

# Case Study



## Credit Applications Hampered by Delays, Fraudulent Information

Tiendacol S.A. is the parent company of Fruta Fresca Tiendas de Moda, a retail chain that sells clothing with brand names such as Diesel, Esprit, Americanino, and Converse to consumers in the Aburrá Valley region surrounding Medellin, Colombia. The company operates 16 outlets and reported about U.S.\$10 million in sales in 2010.

## Business Needs

As part of its growth strategy, Tiendacol provides consumers with the opportunity to open revolving credit accounts. This offering is vital to the Tiendacol business because it makes it easier for customers to buy products while providing additional corporate revenue through interest on the credit accounts.

However, in the early days of the offering, the credit approval process was risky and time-consuming for the company. “In the past, a sales assistant at a local point of sale would be responsible for validating the identity of a person applying for credit, and there were no copies of ID that were filed with company headquarters,” says Luz Beatriz Charry Balcazar, Director of Processes for Tiendacol.

This created a number of problems for the company. It led to a fairly high rate of losses in its loan portfolio due to fraudulent identities. It also created manually intensive processes that consumed a day’s worth of staff time for audits for each outlet—in other words, 16 days of labor—that were conducted once every two months.

Tiendacol managers felt they needed to find an automated solution that could streamline the credit approval process. They were also motivated by the country’s “habeas data law” that went into effect in January 2009, which mandated stricter controls and privacy provisions for documents containing detailed information about individuals.

### Solution: Fujitsu Desktop and Workgroup Scanners Handle Credit Documents

Tiendacol decided to tackle its document-management problems with Fujitsu scanners. The company purchased Fujitsu ScanSnap scanners for each retail outlet and Fujitsu workgroup scanners to help various departments, including accounting and human resources.

The company currently processes more than 16,000 documents each month, including citizenship cards, signed contracts, and promissory notes. “The credit applications and document submissions are carried out at the points of sale,” says Charry Balcazar. “These documents are quickly verified online by our contact center agents who are in charge of ensuring that all customer data is true and accurate. Once they receive the information, the agents assign a credit quota.”

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Charry Balcazar notes that the Fujitsu scanners are working 30 days a month, 10 hours a day, 365 days a year. Each scanner processes an average of more than 1,100 documents a month.

“The quality of the scanners is very high,” she says. “They’ve operated without any failure that could have hindered our operations.”

### Benefits: Fewer Losses from Fraud, Supports Expansion of Business

By installing the Fujitsu scanners, Tiendacol has vastly improved its operational efficiency while reducing costs. Instead of auditing each store’s credit applications just once every two months—at a cost of a full day’s work for an employee for each store—the company now audits each store weekly, devoting between eight to 10 hours of staff time for the more frequent audits. The assessment time needed for reviewing a new credit application has gone from about 30 minutes at the local retail outlets to an average of seven minutes spent by an agent at the company’s contact center. Digitizing the credit documents also allowed Tiendacol to eliminate the need for physical storage space that was needed in the past for paper documents.

Charry Balcazar says the company has also seen a dramatic reduction in its credit portfolio losses because it is so much easier and faster to verify the identity of consumers applying for credit—and to prevent fraudulent applications. Between 2008 and the end of 2010, Tiendacol reduced its portfolio losses by 50 percent annually due to better verification. The speed of credit approvals also helped support a 37 percent increase in credit sales between 2009 and 2010.

“Compared to the 4 percent growth of the Colombia economy in 2010, this increase in credit sales is highly satisfactory for our company,” says Charry Balcazar. “We are now expanding our credit sales operations to a national level because we have the necessary infrastructure to assess credits remotely and to validate the authenticity of the applicants’ documents.”

#### Tiendacol benefits snapshot:

- Reduced credit portfolio losses by more than 76 percent between 2008 and 2010 due to faster, more efficient processing of digitized loan documents
- Company conducts more frequent audits of each retail outlet’s credit applications
- Streamlined system led to 37 percent increase in credit sales between 2009 and 2010
- Fujitsu technology helping Tiendacol pursue a national sales strategy

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