

A photograph of a man with glasses and a patterned shirt looking at a laptop. The laptop screen displays a dashboard with various charts and graphs, including a pie chart and a bar chart. The man is also looking at a document with a bar chart on it. The scene is lit with warm, golden light, suggesting a sunset or sunrise.

**How to make
sound credit decisions
and accelerate
business growth**



Take smarter risks

Winning new clients, increasing sales and boosting profitability is never without risk, especially when entering foreign markets. While most people know that insurance is generally used as protection, few are aware that trade credit insurance goes beyond protecting assets to help companies grow their business and augment their knowledge.

“

We did not have a consistent approach towards assessing credit so the company was missing out on business.

”

Kelvin Teo
General Manager of Chong Cheong Foundry Works

Why mitigate credit risk?

Experience and relationships are not enough in the global arena



It can be tempting to forego protection and opt for “self-insurance” when selling to companies that have been in business for as long as you can remember, or those you have grown to know and trust. But the world of commerce has changed and trading on a handshake is no longer an option.



What is self-insurance?

Making accounting provisions based on estimated losses due to bad debt

Companies large and small can go bankrupt overnight for a variety of reasons:



Debt

See what having too much debt – organic or due to a “leveraged buy-out” – can do

- ToysR’US
- Evergrande
- Hanjin Shipping



Strategic decisions

See how laws like Chapter 11 in the US can insulate a company from creditors

- Global Brands Group USA
- L’Occitane USA
- Muji USA



Natural disasters

Think of the impact COVID had across sectors like retail and travel

- Garuda Indonesia
- Genting Hong Kong
- Thai Airasia Company



Technological disruption

As new technology emerges, many businesses fail to adapt

- Borders
- Kodak Film

Bad debts: unavoidable

And if not insured – costly

Did you know, receivables account for up to 40% of the assets of B2B companies? When something goes wrong, you are not just losing money on one receivable, but are likely to be forced to manage a wide range of commercial and managerial consequences...

The ripple effect of bad receivables:

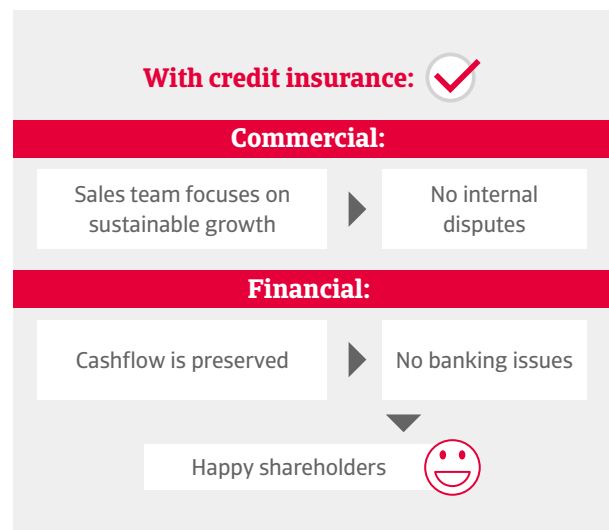
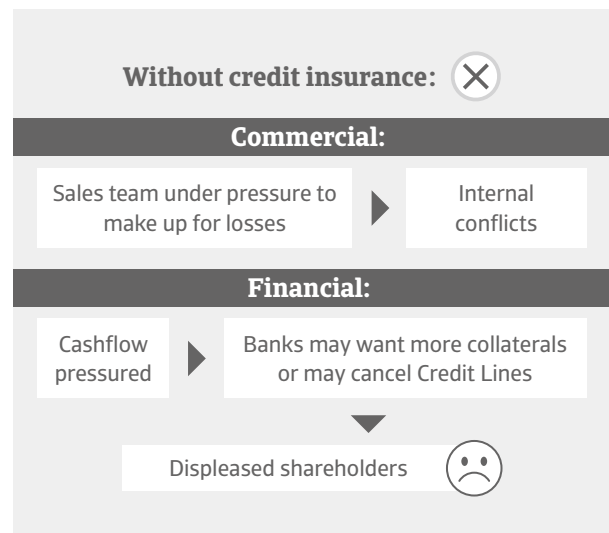
Jaden's story

After years of building a reputation for producing delightful homeware items for sale in Asia, Jaden was thrilled to secure a first order - and the largest ever - from the UK. Worth 1 million pounds – 10% of turnover. The client drove a hard bargain, insisting on trading on open account, with payment to be made 90 days post shipping free on board (FOB). Jaden didn't hesitate; after all, the buyer has been in business since 1778, operated 185 shops across Europe and employed 25,000 people. Plus, the margins on the sale stood at 12%, compared to his standard 8%. Hosting a company party 60 days later, Jaden received a text message: the client had just entered administration and trade creditors were unlikely to receive a dime. He immediately lost his appetite.

