of hopes for the coming year. And in fact in



Das Verbandsbüro in Leipzig von 1900-1928

the first few months of 1924, the demand for information was almost overwhelming. Many members wanted to know which firms had survived inflation and which still had solid assets to offer. Of course, all previous archive material had to be completely overhauled.

### **Rationalisation & speed**

In the 1920s, Germany experienced the first major wave of business rationalisation. The notion of rationalisation also influenced

business information agencies. In the early 1930s, Creditreform became the first business information bureau to introduce a standardised format for its commercial reports. In addition, the contents of such reports changed. Up to then, information services had kept their commercial reports as general and innocuous as possible; they wanted not to issue credit verdicts but simply to convey facts. But the business community now demanded more. Instead of verbose circumlocutions, the need now was for hard and useful figures. From 1928 onwards, commercial reports became more detailed, containing for instance information on the number of employees, annual turnover, details of assets and capital resources. If no precise figures were available, clients expected estimates. What had been more a mere collection of information gradually became an assessment of credit-worthiness. Another requirement was for greater streamlining and speed. So in March 1922, the Federation published a directory of the local associations to enable its members to find the relevant Verein more quickly in any particular case. This was followed in 1925 by the first issue of the "Directory of Information Offices for Correspondence Purposes, with Geographical Lexicon". This meant that from then on, members could contact the appropriate Verein Creditreform directly. From 1934, members could also obtain commercial reports by phone, but only if the credit sums involved were up to 200 Reichsmarks.

### **Creditreform as lobbyist**

Under the Kaisers, the VVC had already acted to champion the interests of the Vereine and member companies. It submitted numerous proposals to ministries, parliaments and authorities on such diverse topics as the reform of the criminal code, trade legislation, insolvency legislation and civil law trials, compulsory debt settlement, the abuse of ownership transfer by way of secu-

ity, and the obligation for local residents to register with the police.

In the Weimar Republic, Creditreform continued this policy. In 1926, in order to promote the credit reporting system and the interests of its members, it joined up with other leading agencies to found the "Federation of German Business Information Companies" in Berlin. In 1927, this set up the "Evidenzzentrale GmbH" in the German capital as a clearing pool which collected information from all member companies on the credit-worthiness of their customers. This information was then made available in the form of commercial reports.

The initial concept of "Creditreform" represented an obligation to go on advocating a reform of all laws affecting credit inquiries, and so the organisation submitted numerous proposals to the Reichstag. One particular concern was permission to draw on official information in preparing commercial reports. To this end, the VVC proposed amendments to the commercial code and the law on limited partnerships, it called for a reform of civil law proceedings, insolvency legislation and the composition code, changes in the stipulations governing the oath of disclosure and the introduction of a list of any seizure proceedings at local courts which had ended without producing results.

In 1929, the parliamentary Criminal Code Committee concerned itself with an amendment to the fraud stipulations in the criminal code. In September that year, Creditreform entered the debate with a memorandum to the German Minister of Justice entitled "Credit Fraud". This examined the various cases of credit fraud and the pertinent verdicts passed by German courts. The VVC's central demand was that the suppression of facts should also be made a crime. This proposal was supported by leading business and industry federa-

tions and the umbrella organisation of the German chambers of industry and commerce. Although the suggestion was never made law, in the course of time the courts were increasingly guided by it.

### New contacts with other countries

During the First World War, contacts to most other countries had been broken off. So in 1922, the VVC helped to found the "Creditreform International Committee". Its task was to organise cooperation between the Creditreform agencies in Germany, the Netherlands and Austria. These countries were followed by Sweden in 1926, Switzerland in 1927 and Czechoslovakia in 1928. The committee was based in Amsterdam; its president was Eelco M. Vis of Amsterdam, vice-president was the VVC president Dr. Georg Zöphel, and the secretary was Erich Richter, head of the VVC international department. However, contacts with foreign countries remained restricted to Europe. It was not until after the Second World War that cooperation with the USA began.

October 25, 1929, was "Black Friday" on the New York stock exchange, the day that triggered the most severe economic crisis the world had ever experienced. The boom period of 1926 to 1928 suddenly turned out to have been "a spurious heyday", wrote the VVC in 1933: "When the influx of American loan capital slowed down and the state attempted to compensate for its dwindling revenues by introducing increasingly higher taxes, a storm went through the German economy." It was a storm which – fanned by the enemies of the Weimar Republic – swept away the still unsteady German democracy.

