

Data Over Doubt: Make better customer credit Decisions

[00:00:02] Janet: This decade has been a real challenge for global business. What began as a normal decade quickly turned when the COVID 19 pandemic kicked off in March of 2020.

The lockdown began and business screeched to a halt. A recession arrived, stock markets crashed, supply chains were disrupted, and we've been riding the roller coaster of uncertainty and volatility ever since.

Now we face tariff fueled trade wars, geopolitical tensions. There's also been extreme weather events.

So how's your business been managing in these challenging economic times?

On this episode of the TradeSecurely podcast, Zadok Cattle joins me to discuss how information can assist you to navigate this challenging economic environment. He's with Coface where he is VP Sales, North America Business Information.

Good to talk to you again, Zadok. How are you doing?

[00:00:59] Zadok: Doing well, Janet. Thank you very much for having me on today.

[00:01:02] Janet: Oh, it's a real pleasure. So, you know, I gave a brief overview of what this decade's laid on us so far, but perhaps you can share your thoughts on just what business has been navigating through and the impact it has had.

[00:01:17] Zadok: Great. Yeah, sure. Well, first, I mean, I fully agree with your overview. Over the past few years, businesses have been navigating what what we here at Coface like to call a perfect storm of disruption.

It all started with the pandemic which brought global commerce to a standstill nearly overnight. That was followed by the recession. We've seen supply chain breakdowns and a wave of uncertainty that's really not let up. Since then we've seen inflation, rising interest

rates, geopolitical tensions, climate related events. It's all added a layer of complexity to how companies are operating.

The impact overall has been quite significant.

Many businesses, especially the small and medium sized ones, have really had to rethink their entire approach to risk, resilience and growth.

What we're seeing now is really a shift from simply reacting to crises to proactively building systems that can withstand them. And that's really where the Coface business information becomes so critical.

In this volatile environment, companies that can access and act on reliable data are the ones that are staying ahead.

[00:02:36] Janet: Okay, so have you heard similar stories from other people or industries about how they're adapting to these disruptions?

[00:02:44] Zadok: Yeah, absolutely, Janet. Across industries, we're seeing a common theme of adaptability. In manufacturing, for example, companies are investing in nearshoring to reduce the dependency on distant suppliers.

In retail, businesses are using predictive analytics to better manage inventory and demand shifts. Even in sectors like agri food, we're seeing more Use of data to anticipate climate related disruptions.

The tools and strategies may differ depending on sector, but the mindset remains the same. Businesses are becoming more proactive and data driven.

[00:03:25] Janet: You don't have a crystal ball or anything. But Zadok, what's your take on how long this volatility might last?

[00:03:33] Zadok: Well, that's essentially the million dollar question.

Some pressures like inflation are starting to ease.

Others like geopolitical tensions and climate risks, are likely to persist. So we don't really know where things are headed on that front.

I think we're entering a new normal now, Janet, where volatility is simply just part of the landscape. The key isn't really to wait on stability, but to build systems that can thrive through this uncertainty.

And again, that's where that, that timely data, relevant information becomes a competitive advantage.

[00:04:12] Janet: Yeah, like bankruptcy stats have been going up and down. So perhaps you can explain the type of data that is available to companies through an insurance company like Coface for managing risk, particularly so they can understand the credit worthiness of a customer.

[00:04:28] Zadok: Of course, yeah. At Coface, we primarily specialize in helping businesses understand and manage credit risk. We do that through a wide range of data set.

It's not just about whether a company has a good credit score. It's about understanding the full picture. We're providing insights into payment behaviors, insurable credit limits, the financial health of the organization, legal filings, and even sector specific and country level risks.

For instance, we're tracking how consistently a company pays its suppliers, whether they've had recent legal issues, how the company compares to peers in their industry.

This kind of data is helping our clients make more informed decisions, whether they're extending credit, entering a new market, or simply evaluating a new prospective customer.

We're helping essentially we're helping turn raw data into actionable intelligence that helps support and ensure faster decision making for our clients.

[00:05:34] Janet: Okay, so are there any types of data that you think companies often overlook when they are assessing risk?

[00:05:43] Zadok: Yeah, yeah. I mean, oftentimes payment behavior can be, can be a big one.

Even though we may have some, some insights, businesses may have some insights into financials, it really only gives you a snapshot in time.

You know, payment trends show how a company behaves in real world transactions.

Another overlooked area can be the, the sector and country risk data that we're providing essentially. I mean, a customer might look solid on paper, but if they're in a struggling industry or sector or in a politically unstable region, it certainly does or begins to start adding layers of risk that need to be factored into the decision.

[00:06:30] Janet: So how do you see the role of data evolving in credit management over the next few years?

[00:06:38] Zadok: Well, I think we'll start seeing a shift from static reports to real time predictive insights.

Credit managers will start to rely more on AI models and automation to flag risks early and to make faster decisions.

Human judgment will certainly still remain key, especially when interpreting complex and conflicting signals. But I think the future is going to be a blend of smarter tools and experienced professionals working in tandem.

[00:07:13] Janet: Okay, so thanks to tariffs, businesses really are looking at their supply chains and they're having to seek out new suppliers.

