know more grow more

Export credit insurance: your passport to success

Five ways credit insurance makes exporting less risky and more profitable.

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Introduction

The bigger the market the more you can sell, that's the simple logic underlying the desire to export, and the evidence is that companies are keener than ever to do so.

According to the latest HMRC statistics (11 December 2018), the UK's total trade in goods exports for October 2018 was £33.1 billion. This was an increase of £3.5 billion compared with October 2017.

It seems clear from these figures that, even at a time of economic uncertainty, companies remain keen to explore the opportunities provided by export markets. They understand that exporting can enable them to extend the life of products, minimise spare capacity, reduce reliance on the domestic market - and simply sell more and grow faster.

But of course with every potential reward there is a potential risk. Getting goods to their destination, communicating with customers and securing timely payment can all be much more difficult than when dealing with domestic customers. So while exporting is a proven way to grow many companies are understandably wary.

Why Coface?

We monitor 80 million businesses in the UK and worldwide so when you - '**Coface it First'**, you'll have:

- Customer and supplier credit checks on demand
- Up-to-the-minute business and economic trends at your fingertips
- All the knowledge you need to make informed decisions
- The confidence to offer better terms and win more business

How can you achieve export success?

Trading across oceans and borders need not be unduly risky and the purpose of this white paper is to show the five ways credit insurance makes exporting less risky and more profitable.

1. Research your market

2. Know your customers and check their creditworthiness

3. Win business with more and attractive trading terms

4. Protect your sales revenue

5. Underpin your credit management

If you want to know more about the "know more, grow more" effect a credit insurance policy can bring to your business, talk to the experts at Coface on 0800 0856 848.

1. Research your market

If you are starting to trade in a new place the starting point is to find out as much as possible about it.

However a visit to the country isn't always feasible and even if you do travel to meet your prospective customer, you can't learn all you need to know about the place and its culture in a short visit - especially if you don't speak the language.

Questions you need to ask include:

- Can the roads, railways, ports, airports and other infrastructure support prompt delivery?
- Are there signs of political instability or social unrest that might disrupt trade?
- Will the local legal system operate effectively in the event of a commercial dispute?

What credit insurance can do

Credit insurers such as Coface produce detailed, constantly updated country reports for their policy holders. They are compiled by teams of experts including local underwriters.

Typical reports cover the economy, political outlook, business culture, infrastructure, currency and any other relevant factors. Such a broad picture is essential, because it is never enough to focus narrowly on the nation's business climate or economy. Political risk needs to be factored in, as if a country is likely to become socially unstable, its economy (and your balance sheet) are sure to feel the impact.

2. Know your customers and check their creditworthiness

Exporters can start out not knowing essential information about their prospective customers. Are their premises real? Are the claims they make about themselves true? What is their ability to pay and record of doing so? This becomes difficult with customers in other countries, when it isn't always possible or affordable to visit them in person.

In these instances it is tempting to rely on websites, directories or references, but people can create the illusion of a reputable business very easily. Before agreeing to deal with a company find out if the country has an official registration for the business. As for references, they are best treated with scepticism. If a company has ever had an unfavourable reference from a bank or trading partner, you can rest assured they won't let you or anyone else see it.

What credit insurance can do

A reputable credit insurance provider is the ideal source of information on international customers. The data is sure to be up-to-the-minute, because credit insurers need the most current data in order to assess their own risks accurately.

Coface, for example maintains a database of 80 million companies throughout the world, and information on any of those companies are all part of the service available to policy holders. This enables you to check any company's solvency before agreeing to do business.

Key reasons to choose credit insurance:

- Grow your business
- Minimise risk
- Protect against insolvency
- Support business strategy and development
- Secure favourable financial terms and support
- Build supplier relationships
- Enhanced credit management

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3. Win business with more competitive and attractive trading terms

The balance between winning business and setting payment terms is just one of the challenges a business faces. Amid the excitement of new orders or an increased order from an existing customer maintaining a positive working capital is a necessity.

A customer may well be inclined to buy more, or more often, with an extended credit line and a new customer may find you a more inviting prospect if you didn't need to insist on advance payment – but is this a risk you can take?

What credit insurance can do

A frequently neglected benefit of credit insurance is that it opens the possibility of negotiating more favourable terms with suppliers and customers. An insurer will regularly evaluate each of your customers to make sure you are trading at the right credit levels. This not only protects you from trading on risky terms, but it gives you the opportunity to gain competitive advantage by extending credit to more financially robust customers.

Banks are also more inclined to extend finance to exporting companies who can demonstrate their own credit worthiness and robust approach to credit management. There is no surer way for a business to impress its funders than by having credit insurance in place.

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4. Protect your sales revenue

You have done everything right in terms of market research and you've undertaken due diligence on a new customer. However, non-payment still occurs, leaving you with a gap in your cash flow. How can you protect yourself from this?

Some exporters rely on letters of credit, but they can be costly and cumbersome to administer. They are also limited in scope as a separate letter is needed for each customer.

What credit insurance can do

A credit insurance policy will allow you to cover either all of your customers or a cross section of your customers, making it the simplest, most reliable and cost effective way to replace cash-flow lost through customer insolvency or non-payment. In addition to this making a claim through Coface is straightforward and once assessed and validated, claims are paid within 30 days.

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5. Underpin your credit management

Exporting can put additional pressure on the existing credit management function of any business. Committing to delivery time frames, setting payment terms, agreeing credit levels and language barriers are just some of the considerations.

What credit insurance can do

Credit insurance will provide you with information on the typical trading terms for a particular market, while a country report will advise on the transport infrastructure and hubs. In addition to this, when it comes to collecting overdue invoices, experienced collectors who speak the language and understand the culture can step in and recover the debt on your behalf.

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Conclusion

The key to successful exporting for companies is accurate and up to date information about firms, countries and sectors around the world. The more you know about your trading partners, the lower the risk of dealing with them. The single most reliable source of such information is a globally successful credit insurance provider such as Coface.

Their customers have immediate access to unrivalled market intelligence resources, including credit reports on 80 million companies worldwide - plus sector reports, country reports, political risk assessments and economic evaluations.

Having credit insurance in place can also enable companies to achieve better financial terms from banks and suppliers and pass these on to their overseas customer. Finally, it can release them from the burden of collecting overdue invoices in unfamiliar languages and territories.

As with most aspect of business, preparation and intelligence are the keys to success and if a company takes the right advice, runs the right checks and takes the necessary precautions, the export journey can be a profitable and enjoyable one.

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