### DAS PRÄSIDIUM 1933



Dr. Georg Zöphel



Hans Schütt



Hans Mulke

## Creditreform in the Third Reich (1933 to 1945)

### Creditreform is forced into line

Directly after the Nazis seized power in Germany on January 30, 1933, the Creditreform organisation earned the attention of the new rulers. The most visible sign of its difficulties: in this, the 50th year of its history, the VVC had to postpone its annual conference – previously always held in May or June – to the following December. The Festschrift published to mark the anniversary had become waste paper before it could be distributed to the Vereine.

External pressure on the organisation grew rapidly. After all, the object of its business activities was by itself bound to arouse the suspicion of a regime which claimed the sole and absolute right to observation and control. The Federation's democratic structure, based on the regulations in the civil code regarding societies and associations, had to be abolished. At its AGM on December 16, 1933, the Federation had to adopt the "Führerprinzip" and say farewell to its democratic rules.

At the same time, efforts were brought to bear to force the organisation to toe the Nazi line and, for instance, ensure the "purging of unreliable elements from the business information trade". At the 1933 AGM, the Federation's director announced plans to negotiate with the small number of Jewish managing directors of individual Vereine on an "amicable severance" (with a lump-sum settlement). The executive board attached attention to stating that there were only few "non-Aryans" in the Creditreform Federation and none at all on the board or in the head office.

The statement was a renewed response to an attack by the Nazi publication "Der Stürmer" as early as May 1933 on the allegedly "Jewish inquiry business". In its campaign, the paper claimed that the leading business information services, including Creditreform, were "totally in Jewish hands"

and that senior managers who decided the fate of German businesses were generally Jews. The firms organised in the "Verband Deutscher Auskunftsunternehmen e.V." in Berlin jointly protested against the article. In its letter of protest, the VVC said that it was "demonstrably not a Jewish inquiry agency" but rather "the most German of all business information services". The statement went on to say that the management of the Verband der Vereine Creditreform was in "purely Aryan hands" and that in the 208 Vereine there were only seven Jewish managing directors, of whom five had just been replaced by "Aryan gentlemen". At any rate, though, the VVC did make efforts to ensure that its Jewish employees had the possibility of an orderly withdrawal.

### Scope for action curtailed: President Dr. Zöphel removed from office

At the same time, state regimentation increasingly restricted the scope of business information agencies. In 1934, during the reorganisation of the German economy, commercial credit reporting agencies were placed under the aegis of the "Information Business" specialised group (Reichsverband des Deutschen Auskunfts-gewerbes), which was affiliated to Main Group 9 (Commerce). Despite the enforced need to observe the Nazi line, Federation meetings up to as late as 1936 featured notably vigorous and controversial discussions. These centred on the organisation's leading personality, Dr. Georg Zöphel, a Leipzig lawyer who had been president of the Federation since January 1, 1900. From 1907 to 1918, Zöphel had also been a National Liberal deputy in the parliament of Saxony. It was he who had drafted the Federation's constitution, which in its principles has retained its validity down to the present day. Both within and outside the Federation, Zöphel was exposed to massive attacks by the Nazis, who were determined to remove him from office and replace him by someone more aligned to their ideas.

At first, Zöphel tried to play for time. At the Federation meeting in 1933, during the discussion on the introduction of the "Führerprinzip", he spoke of the need for a "transitional period": if the Federation was to have a "Führer", he should at least be qualified. "Tried and tested leadership" should not be simply sacrificed. He did not consider the candidate proposed by the Nazi to be suitable to head the VVC. Zöphel won out. For the next three years, at any rate, he had the support of most of the Federation members for his position.

Finally, though, Zöphel had to yield to the massive pressure exerted by the Nazis, and at the Federation AGM in Leipzig in 1936, he resigned his post, but made it quite clear that he had been forced to take this step. During the past year he had, as he put it, been forced into an "unpleasant position"; he had been charged with maintaining "personal influences" and had been accused of not demonstrating the necessary "commitment" to the present era. And, he added, his "honour" had been dragged through the mud.