So how has the use of your business information tool changed in the last few years? Are users investigating their supply chains for secondary and tertiary suppliers and kind of feeling things out?

[00:07:33] Zadok: Yeah, yeah, we've certainly seen a shift in that regard. One of the biggest changes that we've been seeing is companies using our platform to evaluate their supply chains.

It used to be that businesses folks focused mostly on direct suppliers, but now with all the business and market disruptions that we've experienced, these businesses are starting to dig deeper. They're looking at secondary and tertiary level suppliers to understand where the vulnerabilities might, might end up lying.

Our platform in turn has, has adapted to meet that, that need as we're providing tools that help map out supplier networks, assess financial health of those partners, and help flag potential risks before they become problems.

The shift in essence is really a question about resilience.

Companies want to know not just who they're buying from, but who their suppliers are relying on.

The extra level of visibility is becoming essential in our environment today.

Wow.

[00:08:42] Janet: Okay, so what are some of the biggest surprises companies discover when they dig into their second and third tier suppliers?

[00:08:50] Zadok: Great question. Yeah, I mean one of the biggest surprises right now that my clients have been telling me is how surprised they are about the concentration of the actual risk.

They might think initially at first glance that the supply chain is quite diversified, but when they start to map it out, they realize that multiple suppliers are relying on the same sub supplier.

Yeah, yeah. Another surprise is the financial fragility of some of the lower tier partners.

You know, they may not have the same level of resilience or transparency, which can create some hidden vulnerabilities, if you will.

I mean, just thinking here, for example, in the automotive industry with the, the semiconductor and the chip shortages that we've seen in recent years, folks in this industry have really had to become more agile in how they manage inventory and supplier relationships. And our tools helped clients in that sector to that end.

[00:10:01] Janet: Okay, so now that access to this data is available, even without a policy, how can credit managers actually use the tool to complement their current credit manage process?

[00:10:14] Zadok: That's a great point.

Just because not every company like you say, has an insurance policy in place.

They're still in a position however, to benefit from the data that's available in the marketplace and that we provide.

Our business information platform itself is, is really a powerful tool to credit managers. Whether, you know, in complement to a policy or to their internal procedure.

These credit managers, they can use the tool to monitor existing portfolios, set internal limits, and even automate part of the risk assessment process.

One of the things our clients really appreciate from the tool is the ability to benchmark their customers against industry peers.

It helps give a clearer picture and a clearer sense really of where the risks are in the book and where they might need to tighten or extend credit terms to ensure sustainable growth.

So even without a policy, the platform still remains a key part for companies credit management strategy.

[00:11:29] Janet: Okay, so what are some of the best practices that you've seen from credit managers who really are getting the most out of the platform?

[00:11:39] Zadok: Some of the best practices that we've seen, Janet, are when credit managers start to treat the platform in their daily processes as a daily tool, really not just checking it when they see a problem in the book.

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These individuals, they're using the tool to set up alerts, to monitor trends, and to use the data to support internal discussions with sales and finance, helping remove really a layer of friction that sometimes does arise between these two teams.

These credit managers, they're using the tool and the benchmarking to justify credit decisions and to negotiate better terms.

It's really about being proactive and using the data to tell a story.

[00:12:33] Janet: Okay, so do you think that more companies are going to start using data tools like this even if they don't have insurance? Because I think to be honest with you, with all the information that's out there and all the tools that are available, you're going to get left behind if you don't dig into these certainly.

[00:12:52] Zadok: I mean, when we take a look at, you know, Coface's book of insurance, we have a good portion of existing policyholders using the tool to complement their existing policy.

We also have a lot of clients who start with us with information only and transition to a policy as their book grows, as the need for insurance, you know, increases over time.

Now to your point, I mean, as the cost of risk is increasing in the marketplace, more and more companies are realizing that Information can be just as valuable an asset as insurance. So even without a policy, having the access to reliable data can help these companies avoid bad debt, improve their cash flow, and overall make smarter decisions. It's really becoming a standard part of modern credit management.

[00:13:48] Janet: Okay, I'm going to ask you for a story now. I want you to share a story on how companies are actually using the platform. Tell me a real live story on how someone's used it.

[00:13:58] Zadok: Sure, yeah. I mean, recently, you know, one of, one of my clients in, in South Carolina, it's a luxury food distributor that was expanding into, into new markets in the US this company is sourcing high end products like caviar from different countries throughout Europe and reselling to luxury hotel chains in the southern U.S.

they were in the process of growing quickly and making some quick moves, but they needed a tool to help vet out some new suppliers and doing so quite quickly.

This company started using our platform. They identified a potential few new suppliers, one of which that looked really great on paper with strong financials and had a good reputation in the marketplace. But when they dug into some of the payment data behavior and the claims data and disputes that we were able to see internally, they started seeing a pattern of late payment and disputes with other vendors.

When they analyzed that data, the insight it provides provided gave them leverage to renegotiate the terms and ultimately avoid what could have been a costly mistake.

So I think that, that, that's a great example of how having the right information at the right time helped the company protect not only their bottom line, but really their brand and customer relationships as well.