How much in new sales Jaden would need to recover his losses?



Potential financial & commercial impact of bad receivables



By actively managing credit risks companies make the strategic decision to focus on what matters most:

Safely growing your business

Different ways of mitigating credit risks

Which method protects you more?

While companies can use different strategies to mitigate credit risk, most offer only a partial solution to a complex problem; here are some of the solutions often used to protect their business.



Self-insurance

Inexpensive on the surface, making provisions for bad debts may work from an accounting perspective but leaves companies fully exposed to the risk of incurring substantial losses.



Letter of credit (L/C)

Although effective at covering the risk of a specific transaction, L/Cs can impose a heavy administrative burden, tie-up working capital and credit lines, and rely on a client's ability to secure financing. Many L/C users purchase credit insurance to get better terms from banks.



Credit reports and analysis

While larger companies may have a dedicated in-house credit management team, smaller companies may not have the resources to do so. What's more, even good credit management alone cannot protect against credit losses.



Factoring

Factoring enables companies to sell their receivables at a discount. While it accelerates cashflow and collection, it can be expensive and does not fully eliminate credit risk, as companies still need to take a loss when receivables prove to be uncollectable.



Government export agencies

A number of countries like Hong Kong and Japan operate National Export Agencies (EA) to support domestic companies seeking to expand abroad. However, mandates differ and their services might not be accessible to all, while many impose non-commercial criteria.



Find the most comprehensive and cost-effective solution

Take smarter risks, protect your business, secure your cashflow, accelerate your growth and leverage the global resources of your partner.



Find a solution that optimises your resources

A look at trade credit insurance

In business, time is money and each dollar counts. When it comes to mitigating risks: it's important to find a solution that helps you gain the freedom to concentrate on what matters: growth and profits.

Let's explore the holistic benefits of credit insurance



Protection

Directly helps mitigate the risk of losses caused by insolvency, default and more.



Growth

Enables companies to offer credit terms to customers while growing business safely.



New market expansion

Empowers companies to expand in new markets in full confidence that they will be paid.



Early alerts

Acts as a tool to monitor customers' payment habits and signals early notification of potential issues.



Speed

Significantly accelerates how a business responds to opportunities by giving instant access to business intelligence and expert support.



Credit management

Fosters the development of a partnership that maximise the efficiency of a company's team.



Maximises cash flow

Allows companies to invest in their core businesses instead of tying up cash in bad debt reserves.



Business intelligence

Enables companies to leverage the knowledge accumulated by the insurance provider on millions of businesses throughout the world to better evaluate customers and prospects.



Cost effectiveness

Comes with complimentary value-added services such as debt collections and credit reports.



Financing

Gives access to better financing terms from lenders due to a reduction in risk profile.

Trade credit insurance in action

A case study

See how Chong Cheong Foundry Works (“CCFW”) used trade credit insurance to anticipate problems, secure financing and conquer new markets.

A company involved in manufacturing and selling metal pipes and fittings to the construction, marine and industrial sectors in Singapore, CCFW has been growing fast. Yet, as the business expanded, the company’s ability to assess and manage risk was being stretched.

“Our challenge was we did not have a consistent approach towards assessing credit,” says Kelvin Teo, General Manager of CCFW. “Sales would push to give more credit to customers while our finance team would resist. Morale was affected and clients were upset.”

Then CCFW decided to give credit insurance a try. Working closely with Atradius, the company introduced and implemented a system for assessing the credit risk of new customers and managing credit limit decisions, taking into account both the impact of the pandemic and the company’s expansion strategy. Says Teo “We now have healthier and more productive communication with our customers. We emphasize that we need to work with them to create a history of healthy payment behaviour in order to assess their credit and potentially provide better terms and limits.”