From then on, the president was officially designated the "Verbandsführer" and the AGM granted him "the full authority of a Führer". The man who took office was Ernst Wolfram, managing director of the Duisburg Verein. As a former colonial officer, he was acceptable to the new rulers. In 1945, Wolfram resigned. Years later, in June 1979 on the occasion of his own speech of resignation, Anton Aumüller, who had become a member of the executive board in the mid-30s

while still a young man and who was president of the Federation for many years in the post-war period, expressly thanked Wolfram for the skill with which he had led the organisation through the years of the Third Reich.

The culmination of the reigimentation measures came in 1939 with the "Law on



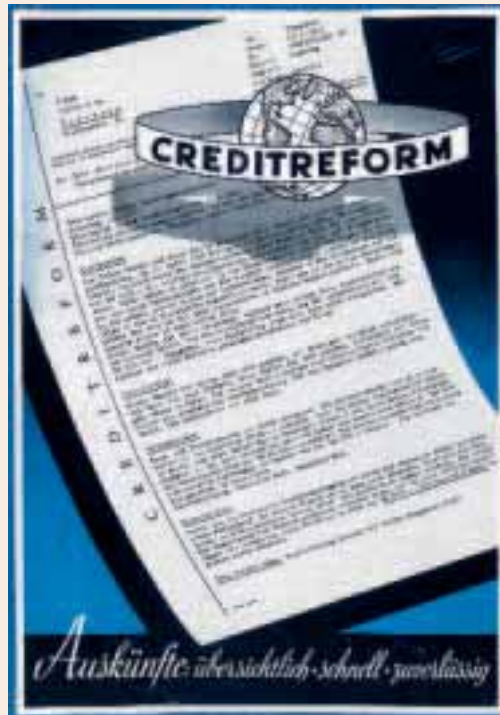
the Elimination of Abuses in the Credit Inquiry and Investigation Trade". This severely limited the possibilities open to the business information agencies. From then on, the local police authorities were entitled to permit or prohibit the issuing of information on financial affairs and personal matters simply as they saw fit. The law also laid down that "non-Aryans" had to be examined more strictly and more critically.

## Creditreform in the Federal Republic of Germany (1945 to 1989)

### Creditreform East & West (1945–1948)

The Second World War affected Creditreform in much the same way as it affected private enterprise as a whole. Business, however, was not interrupted. The building in Leipzig that had housed the VVC since 1928 was totally destroyed in a bombing raid in late 1943 but the business records were rescued. The Federation relocated to the premises of nearby VC Halle and resumed its operations from there.

And those operations were maintained even when Germany capitulated on May 8, 1945. Internal auditing also continued, as evidenced by a report dated December 28,



1945 by a Leipzig auditor called Kraus, who checked the annual accounts for the organisation's 63rd financial year from April 1, 1944 to March 31, 1945.

For the Vereine in the Soviet occupied zone, however, life was made very difficult by the new Communist regime. Offices were closed but then later re-opened. In 1946, the regional authorities in Saxony

ordered the Creditreform Federation to be wound up and appointed an accountant as receiver. He, however, had no intention of carrying out his instructions: he de-camped to the West and the liquidation proceedings were never completed. The number of Vereine diminished but those that remained continued to conduct business, albeit on a smaller scale. In contrast to this difficult situation in the East, business for the Vereine in the Western zones was very quick to turn around. Operations at the VVC's central clearing office continued without a break. Indeed, at the beginning of May 1947, it moved back to premises of its own at Schkeuditz near Leipzig.

Because of the political conditions in the Soviet zone, though, the work of the Federation became increasingly difficult. So on August 31, 1947, the members in the Western zones formed "Creditreform Zentralverwaltung e.V." in Neuss. Headed by former Creditreform president Dr. Zöphel, it was registered at the local court with statutes absolutely identical to those in Leipzig. Its members comprised all the Creditreform Vereine in all four zones of occupation, i.e. including the Soviet zone, with the exception of those Vereine there whose work had been curtailed. On June 1, 1948, the organisational chart still included a considerable number of Vereine in the Soviet zone.

