Six things keeping credit managers awake at night

New Zealand's export markets are rising strongly and companies need to manage the commercial and political risks of trade – different laws, different payment terms and structures can have a significant impact on your business.

If you're exporting, to protect your capital, maintain your cash flow and ensure your earnings are secure, you need the right trade credit insurance. Here, we look at six key areas of concern for credit managers.

1. Late payments

The 2017 trend of insurers reporting a significant increase in the number of days that payment is outstanding is continuing, placing more pressure on credit managers to collect debts promptly and to address queries without delay.

2. Risk assessment

Company collapses impact business confidence. Obtaining quality information and data as part of your regular client credit reviews is incredibly important.

3. Higher risk industry sectors

Some industry sectors have proven to be more challenging to collect debts from than others. Internationally, fresh fruit and vegetable wholesalers have often caused headaches for exporters. Data is key here.

4. Protection of cash flow

Companies need certainty of cash flow to continue to run effectively and not be unduly affected because of non-payment. Whether a customer becomes insolvent or defaults on payment, steps need to be taken to ensure working capital can be replaced. The right trade credit insurance policy is crucial.

5. Developing the right customer relationships

Continual risk assessment and monitoring helps develop the right customer relationships and can serve as an early warning sign for potential bad debts. It can help you evaluate your customer's financial health and your ability to collect payment for the products or services you've supplied.

6. Improving relationships with bankers and access to finance

Credit managers need to look at securing their debtors' book. When debtors are insured, this can lead to enhanced relationships with banks and possibly more extensive credit facilities offered on more favourable terms. This allows access to the finance a company needs to grow. There is no doubt that financiers are placing more focus on debtor quality.

All these points underline the need for the credit manager or department to focus on client risk assessments. It's better to do the work at the outset, than spend time chasing a debt.

Having said that, trade credit insurance gives you the confidence to extend terms to new customers, offer increased payment terms to existing customers, and provides the ability to explore higher risk business opportunities that perhaps you may not have considered, for the fear of non-payment.

Trade credit insurance is a crucial cover for all businesses to help them mitigate potential risks. It works especially well for trading with new customers, in high payment risk industries, or when selling in a volatile economic climate. It's a unique product area, and you should look for a broker with a background in banking or credit management and time spent working for an underwriter. A specialist broker will be able to determine the best risk management strategies for your needs.

You can read more on the Willis Towers Watson website - https://www.willistowerswatson.com/en-NZ/insights/2018/03/trade-credit-insurance