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# EasyCredit: Bucking the tight money trend



By Peter Dollé

**In these days of tight credit and stiff regulations, one young German bank is trying a new approach to customer service, and winning awards for its efforts. But can it really make money?**

These are tense days for the European banking industry. New regulations on capital requirements and risk mean less money available for consumer loans, and a heavier burden of proof on the borrower of his or her ability to re-pay loans.

Government statistics show that Germans are simply more cautious with their money than, say, their southern European neighbours. Germans have less debt and more savings - a positive development in the eyes of most EU politicians. The OECD Economic Outlook of October 2011 reports indebtedness in Germany as a percentage of disposable income is 97.5 percent, compared with 124.7 percent in the U.S., and 165.5 percent in the U.K.

Though Germany was spared the worst of the financial crisis in 2007/8, the country's largest banks still remain exposed to Greek and Spanish sovereign

debt. German chancellor Angela Merkel wants the EU to remain firm on financial regulations to ensure “that taxpayers are not called on again to save the banks.”

## **Easy lending**

Into this austere financial atmosphere enter Easy Credit, an up-and-coming Nuremberg-headquartered lender which is trying to buck the trend. If you speak German, you notice the unorthodox policy right away: when employees talk to each other, everyone is on “familiar” terms, addressing each other as “du” rather than the more formal “Sie,” from the manager to the janitor.

Chief operating officer, Christiane Decker, claims the practice makes it easier to communicate and helps them work better as a team and understand their customers. “People say to me in the morning – ‘Hello, Christiane, how are you today?’” Decker says jovially, adding that the new “du Kulture... is also a respectful ‘du’, and it works out.” The policy made many conservative German bankers sit up straight when it was revealed in 2007. But is it just lip service?

## **“Familiar address” and “fairness” strategy**

Apparently not. The “familiar address” policy is a key factor in EasyCredit’s overall communications strategy, one that earned it an Industrial Excellence Award in 2011 when the awards were presented in Nuremberg last autumn. The jury of the IEA praised the bank for the way in which it communicated its “fairness” strategy – visible in advertisements throughout the country – to the customer.

EasyCredit wants to be seen as a fair and flexible lender, advising customers on how to repay their loans and even delaying court action on delinquent loans for up to seven months. The bank is willing to reschedule payments to fit the changing needs of customers, Decker says. “We offer continuous advice,” she points out. “The customer’s needs could change depending on employment, marital status or other personal reasons. We zero-in on the needs of customers and their current financial situation,” she says.

EasyCredit targets consumers with loans they can secure online, over the telephone and at most German co-operative banks, or credit unions. Loans

are processed immediately and certified by the German TUV association of standards and auditors. It offers credit up to € 75,000 with no collateral or processing fees and allows customers to pay off credit early.

This echoes the German consumer's increasingly online purchasing habits. Some 24 million Germans, or 38 percent of banking customers, presently use online services in Germany, according to the Federal Association of Information, Telecommunications and New Media (BITCOM). In a related study, BITCOM reports a whopping 60 percent of Germans now purchase goods online, reflecting a growing trend among consumers who are frustrated by the country's severely restrictive store operating hours.

Critics, however, charge that EasyCredit exaggerates its fairness doctrine in national advertising. FOCUS Magazine Online claims that most German consumers with monthly paychecks of up to €3,500 would never succeed in securing credit at the stated 5.9 percent interest. For them, the magazine reports, interest payments would be considerably higher. But shortly after this article was published in 2008, its affiliate publication FOCUS Money rated EasyCredit "Top Consumer Loan Bank" in Germany.

## **Growth and expansion**

EasyCredit's consumer-friendly approach to German banking, coupled with the German customer's increasing online activity, is already profitable: operating profit nearly doubled in its fiscal 2011 to €167 million from the previous year. Revenue rose 18 percent to €7.3 billion. The bank also succeeded in increasing its market share slightly in the highly-competitive consumer loan segment to 18 percent. Decker is also confident that earnings will continue to outpace the industry average this year. She points to the potential 3.8 million customers of her co-operative partners Volksbank and Raiffeisenbank who had secured personal credit elsewhere before EasyCredit was launched. By mid-2011, EasyCredit had 521,000 customers, more than 1,000 employees, and some 60 offices throughout Germany.

EasyCredit is a brand of the German co-operative TeamBank. It is majority owned by the co-operative holding group, DZ Bank, which includes Volksbank and Raiffeisenbank. The sharp increase in profit is encouraging EasyCredit to expand outside Germany. The bank has opened an office in Vienna and is working with the Austrian co-operative Raiffeisenbank Tirol.

*The Industrial Excellence Award is a long-standing research study founded in France at INSEAD in 1995 and has been operated in conjunction with partner school WHU since 1997. It identifies best practice in process management in European manufacturing business units, documents enablers for operational excellence through books, and celebrates outstanding management quality through annual awards with media partners Usine Nouvelle and WirtschaftsWoche. The programme evaluates the management and alignment of key processes such as production, supply chain, new product and process development, and strategy deployment. To learn more about the research study and award programme, and for information on how your business unit might apply, please visit <http://industrial-excellence-award.eu/home/> .*

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