On October 31, 1948, the operations of the Schkeuditz clearing office were transferred to Neuss. The Federation's managing director Dr. Wipperling left Leipzig to carry on his work in Neuss, taking his Leipzig team with him. Balances for September 1948 were settled in Schkeuditz, those for October 1948 were already settled in Neuss. On January 31, 1949, the Leipzig Verein was removed from the local register of societies by order of the chief inspector of police. No reasons were given. Up till 1962, however, the Federation's name remained on the land register as owner of the Schkeuditz



headquarters building. In 1969, after an AGM resolution, the organisation's old name was entered in the register of societies in Neuss. So the VVC survived, the continuity of its operations broken by neither the collapse of the Third Reich nor the division of Germany.

### Reconstruction & rebuilding human resources (1948-1963)

The reconstruction that got underway after the currency reform of June 1948 was financed mainly by credit. So the need for credit assessments increased. But many archives had been destroyed during the war, many business companies had disappeared. Data stocks and networks of correspondents needed to be rebuilt from scratch. In 1948, 550 Creditreform staff served the needs of some 26,000 members. Creditreform revenues totalled around four million marks. In February 1950, the "Creditreform" magazine also made a comeback. In 1970, its editorial offices and advertising department were transferred to the Handelsblatt publishing house in Düsseldorf.

Next to building up the archives, the primary focus was on developing human resources. In some cases, personnel from outside the profession had to be recruited and trained. What was particularly difficult was the task of rebuilding a functioning network of correspondents. To improve the standard of training for junior personnel, Creditreform headquarters devised an apprenticeship scheme. In 1951, with the

backing of the chambers of industry and commerce, business information agencies were recognized as training facilities and in 1963 standard qualifications conferring the designation "Bürokaufmann" (office clerk) were established across the business information and debt collection industry.

### International networking (1954-1972)

After 1945, the international contacts that had been disrupted during the war were also re-established. The first visible signs of this were seen at the 63rd Federation conference in Mainz in 1954: Creditreform's 75th anniversary celebrations were attended by numerous guests from Austria, Switzerland and Scandinavia. In the decades that followed, more links were forged in Europe and beyond. The culminating point of this international cooperation came with the formation of the "Föderation Europäischer Creditschutzorganisationen" (FECRO), an alliance of 18 credit protection organisations in 14 European countries, known today by the English acronym FEBIS (Federation of Business Information Services).

**Diese Karte ist der Schlüssel zu meinen Erfolgen auf der Reise**

Mein erster Weg führt mich zum Veeva Creditreform, der mir das umfangreiche Auskaufmaterial und die wichtige Führung in der Kreditbewertung zur Verfügung stellt. Dort kann ich mich beraten, welche Firmen Ihr neues Artikel in Frage kommen. Wie man sich denken kann, kommt mir dabei auch die Ortskenntnis der Auskaufbedienten zu nutzen, und was schließlich die Hauptwerke ist: Ich habe, wenn ich dann den Wanderkassett beginnt, die Gewissheit, daß ich keine falschen Firmen bearbeiten. Ich lege also auf dem willigen Art nicht nur meine Arbeit konzentrieren sondern auch Kreditreform so gut wie ausgedehnt. Die Creditreform-Schreibkarte ist als ganze Jahr gültig.

**Näheres durch jeden Verein CREDITREFORM oder durch die CREDITREFORM-ZENTRALVERWALTUNG E. V., NEUSS A. RH.**

Established in 1972 in Frankfurt am Main, this international professional organisation was set up with a brief to lobby for effective credit protection legislation and improve the exchange of information between member countries. At the end of the 1970s, FEBIS had a total membership of 22 credit protection organisations. Today, its 65 member companies employ a total of 11,000 people and supply 400,000 clients with 25 million commercial reports a year.

### **Advertising and PR (1969/1972)**

In the late 1960s, West Germany faced the prospect of radical economic and social change. The economic environment became less secure and more complex, Creditreform had to contend with new rivals, procedures, capitalization requirements and clients. New strategies needed to be developed, including strategies for communicating with the public. Creditreform responded to these changes by opening up. "Information from and about companies was our livelihood", recalls Managing Director Prof. Helmut Rödl, "so it was time we disclosed information about ourselves". In 1969, Creditreform marked its 90th anniversary by holding its first press conference. In the decade that followed, the organisation made public relations a primary focus. Another upshot of this new awareness in the 1970s was that managing directors were recruited for the first time from outside the Creditreform community. In 1972, a department devoted exclusively to advertising and public relations was established. Its purpose: to sharpen Creditreform's profile, improve its image and at the same time coordinate the activities of the regional Vereine. Press conferences, seminars, lectures and radio and TV contacts became important elements of PR work. The Creditreform contact bureau in Bonn arranged contacts with prominent figures in the political parties, the government, business associations and other institutions.

