Securitas Global Risk Solutions

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Feature Story

The Psychology of Risk: When to buy Trade Credit Insurance

Risk management often requires a counter-intuitive approach, challenging ourselves to think through whether we have accurately assessed the possible risks that face our businesses. Planning for a range of outcomes requires an evaluation of downside risk. This runs counter to the optimistic view we naturally have for our efforts in building individual enterprises. Yet the recent bankruptcy of Toys-R-Us highlights why, even when times are good and indicators seem positive, "black swan" events can happen. The time to plan for those events is ahead of the crisis.

Imagine the scenario: It is August 2017. As the CEO of a toy manufacturing company, your firm is coming up on the biggest, most lucrative season of the year – the December holidays. Irrespective of tradition, the bringer of gifts will need some 21st century manufacturing support -- your toy company is just the one for the job!

Knowing the retail toy sector is largely seasonal, your company team understands the traditionally longer manufacturing lead times needed to stock store shelves. They have worked hard, marketed and won contracts from the major toy retailers in advance of the big season. Your company also anticipated the early holiday shoppers and made sure products will be delivered by the middle of September. It is this holiday-season Accounts Receivable that will fund your firm's working capital throughout a good portion of next year.

Now ask the question: Do you need trade credit insurance on those Accounts Receivable? Is it a luxury or a necessity? There is market concentration with Toys-R-Us a historically large buyer that could not possibly file for bankruptcy right before the holiday season, the best time of the year. You decide to gamble with that thought in mind.

Read Full Story

Spotlight

Case Study

Background: Founded in 1983, a Pennsylvania-based manufacturer of industrial pumps has seen increased demand for their products over the last five years – one driven by more project-based sales that linked their products to a complex manufacturing process. While sales are increasing, the contracts typically included progress payments, resulting in larger credit exposures with existing customer.

The Issue: While the company felt they did an effective job internally managing credit, relying primarily on credit reports and payment history, they realized there was significant financial risk. Non-payment from any of these buyers would severely impact the equity it had taken years to build up, or worse, possibly require the company to restructure.

The Resolution:

Read Full Case Study

News

Pamela M. Bates Joins Securitas

Securitas is delighted to welcome Pamela Bates as the newest member of our team. Highly skilled in providing customized solutions to mitigate credit and investment risk in global markets, she will lead our new Virginia office and provide strategic and policy advice to assist clients in navigating international business opportunities. Prior to joining Securitas, Pamela was a U.S. diplomat for more than two decades. Working for the U.S. Department of State as a Foreign Service officer, Pamela managed U.S. diplomatic efforts on energy, information technology and government procurement issues. She developed strategic foreign policy and communications initiatives, successfully managed multilateral negotiations and represented the United States at various international forums.

Meet Pamela