

WESTON FOREST: USING CREDIT INSURANCE AS THE FOUNDATION OF A SAFE GROWTH STRATEGY

Faced with regular market fluctuations, lumber companies need to be particularly vigilant about the potential risks within their client bases. As the foundation of its proactive risk management approach, Weston Forest Products uses credit insurance to accurately monitor its customers' financial health and protect its business against bad debt.

THE CHALLENGE

Since 1990, Weston Forest Products, one of North America's leading full-service distributors and re-manufacturers of industrial lumber, has incorporated credit insurance into its business strategy. As its sales and operations continue to expand in recent years, the company's leadership has found the value of credit insurance to be even more apparent.

"Credit insurance provides comfort to all of our stakeholders," said Rick Ekstein, President and CEO of Weston Forest Products. "Our sales people know they are selling to worthwhile customers, our suppliers give us more credit knowing we have coverage, our banks lend more, and we have the peace of mind knowing we are covered if a loss occurs."

Weston Forest Products is an Ontario-based company that conducts business throughout North America and, prior to selling its international division, conducted business in over 40 countries worldwide. It extends credit on a daily basis and fully understands the risks involved with adding new customers and expanding to new markets. The unique business intelligence found in Euler Hermes' database helps the company make informed selling decisions to profitably steer its business.

Years in Business: 65
Years with Euler Hermes: 29

Region:



Canada

Sector:



Lumber

Challenge:



Protect existing customer base

Policy Benefits:



Comprehensive credit function support



Safer sales growth



Proprietary knowledge to steer business



Tailored tools and resources

THE SOLUTION

"One of the major reasons Euler Hermes is a great partner is that they know our industry, not just locally but on a global basis," said Ekstein. "Whether a potential buyer is in Texas or Lebanon, we find that there is always information in the Euler Hermes database. I don't think anyone is as comprehensive as Euler Hermes in our industry. When you're in the position of extending credit to a new customer, your decision can't wait. They make it very quick and easy for us to get an opinion on whether we should be pursuing that business."

Before Weston Forest Products partnered with Euler Hermes, it protected its business by self-insuring with a bad debt reserve. However, in a constantly evolving market, the company's leadership ultimately found this approach to be stressful and risky. Uncertainty too often caused the company to be overly conservative with its credit limits, which inhibited growth. When it discovered credit insurance, it found itself better able to capitalize on opportunities while comfortably mitigating risk.

"As we got into bigger and bigger accounts that wanted credit limits over a million dollars, it was too huge a risk for a private company to take on," said Ekstein. "Credit insurance has helped us get to those levels. We do a lot more business with a lot more customers than we would be comfortable doing if we were absorbing the risk ourselves. There is no question credit insurance has allowed us to grow our business and sell more to certain customers at that high end. Having a Euler Hermes policy allows us to be extremely confident when we extend credit."

Part of Weston Forest Products' success can be attributed to its exceptional service and its strong customer relationships. Maintaining sustainable relationships with customers is imperative for any business, yet most companies have encountered the sensitive balance required when payment issues arise. An aggressive collections approach can offend a buyer who may emerge from a temporary lull as a loyal, long-term customer, while too passive an approach can intensify a receivables loss. A partnership with a credit insurer provides a critical tool to help suppliers walk this fine line.

"Euler Hermes has been a great partner on difficult accounts," said Ekstein. "There are times where there is a cash flow problem with a new or existing account or they might not be able to pay on the agreed terms. Euler Hermes has always been able to help work down accounts that are in trouble. I find Euler Hermes to be very flexible, which has allowed us to work through problems together and get out of uncomfortable scenarios. It is better for us and the customer."

THE OUTCOME

A prudent approach to risk management has served Weston Forest Products well and enabled it to grow steadily while keeping bad debts to a minimum.

"It's easy for me to praise Euler Hermes because I believe in it," said Ekstein. "Euler Hermes has made our risk management policies better. It's given us more structure, more accountability, and made us a better company. Over the years, our partnership with Euler Hermes has proven to be a good investment. Even if I were to never make a claim, I would look at it not as a business cost but as an investment with a return."

With Euler Hermes actively monitoring Weston Forest Products' customers and providing advance warning of potential threats, credit insurance has not only provided the company with valuable financial benefits, but also peace of mind.

"When you've got tens of millions of dollars of receivables all over the world, and you know the risks going on all over the world, it can be stressful," explains Ekstein. "Credit insurance allows me to sleep better, and that is worth a lot."

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– Rick Ekstein, President and CEO | Weston Forest Products

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