### **Economic crisis & embracing computer technology (1973-1979)**

1973 was a watershed in post-war West German history: with the oil crisis and the end of fixed exchange rates for international trade (Bretton Woods system), the long-sustained post-war boom fizzled out and economic difficulties set in. During the 1970s, unemployment in Germany rose (1975: 1 million) and the number of corporate collapses steadily increased. In 1977, there were around 10,000 reported insolvencies (2003: 40,000) but the number of businesses that failed and were not officially registered was much higher. Quality improvement became the buzzword of the '70s. The VVC arranged numerous specialised seminars, sent "letters of advice" to staff and invested in modern technology: by June 1974, every Verein had its own teleprinter, making Creditreform the only business information service in Europe with a full telex network. Technological progress was rewarded with growth: in fiscal 1975/76, Creditreform overtook its rival Schimmelpfeng and finally became the foremost player in the market. The volume of commercial reports supplied increased sharply. In 1978, 1,900 Creditreform staff served some 72,000 members (compared with 128,000 members today).

In 1977, a new, more structured form of reporting was introduced – one designed to provide members with the clearest, most comprehensive and up-to-the-minute business information service possible. In 1979, the executive board resolved to computerize the organisation's operations. As in the 1920s, the United States became a role model for the introduction of new technologies.

Development aid was delivered by what was then the world's biggest business information agency, Dun & Bradstreet Inter

national, in New York. In 1979, Creditreform and D&B agreed on close cooperation, supplying each other with business information and debt collection services.

The switch to data-processing meant that 108 locally managed archives needed to be copied into DP systems – which naturally met with a certain amount of resistance. To win the still hesitant VC managing directors over to the new technology, Federation president Carl Arthur Frommann arranged for every one of them to fly to New York and see the systems in action for themselves. Gerhard Wolfram later described his first tour of a computer room as the most memorable experience of his career with Creditreform: "When we stepped into the computer room, which was the size of a gymnasium with five long rows of computer drives, our eyes nearly popped out of our heads. The sight of that "number-crunching factory" was staggering. (...) It has to be said: that trip to America really woke us all up. It marked the dawn of the technological revolution for Creditreform. We all knew this was a step we had to take."



## The Data Protection Act debate (1979)

Within the Creditreform Federation, information is exchanged between various players: between VCs and their members (surveys of former recipients and suppliers of information), between the VVC and the VC managing directors (Federation conferences, specialised forums and further training seminars), between the commercial reports and debt collection departments at the VCs (to establish debtor addresses, assets and financial resources or to register early identification criteria for credit providers) and between the companies investigated and the researching VC (self-analysis, discussion of accounts, etc.)

When it emerged in 1968 that the German government was planning to use the new possibilities offered by computers to pool all the data collected by the state and give every registered citizen an identification number, a brief but bitter debate erupted over the issue of data protection and the "transparent citizen". That debate led to the data protection act promulgated in 1970 by the Hesse state parliament. The other federal states followed suit and before long there were plans for a data protection act at federal level.

The VVC was also involved in that debate, of course, because if data protection rules were too tight, all of Creditreform's business activities could be badly affected. In 1972, Helmut Rödl (Neuss) and Schimmpfeng company lawyer Albert Windolph (Frankfurt/Main) wrote a pamphlet entitled "Data Protection and Private Databases". The VVC participated in federal interior ministry hearings, submitted detailed comments on the draft act to the ministry and held talks with federal interior and justice ministry representatives as well as key representatives of the banking sector.

At Creditreform's centenary celebrations on June 28, 1979 in Mainz, there were still plenty of reminders of the ongoing argument between government and the Federation over the hotly discussed public issue of data protection. In connection with the fight against white-collar crime, Federation president Anton Aumüller spoke of "reasonable" data protection in the interests of the individual citizen combined with "reasonable" interpretation of the Data Protection Act. And he described the Vereine Creditreform as an "essential institution in a free social market economy".

Apart from that, Creditreform's 100th anniversary was marked by a Federation conference and a festive matinee. The principal speaker was the president of the Association of German Chambers of Industry and Commerce, Otto Wolff von Amerongen, and congratulations were conveyed for the federal government by Foreign Office minister Klaus von Dohnanyi.

