

Keeping Tabs on Creditworthiness

By Ato Ekusa

The information society, which the U.S. futurologist Alvin Toffler predicted would be the third wave in human history following the development of agriculture and then industry, appears to be making tremendous headway in Japan. Computers and telecommunications constitute the bones of this society, in which information is bought and sold as a commodity.

As this information society takes shape, the spotlight has begun to fall on one very booming business—credit investigation. History can be classified in terms of the way transactions have been carried out: At first human beings bartered commodities for commodities, then they exchanged cash. Now is the age of credit, as shown by the widespread use of cheques, credit cards and bonds.

Credit investigation companies have started to thrive in Japan, as well as elsewhere. In Japan especially, these companies have been given an important role to play, and are having to put in a lot of overtime in the turbulent aftermath of the speculative bubble economy, which swelled with the massive issues of shares and bonds without any material backing. When the bubble burst, it shattered everyone's credit as well.

Credit investigation in Japan is dominated by two firms: Teikoku Databank, Ltd. and Tokyo Shoko Research. Teikoku is based in Tokyo's Aoyama, capitalized at ¥90 million and has 3,450 employees. As the nation's largest credit investigation firm, it had a thriving business in line with the development and collapse of the bubble economy. The number of credit investigation requests increased to 1.1 million in fiscal 1991, when sales reached ¥29.1 billion (\$242.5 million at the rate of ¥120/\$), up ¥4.1 billion, or about 20%, over the previous year.

Using such public information as business and real estate registrations, Teikoku provides data on a company's profitability, stability and growth. In addition, investigators at its more than 80 offices

nationwide visit the company in question and its neighborhood to ask questions about the firm, its financial affairs, and even the executives' assets and contacts. The creditworthiness of the company is then ranked from A (excellent) to E. Banks generally refuse to provide loans to firms that are ranked D or E.

Teikoku employs a membership system, and the minimum fee is ¥120,000 (\$1,000) for five investigations in a year, which works out at ¥24,000 per investigation. In the past, Teikoku provided information for half price if it already had data that was less than six months old. Since the collapse of the bubble economy, however, customers have been asking for the very latest information, saying that data going back half a year is now out of date. Hence the increase in its sales figures.

Teikoku was one of the first to input the information it gathered through corporate investigations into a computer and establish a database. Its list includes credit information on 220,000 top enterprises, financial information on 260,000 leading companies, and corporate data on 950,000 firms. Thanks to the liberalization of the telecommunications business in Japan in 1985, Teikoku is now able to supply this information for speedy perusal to personal computers in offices and homes throughout the country.

Teikoku, which has more than 6,000 regular corporate subscribers to on-line services of its COSMOS series database, also makes use of telecommunications by, for example, the SAFETY system, by which corporate subscribers are provided with emergency information on registered firms via facsimile. These personal computers, facsimiles and other telecommunications equipment are the essential infrastructure of the information society. Credit investigation companies, which make full use of this equipment to develop their businesses, can be called the lubricants that enable the economy, and society, to run smoothly.

Teikoku also uses its database to com-



Screen showing the on-line database of Teikoku Databank, Ltd., one of the dominant companies in the thriving credit investigation business.

pile separate lists of company presidents by university background or hobby, which it then puts on sale.

U.S. credit investigation companies have also entered Japan as pioneers of the information economy, and are engaged in tough competition with their Japanese counterparts. Interestingly, these U.S. firms have not performed as well as they have in Europe.

For a start, there is a difference in business methods. Credit investigation has a high degree of social recognition in the United States, where the information economy is a step ahead of Japan and where, contrarily, companies do not feel respectable unless they are investigated. So one telephone call will do the trick. In Japan, however, investigators actually have to go out on foot and ask questions.

There seems to be a cultural gap, too. Japanese investigators think nothing of including information on an executive's university or hobbies, because his human contacts are considered a corporate asset. In the United States, however, people tend to be wary about invasions of privacy and omit such data.

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