

SPECIALTY FOREST PRODUCTS: USING CREDIT INSURANCE TO REBUILD A SOLID FOUNDATION

Caught up in an extended decline in the lumber industry sparked by the Great Recession, Specialty Forest Products suffered a significant customer loss and bad debt increase. Trade credit insurance helped jumpstart its recovery.

Years in Business: 38
Years with Euler Hermes: 6

Region:



United States

Sector:



Lumber

Challenge:



Protect existing customer base

Policy Benefits:



Comprehensive credit function support



Safer sales growth



Greater access to funding



Protection from catastrophic loss

THE CHALLENGE

The Great Recession drastically changed the business landscape for companies in the lumber industry. For Specialty Forest Products – a Pacific Northwest wholesaler of high-quality hardwood lumber – the downturn presented particular hardships. The company watched 65% of its industrial customers disappear at the same time that margins contracted and nonpayment risks dramatically increased.

“It’s a new reality,” said Doug Konop, CFO of Specialty Forest Products. “Recovery was difficult, and nobody expected it to take as long as it has. We needed a solution to help protect our existing customer base and support our business through this newfound uncertainty.”

THE SOLUTION

That solution came from Euler Hermes. In 2013, Specialty Forest Products added trade credit insurance to its accounts receivable management strategy to alleviate its main concern, the damage it would face should one of its key customers default. Specialty has found its partnership with Euler Hermes does much more than just protect it from the risk of a catastrophic loss, it has also contributed to a staggering 20% sales growth.

“One or two bad debts can wipe out our profit for the year,” said Konop. “It was difficult to jump in and open up credit lines again. We started to become more conservative than we needed to be. Once we implemented our credit insurance policy and were able to start growing our top line without that fear, things started to grow fast.”

As a small organization, Specialty leveraged credit insurance to better compete in a new – and now dramatically smaller – customer space, where its large, publicly-held competitors were able to offer larger credit lines much more quickly.

“Credit insurance provides us the speed and financial strength to offer competitive terms and go toe-to-toe with our biggest competitors,” said Konop. “It also provides us the knowledge we need to go after the right customers – ones who were previously overlooked. Instead of losing customers because of our conservative limits, we can now focus the conversation on what we do best: service, product and pricing.”

Specialty was also quick to leverage its new credit insurance policy as a powerful financing tool. With its largest asset, its accounts receivable, now secured with Euler Hermes’ AA- rating, its bank was willing to extend a larger line of credit, giving Specialty the cash flow it needed to expand its inventory and sales.

“We pay our mills in 10 days but don’t see payment from our customer for another 30-60 days,” explained Konop. “We need to have a line of credit with our bank in order to make this business work. Having trade credit insurance allows us to have an entirely different – and much more comfortable – conversation with our financial partner.”

The rebuilding process has been challenging for Specialty, but it has found a solid partnership with the team at Euler Hermes. Specialty uses Euler Hermes’ comprehensive credit support and resources to educate its team and streamline its overall credit management and collections offerings.

THE OUTCOME

“We’ve learned that this product is more than just insurance,” said Konop. “It’s an opportunity to learn ways to optimize your business and credit processes.”

Konop is optimistic about the future, not only for his business, but the overall industry. Even after being severely damaged by the recession, the relationship with Euler Hermes has given Specialty confidence for the future, knowing it is secured by a global leader.

“I look at credit insurance as a strategic advantage, not only for our company but for our industry as a whole,” said Konop. “Everybody has suffered from the recession and the fewer bad debts we have in our industry the better. Recovery is only going to go quicker if everyone extends more credit. With credit insurance, our customers feel good and we feel good. Everyone can benefit if they incorporate this into their business.”

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– Doug Konop, CFO | Specialty Forest Products



Front photo – Custom deck built using materials supplied by Specialty Forest Products
Above photo – Specialty Forest Products warehouse space

For more information you can:

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