In 1979, the organisation elected a new president: Carl Arthur Frommann, a man who quickly acquired a reputation for visionary leadership. During his 16 years in office, he faced and rose to a whole string of crucial challenges: the development and introduction of data processing, the market launch of new products, the formation of national and international cooperative ventures and alliances, and the strengthening of Creditreform's market position.

### **The break with Dun & Bradstreet (1984)**

From 1981 onwards, Dun & Bradstreet bought German commercial reports from the VVC and the VVC bought international reports from D & B to pass the information on to its members. This cooperation won

the Federation new members and expanded the work of the Creditreform international department.

But the cooperative arrangement with Dun & Bradstreet did not last long. The Americans, it seems, had their sights on more than just cooperation; their ultimate aim was to integrate Creditreform more tightly into their own operations. What they discovered, however, was that an organisation with 107 independent Vereine and limited partnerships was not easily bought. Despite rumours of huge and tempting sums of money, Creditreform was not prepared to sell.

In 1984, D & B staged a surprise takeover of arch-rival Schimmelpfeng. This broke the bond of trust between Creditreform and D & B and the cooperative arrangement effectively ended. The final break came in fiscal 1986/87, after D & B sharply increased its prices and the international D & B companies refused to handle direct orders from VVC. The cooperation agreement was finally dead. But it was a blessing in disguise for Creditreform – because it prompted the organisation to develop computer software of its own.

### **Creditreform goes online (1984)**

In December 1979, a DP project group set to work at VVC to create a decentralised database for the Vereine, a central database for commercial reports and special software for debt collection operations. By 1984, the assignment was completed: all 107 business offices had online access to the database on the mainframe computer in Neuss - and Creditreform had again left its rivals trailing behind. At the beginning of 1985, the Creditreform database encompassed a total of 2,117,618 data records, 550,679 of them



Otto Wolff von Amerongen

relating to companies. At the end of the year, the total volume had passed the 4 million mark, covering more than 800,000 active enterprises (today there are over 2 million companies in the database). The Creditreform business database thus became the world's biggest pool of information on German companies.

At least in the eyes of credit providers and business partners, the key feature of any business firm is its credit status. In 1985/86, to provide a clear and concise indication of credit-worthiness, Creditreform introduced its "credit-standing index", a number between 100 and 600 (mirroring the 1-6 grading system in German schools) calculated on the basis of a set of standard parameters. With it, clients can tell at a glance how credit-worthy their business partner is. At the same time, to inform members faster and forge stronger bonds of loyalty, Creditreform also introduced a nationwide telephone commercial report service.



make commercial reporting within Europe much faster, achieve uniform quality standards and develop an online reporting system. At the same time, Creditreform expanded its international operations in the German-speaking world. In September 1987, the German Federation was joined by the six Austrian Creditreform Vereine in Graz, Innsbruck, Klagenfurt, Linz, Salzburg and Vienna.

Which left the question of international information. After the ties with D&B had been severed in 1986/87, Creditreform in the next fiscal year became involved in the establishment of what was then called "Internet", an international cooperation of independent European business information agencies which today – to avoid confusion – is known as "BIGNet". Its aim was to

## Creditreform in united Germany (1989 to 2004)

### Reunification

As early as 1988, at the instigation of President Frommann, the executive board discussed the possibility of German reunification and the opportunities this would present for Creditreform. So when the Wall came down in 1990, an immediate start was made on setting up business offices in the new federal states. With no offices, no telephones and no dependable data about companies, they did a remarkable job. The first reliable – and sobering – figures did not become available until opening balances were posted in DM at the end of 1990. Even so, in the course of that year, Creditreform already supplied 150,000 commercial reports on Eastern German companies.

### Eastern Europe & internationalization (1990-2004)

Parallel to its engagement in Eastern Germany, Creditreform also extended its

German-speaking world and Eastern Europe formed the organisation "Creditreform International". After the establishment of a business office in Riga (Latvia), 2002 saw national companies also being formed in Vilnius (Lithuania) and Tallin (Estonia). This meant that Creditreform was represented by national companies in every EU accession country – and thus well prepared for EU expansion on May 1, 2004. Other business offices were established in Romania (1991), Bulgaria (1993) and Russia (1995).

