

Customer story

Nordea 

GN ReSound

– Making a success of SEPA





GN ReSound

Making a success of SEPA

Like all businesses dealing across the EU, GN ReSound faced the looming February 2014 deadline for compliance with the Single European Payment Area (SEPA) regulation.

SEPA harmonises processes for cross-border payments, including Direct Debits and Credit Transfers. It requires the use of BIC/IBAN numbers, standardising payment speeds and the exchange of information using particular XML data formats. For businesses and their banks, this has a number of implications, not least changes to software systems, such as ERP, and financial processes.

Ahead of the SEPA deadline, GN ReSound's German business unit, the second-largest country market for GN, started to investigate the implications of becoming compliant.

Approach

In February 2013, the German Finance Team, led by Alexander Wulf, Finance Director for GN ReSound Germany, began initial analysis of the company's processes. GN had already worked with Nordea Frankfurt team to implement a cash pooling solution with great success, as part of its SEPA preparation.

Wulf credits GN ReSound's great working relationship established with Nordea as a huge asset in getting the project going. "Nordea was invaluable at every stage. We met regularly face to face and even today we know that we can always pick up the phone".

Nordea in Frankfurt met with the team in Germany, outlining the challenges

they might encounter, and giving specific advice about how SEPA would affect GN's documentary requirements and cash pool structure. This gave Wulf the information he needed to verify that GN could handle the necessary changes in-house, and to develop realistic timelines.

Wulf soon found that SEPA would demand changes to the company's Navision ERP system, and approached the parent company, GN ReSound A/S – which managed the central IT function for all subsidiaries – for assistance. The parent company recognised the importance of the SEPA migration and began its own global programme, with Germany as the pilot location.

Implementation

The finance team in Germany faced three main challenges during implementation.

1. Migrating Direct Debit customers

GN ReSound Germany was a big user of Direct Debit to reliably collect small payments from the thousands of individual stores that it sold to across the country. Of 50,000 invoice transactions each year, around 20% were handled via Direct Debit. This delivered huge benefits to the company, as Wulf explains: "Small retailers can misplace one invoice in five – Direct Debit helps us avoid these errors, minimise manual collections effort, and improve our cash flow".

FURTHER INFORMATION

To find out how Nordea can help you better manage your business' cash positions, visit

NORDEA.COM/CM

SHORTCUTS

Find out more about what SEPA means for your business at

NORDEA.COM/SEPA

GN RESOUND FACTS

Introduced European cash pooling.

Needed to change its payment processes.

Handles 10,000 Direct Debits annually.

Each Direct Debit customer had to be migrated to a new SEPA-compliant Direct Debit mandate, designed in collaboration with Nordea. This created a significant challenge, because the new mandate had to be sent to each customer for written approval. There was a real risk that customers would ignore the mandates and lapse out of Direct Debit authorisation.

GN ReSound decided to treat this challenge as an opportunity to clean and validate customer data, and encourage the broader customer base to convert to the Direct Debit system. Although it did take a lot of time and effort to get some customers to respond to the mandate request, ultimately GN ReSound managed to not only avoid losing any DD customers, but actually to increase the overall DD invoice volume by the end of the project.

Wulf knew that it was vital to minimise the disruption caused to customers. It would be disastrous if incorrect payments were collected or if mandates had to be re-issued due to an error. GN ReSound worked closely with Nordea, the group IT department, and a handful of customers to pilot the new SEPA Direct Debit process, ensuring that the right data formats flowed between the ERP system, bank and customer.

2. Coordinating stakeholders

Dealing with customers was not the only challenge that Wulf had to overcome: his team also had to effectively coordinate a number of different stakeholders, including the group's IT specialists, none of which were on-site in Germany.

Nordea played a key role in this, acting as a common point of contact between the subsidiary and group contacts. And Wulf notes that Nordea was not afraid to get its hands dirty. For example, Nordea set up a complete test environment, and offered feedback, planning and implementation support to help GN ReSound understand how large batch transactions would work using new SEPA data formats. "That's not what we'd expect from a bank," says Wulf. "If we ever needed help, Nordea always had a German-speaking contact ready to respond and solve our challenge, often on the first call".

3. Customising for local needs

With Germany acting as the pilot for the whole GN group, it was important to check that the proposed solution worked well in each operating country, to maintain the effectiveness of its European cash pool.

"Everyone needs to understand the local payment formats and the information they contain – the devil is in the detail, and every data field and file format we created had to be

checked, locally, for compatibility with our ERP systems, and by the bank." Wulf was determined that they could not afford any problems that would affect customers or cash flow, and the business had to come first in system design: the payment method and technology had to fit around the way customers and local business units are used to operating, even at the expense of technical complexity.

GN ReSound discovered that, while SEPA is all about harmonisation, there are important differences in the business environment that had to be taken into consideration. For example, Spanish buyers tend to pay in instalments, even when using Direct Debits. Without clear reference numbers on each transaction to help collate these payments, reconciliation becomes a real challenge. By drawing on its experience of helping companies across Europe, Nordea provided an invaluable source of solutions to issues like these.

**“ Nordea
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Alexander Wulf, Finance Director
GN ReSound Germany

Results and lessons learned

Although the primary motive for the project was achieving SEPA compliance, Wulf has reported positive impact on the business. The cost of migration – in time spent by the IT department and the finance teams both in Germany and across the group – has been offset by improved process efficiency. With more payments now coming through Direct

Debit, the “cost to serve” per invoice has dropped by around 5%. Cash flow has improved, and forecasts have become more accurate. Wulf is also sure that proactively approaching customers about the upcoming compliance requirements has earned GN ReSound goodwill and a clear position as a first-mover in the market.

A number of decisions were responsible for that success:

– **Establishing a strong project plan.** GN ReSound Germany recognised the impact SEPA had on its business, took the deadline seriously, and committed to achieving compliance. With Nordea's help and as a team effort with other departments in the GN group, it developed a clear understanding of the requirements and developed a clear project plan with definite milestones.

– **Conducting a pilot first.** Wulf says that he would definitely recommend a pilot-based approach, involving local staff as much as possible. The chosen country or business unit should have plenty of transactions of different types to give the migration a thorough test.

– **Focusing on collaboration.** Sound collaboration with customers and the broader group was vital, but so was a good relationship with the bank. SEPA projects involve lots of iterations during implementation and testing, and there has to be honesty and respect on both sides. “Projects like this are a team exercise, and it was key to have Nordea and our GN colleagues from Finance and IT on board.”

– **Looking for continuous improvement.** With the migration complete, Wulf is planning ahead. Nordea is playing a vital role, keeping GN up to date with new opportunities. “We see Nordea as a sparring partner, working with us to make constant small improvements. They know us and our solutions very well, and that makes them a key advisor to us.”

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Alexander Wulf, Finance Director
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About GN ReSound

GN ReSound is a subsidiary of GN Store Nord, a Denmark-based multinational with offices in 34 countries. GN ReSound manufactures and sells hearing instruments and related diagnostic equipment, with around 3,800 employees and revenue of around 3.9 billion DKK.



Alexander Wulf,
Finance Director for GN
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