

5 STEPS SMART BUSINESSES TAKE TO GET AHEAD OF CUSTOMER INSOLVENCY

Impending trouble with trading partners may not be seen until they are in administration, but **smart management and a focus on relationships** can help you spot problems in advance.

Here are the 5 key steps you can take to protect your business from excessive credit risk:

1 Embrace continuous analysis

Possess the data and business intelligence to identify the appropriate levels of credit to extend to customers.

2 Be cautious

Establish an early warning system which will give you sufficient time to manage debts proactively and pragmatically.

3 Get in the customer's shoes

Understand the local legal systems, law enforcement and political pressures in each market and scrupulously adhere to local regulations.

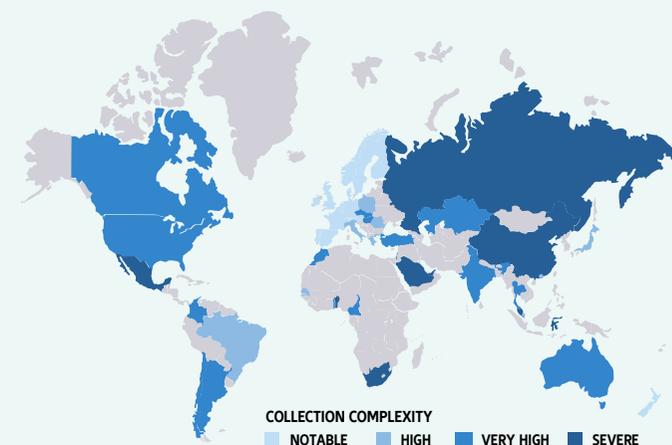
4 Determine your options

Ensure that contingency planning (at a subsidiary level) includes insolvency risk in key buyers and suppliers – and identify alternatives within the capacity levels.

5 Know your real value

Identify your strategic value to local markets, including factors such as capital investment, taxation and employment as well as secondary benefits along your trading chain and investment in, for example, research centres or upskilling local employees – if your business is held in high regard, there is greater pressure on companies trading with you to 'do the right thing' in regard to payments.

The worst and best places in the world to collect your debts



Saudi Arabia, UAE, Malaysia and China are the most complex countries for debt collection. The US, Canada and Australia are the most complex developed economies. Most of the easiest countries to collect debt in are in Western Europe.

The potential rise in insolvencies, coupled with a more protectionist landscape, should not stop businesses from pursuing opportunities in new markets, or deepening investments in others.

However, businesses should not assume that current business strategies will serve them as well in the future. A combination of economic and political pressures will require **closer partnerships and stronger intelligence about all trading partners.**