Today, Creditreform International has a local presence in a total of 20 European countries: Austria, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Germany, Hungary, Italy, Latvia, Lithuania, Luxembourg, Poland, Romania, Russia, Slovakia, Slovenia, Switzerland, Ukraine, and Yugoslavia.

Because of the growing internationalisation of business information, online services have become increasingly important for the supply of international commercial reports. In 1993, "IHK Gesellschaft für Informationsverarbeitung mbH" and Verband der Vereine Creditreform e.V. formed a joint company, "ECOFIS GmbH". ECOFIS operates one of the biggest private networks for Creditreform and Germany's chambers of industry and commerce. Since 2001, the company has also organised and operated the Creditreform computer centre at Neuss as well as a back-up computer centre in Dortmund. Another line of ECOFIS business is database hosting.



contacts in Eastern Europe. In every country, it found dynamic entrepreneurs who saw opportunities and regarded Creditreform as a reliable partner for building up their business. Cooperation was the key to success. Through it, Creditreform became established in Hungary, Poland, Slovenia, the Czech Republic and Slovakia. In March 1995, the Creditreform companies in the

### "There's no business like e-business": Creditreform on the Internet (1996)

The Creditreform business database has extended its lead as the world's biggest database on German companies. In the early 1990s, it contained 9.6 million data records, including records on more than 2.2 million companies. Since the mid-1980s, Creditreform has used new storage media,

such as CD-ROMs, which found their first application for the balance-sheet database. Since 1991, Creditreform has also offered its members a range of totally new products: marketing information gleaned from the stock of data, balance-sheet data from annual financial statements and a debtor search facility for the debt collection service.

In the 1990s, the online commercial report service created in 1984 came to play an increasingly important role: in 1990, 21 percent of all commercial reports were supplied online; by 1992, the figure had risen to around 30 percent of the over 7 million reports supplied; in 1995, the 50 percent mark was reached. Today, the proportion stands at more than 90%. Nowadays, of course, information can be accessed via all conventional communication channels, including the Internet.

Like company credit status reports, information on consumers also became increasingly important in the 1990s because a growing number of consumers bought products on credit; the indebtedness and insolvency of private households rose. In 1999, legislators responded with the introduction of "consumer insolvencies". As early as 1996, Creditreform had introduced a product called "Consumer Scoring", which enabled many credit decisions to be made almost automatically within a short space of time. Consumer Scoring made it possible, for example, for large-scale retailers such as mail-order companies or mobile phone network providers to make a rapid assessment of a customer's solvency. In 1997, together with "Experian", a global supplier of consumer information, Creditreform established a subsidiary called "Creditreform Experian GmbH" (CEG), now renamed "CEG Creditreform Consumer GmbH". In 1992, "microm Micromarketing-Systeme und Consult GmbH" was formed. Its business: micro-

geographical segmentation of individuals and addresses. The "microm" database combines diverse consumer data with markets and locations, right down to the neighbourhood level, and offers systemized solutions for innovative target group marketing.

In 1999, Creditreform opened up its central database to Internet access. But despite modern communications and Internet databases, an important tenet of Creditreform philosophy remains valid: decentralised organisation, the regional work of managing directors and staff on the spot – the human factor is as significant as ever.

Even so, in the framework of the global information society, the "old economy" had become more flexible. Creditreform's credit assessments were electronically integrated into credit management and, later on, even debt collection services were incorporated into electronic communication.

And technological progress continues. In 2002, Creditreform subsidiary CEG started offering clients mobile credit assessments ("BoniMobil") by WAP phone: within seconds of customer data being entered, the credit assessment results appear in the display as text and a credit grade. A facility that saves time and thus money, too. Another CEG service offered since 2002 is direct access to a household database, updated daily, which enables a company to check whether the person ordering goods actually lives at the address given.

### **Development of marketing services (1998-2004)**

In 1998, the organisation commissioned an extensive study of the debt collection and business information market, with the aim, among other things, of determining Creditreform's image in the eyes of German business people and the organisation's clients and members. It was awarded particularly

good marks for accessibility of contacts (a fruit of the regional concept), standard of advice, flexibility, and quality of information. 90 percent of all respondents saw Creditreform as a modern enterprise which they automatically associated with terms like "business information" and "debt collection".