[00:15:29] Janet: It's kind of like, you know, you go to your customer and you say, well, no, we want to renegotiate our terms because we know this, this and this about you. It's kind of like, wow, some voodoo going on here, right? How do you know that?

So how do you, how do you find that more companies are using data to negotiate better terms and not just avoid risk?

[00:15:52] Zadok: Well, I simply think it's, it's really just a smart use of the data. I mean, when, when you're able to understand a customer's financial position and their payment behavior, you're in a stronger position to negotiate those terms and, and protect your business.

Really. I mean, at the end of the day, it's not a question of saying no. It's about structuring the deal in a way that balances the opportunity and the risk at the same time.

[00:16:19] Janet: Yeah, like you're looking for something that works for your business and their business. Because the idea is you want to be doing business.

[00:16:26] Zadok: Of course.

[00:16:28] Janet: Yeah. Okay, so have you seen any other industries where this kind of insight has really made a big difference?

[00:16:36] Zadok: Sure, yeah.

Let me think.

In construction, for example, payment delays, they're common. So having insights into a contractor's payment behavior can make or break a project in wholesale. In distribution logistics, it helps companies decide how much credit to extend and when to tighten terms. So the impact is real across sectors.

[00:17:03] Janet: Okay, so a headline flashback recently that said 80% of small businesses that buy from China are going to go under.

What are your thoughts on that?

[00:17:17] Zadok: Well, that headline definitely grabs attention.

You know, it's, it's a bit exaggerated, but certainly grabs attention.

It highlights a real concern, though.

Many small businesses are in fact heavily relying on suppliers in high risk regions like China, for example, and that does create a lot of exposure.

With the tariffs in place right now and rising shipping costs and the ongoing geopolitical tensions mentioned earlier, those businesses are feeling the squeeze. So the headline is an attention grabber, but it is real.

Our data comes in and helps companies identify alternative suppliers in those instances to assess their financial health, to assess the financial health of current partners and help model different risk scenarios. So it's not about abandoning global trade. It's about being more strategic and prepared. The businesses that survive and thrive in this environment are the ones that treat information as a strategic asset.

[00:18:25] Janet: Okay, so are there any regions or countries that are emerging as strong alternatives to China for companies to source from?

[00:18:35] Zadok: Sure, yeah. Yeah. I mean, we're seeing increased assessment and increased interest in companies in countries like Vietnam, in India as well as in Mexico.

These regions offer competitive labor costs and they're investing in infrastructure to attract global business.

A lot of US Businesses are near shoring to Latin America.

It's, it's also gaining quite a bit of traction, especially for businesses looking to reduce transit times as well as the geopolitical exposure.

[00:19:13] Janet: Yeah, the transit times make sense, doesn't it? Totally. So what advice would you give to a small business that's just starting to diversify its supplier base?

[00:19:24] Zadok: Yeah, that's a great question.

I think the first piece of advice is really about visibility.

It's about mapping out the current supply chain, about identifying where the biggest risks are as it stands. Then use data to evaluate new suppliers, not just on cost, but focusing on reliability, on financial health and geopolitical exposure.

It's, it's not a, not a question of doing it all at once. It's. It's a question about starting small, testing new partners and building it out from there, really. I mean it's, it's a question of diversification and, and that's, you know, not a one time fix. All it's a journey.

Right.

[00:20:16] Janet: Well, and I guess as time goes on and as more and more tools are made available and you mentioned earlier the fact that companies are using AI, the data is available and I mentioned it before as well, like companies will get left behind if they don't engage with these tools. So they're there, you know, best, best have at it, as they say.

[00:20:43] Zadok: Yeah, absolutely. I mean it's, it's, it's not a question of replacing any, any current processes or teams, you know, credit management teams within companies. It's, it's a question having an additional resource and one, as I alluded to previous, that helps benchmark where the risk is.

You know, in the event where one of our clients has a disagreement or a different view of the assessment that we're providing them here at Coface on business information, we dig into it deeper with them. We analyze why, we even reach out to companies and reassess, you know, companies that were initially assessed to figure out why the assessment may have been different. And you know, sometimes the assessment improves, sometimes it also degrades when we dig into it further with, with our clients.

[00:21:37] Janet: Okay. Zadok, thanks so much for joining us today and sharing these valuable insights.

I guess the key takeaway is that in today's environment, information, it's not just helpful, it's absolutely essential.

[00:21:52] Zadok: Absolutely.

[00:21:53] Janet: Yeah. Exactic. Your VP Sales North America Business information at Coface. So if companies are looking to strengthen their credit management or supplies train strategy, they can consider how data can support their decisions and they can learn more about the tools that COFACE provides@Coface.com Zadok Once again, thanks so much. I really appreciate all your insights.

[00:22:16] Zadok: Yeah, thank you for the time and opportunity, Jan. My pleasure.

[00:22:20] Janet: So thanks for tuning into the Trade Security podcast. Don't forget to subscribe. Leave a Review Share this episode with your network Share I'm Janet Eastman and remember, until next time, stay informed, stay resilient and always trade securely.