The business unit which took out the first policy saw revenue double between 2019 and 2021. In addition, having a more mature and credible credit control process has given CCFW’s main investor the confidence to invest more. In addition to building a new 250,000 square feet foundry – five times larger than its previous location– the company also plans to expand into Indonesia.



Interested in reading other case studies about how companies use trade credit insurance to help them grow their business?

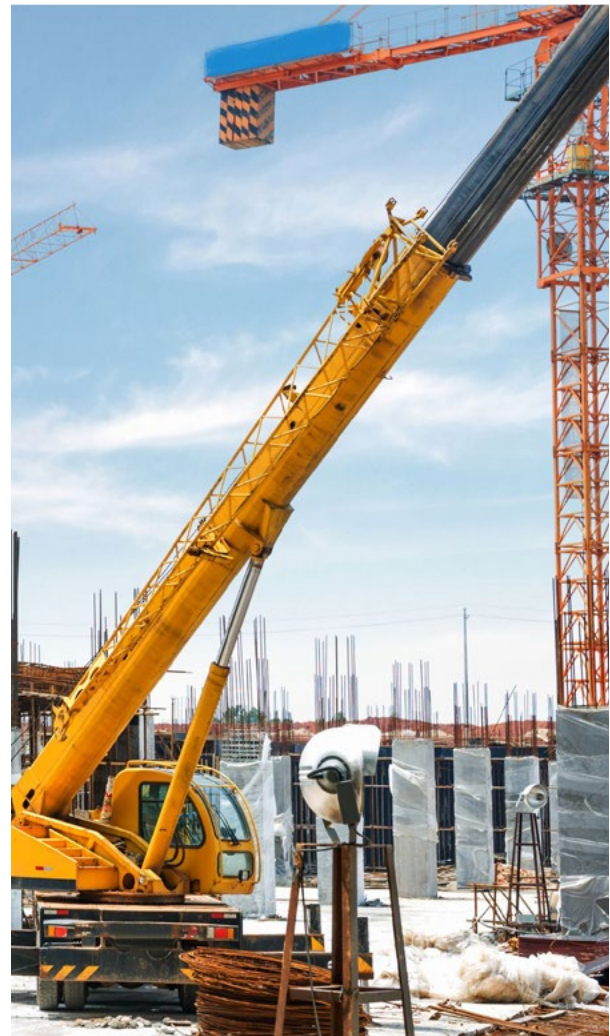
Go to <https://atradius.sg/products/credit-insurance-case-studies.html>

“

Using credit insurance has made us better at credit management. They [Atradius] are firm where necessary to limit risks and are willing to make exceptions when we convince them to do so for our customers. With our credit insurer, it’s a true partnership. ”

Kelvin Teo

General Manager of Chong Cheong Foundry Works





It's time to grow safely!

Business is never easy — we know because we are one too. But while each business is different, all share some fundamental principles such as enabling business growth, pleasing clients and satisfying shareholders. This starts by focusing on making products or delivering services, growing sales and building relationships while leveraging the expertise of professionals for tasks like credit assessments and debt collections.



Contact us now for a free, no-obligation credit risk consultation!

Interested to get Atradius risk experts' assessment on your current or new buyers' risk profiles, or how we can add values to your credit management system? Email us at: atradius.asia@atradius.com

Atradius is a world-leading provider of trade credit insurance, collections and credit information services, committed to providing independent risk guidance to companies trading in domestic or international markets. We enable business growth through trade with confidence and protect your business against non-payment brought about by credit risks including default, insolvency or bankruptcy, as well as certain political risks. With a strategic presence in more than 50 countries and access to the credit information of more than 240 million companies worldwide, we pride ourselves on our deep understanding of the complex web of supply chains across multiple sectors around the world.

With our regional headquarters in Hong Kong, we have an extensive network across the Asia region, from east to west: China, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand, the UAE and Vietnam. By drawing on the in-depth knowledge of our risk experts on the ground, we help homegrown and foreign businesses navigate varied economic conditions while enabling them to increase their trade with both new and existing customers with confidence. In many parts of Asia, we support local leading insurance partners, who issue trade credit insurance policies, which are in line with our risk assessment and underwriting standards.

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