What the study also showed, however, was that other Creditreform services were not so well known: the CD database "MARKUS", for example, with its information on 890,000 German and Austrian companies. MARKUS enables clients to search for specific company data so that, instead of mass advertising, they can launch highly focused direct marketing campaigns. And with MARKUS's precise target-group selections, extensive analyses can be obtained of market potential, customer structures or corporate affiliations.

Commercial reports, debt collection, marketing – these are the constituents of the "integrated service" which Creditreform has been offering since the 1990s. Commercial reports provide security, debt collection preserves liquidity and marketing permits finely tuned advertising. Particularly in this latter – new – area, revenues have been stepped up substantially. In the 1990s, Creditreform more than doubled its turnover.

In 2001, the range of marketing services was extended with the formation of the subsidiary "bedirect", owned jointly by Creditreform and Bertelsmann subsidiary AZ direct. bedirect runs a newly developed database encompassing around four million companies, professionals, public authorities and institutions as well as background business and marketing information. The stock of nationwide business data enables

"bedirect" to offer custom-tailored system solutions to supplement, manage and analyse a company's business-to-business (B2B) customer base.

### **Growth and rising revenues (1990-2004)**

In the mid-1990s, Creditreform had around 122,000 members in Germany, served by 133 Vereine in the old and new federal states. Today, membership stands at 130.000 companies. The number of commercial reports supplied today is 2.5 times more than in 1990, so is the number of debt collection assignments. From 1990 to 2003, the organisation's revenues almost trebled, climbing from 139 million euros to 397 million euros. In 2003, the Creditreform Group as a whole – including Creditreform International and Creditreform AG – generated sales of 435 million euros. Crucial to this growth, alongside commercial reports and debt collection, were the new services and international expansion, especially in Central and Eastern Europe. In Germany today, Creditreform commands more than 70 percent of the market for commercial reports on business firms and ranks among the foremost providers of debt collection services.

### **From association to stock corporation (2002)**

In 2002, Creditreform established Creditreform AG to act as an umbrella organisation for all business activities. 90 percent of the shares in the company are held by the local Creditreform operating companies; the remaining 10 percent are in the hands of the VVC. All the subsidiaries formed in the last 12 years are grouped under the AG's large wings:

- aCS GmbH (acoreus Collection Services)

- electronic volume debt collection for call-by-call and Internet-by-call providers), formed in 2001
- bedirect (direct marketing), formed in 2001
- CEG Creditreform Consumer GmbH (credit assessment and commercial reports on private persons), formed in 1997
- ECOFIS GmbH (IT services), formed in 1993
- e-crefo GmbH (credit assessment for electronic marketplaces), formed in 2000
- Creditreform Rating AG (rating and rating advice for mid-scale enterprises), formed in 2000
- microm Micromarketing-Systeme und Consult GmbH (microgeography), formed in 1992

### The "human factor" as the key to future success

In 1999, following Carl Arthur Frommann (1979-95) and Martin Seddig (1995-99), Thomas Glatzel of VC Bochum became president and executive board chairman. His credo: "The step into the virtual world of Creditreform services needs to be taken together with our clients". As use of the Web increases, he says, so does the need for personal service, which cannot be met by the mere despatch of an e-mail or creation of a chatroom. "Our principle of regionality needs to be upheld not despite the Internet but because of the Internet." In 125 years, Creditreform has found that the road to the technological future needs to be built on a solid foundation of long-established personal networks.

To nurture and enhance staff potential, the VVC established its own Management Academy in the late 1990s to boost the

scope for personnel development in a systematic way. Junior personnel within Creditreform's own ranks can thus be specifically groomed for the managerial challenges of the future. The training programme comprises seminars on numerous subjects relating to Creditreform operations – from insolvency risks and international debtors through dunning procedures and receivables management to the analysis of financial statements.

In 2004, the Verband der Vereine Creditreform celebrates its 125th anniversary. In all these long years, it has built up a wealth of experience and expertise. Above all, it has built up a pool of highly motivated and experienced personnel who know their markets and are close to clients. Today, the Federation is confronted with the new and high expectations of a networked information service society. With its numerous services and subsidiaries, Creditreform is well poised to meet these challenges.



Anton Aumüller



Carl Arthur Frommann



Martin Seddig



Thomas Glatzel

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