



## Senior management

The managerial capabilities of senior staff undeniably play a crucial role in company's strategic development. You need to be informed about some of the following criteria above all in the case of larger credit volumes.

Qualification	YES	NO	N.I.
Particularly the management of small and medium-sized businesses often lacks the relevant expertise to generate a sustainable level of profit. You should closely monitor the following potential weak points in the senior level:			
▪ insufficient management expertise?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ lacking experience in the relevant sector?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ lopsided technological orientation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ rather unrealistic business planning?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Human resource problems	YES	NO	N.I.
Human resource problems that have not been resolved often have potentially serious consequences:			
▪ Have there been problems with the issue of succession?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Was there a frequent change of partners in the past?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ Is there a high turnover among senior management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
▪ In your eyes, has the senior management made errors in assessing situations and developments in the recent past?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



## Procurement

Your customers' procurement policies allow you to draw important conclusions as to their creditworthiness.

Dependence	YES	NO	N.I.
<p>■ Does the company depend on too few suppliers?</p> <p>Depending on only few suppliers can be potentially dangerous. If one of them should file for insolvency or experience difficulties in delivering ordered goods, the buyer, i.e. your customer, might face a predicament.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Suspension of deliveries or immediate collection by other suppliers	YES	NO	N.I.
<p>■ Have you been informed of suspension of deliveries or immediate collection by other suppliers?</p> <p>Caution is advised should you be informed to that effect. Payment problems or lacking lines of credit with credit insurers or factoring institutions might be the reason.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recurring change of suppliers	YES	NO	N.I.
<p>■ Have you found out that your business partner often changes suppliers?</p> <p>This can imply problematic relationships with suppliers.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complaints	YES	NO	N.I.
<p>■ Has your customer made unwarranted complaints?</p> <p>Repeated complaints that turn out to be unwarranted or based on mere trifles are usually used as a pretext to delay payments.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordered quantities	YES	NO	N.I.
<p>■ Have there been extreme changes in ordered quantities?</p> <p>A decline in ordered quantities can in certain cases indicate that a customer has stopped receiving goods from other suppliers. Furthermore, fraudulent ordering can be the reason for an unexpectedly large order.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Manufacturing

Critical weak points in the provision of goods and services can have serious financial implications for a company.

Stock on hand	YES	NO	N.I.
<ul style="list-style-type: none"> <li>Are your customer's stock levels comparably high?</li> </ul> <p>A strong hike in stock on hand can indicate falling sales.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Production capacities	YES	NO	N.I.
<ul style="list-style-type: none"> <li>Does your customer have excess production capacities?</li> </ul> <p>Facilities that do not operate at full capacity in most cases imply sales problems. This also has an adverse effect on the cost structure.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Manufacturing facilities	YES	NO	N.I.
<ul style="list-style-type: none"> <li>Are the manufacturing facilities in a bad shape?</li> </ul> <p>Poorly maintained facilities as well as lack of investments into new fixed assets or the replacement of old ones may indicate a deficit of funds. The closure of complete product lines could be because of problems with the market. On the other hand, it might also signify a market-driven and sensible decision.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Product quality and product range	YES	NO	N.I.
<ul style="list-style-type: none"> <li>Do your customer's competitors boast superior product quality / product range?</li> </ul> <p>If competitors are superior in both product quality and product range, this can suggest a flawed product management as well as not adequately qualified senior management levels. In the medium term, this carries a particular risk of insolvency.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Sales

Sales and turnover are decisive factors in securing a company's financial standing. Negative developments can lead to insolvency within only a short period of time

Customer structure and credit rating	YES	NO	N.I.
<ul style="list-style-type: none"> <li>▪ Do your clients depend on a few customers?</li> <li>▪ If yes, do these buyers have a rather low creditworthiness?</li> </ul> <p>The risk that you have to file for insolvency due to bad debts is larger if your accounts receivable are dominated by only few customers. In this case, the likelihood of having to deal with potentially dangerous situations is obviously higher. Frequently the default of one major customer can already lead to the creditor's insolvency. Therefore, it is advisable to closely monitor your client's customer base and – if possible – their buyers' creditworthiness.</p>	<input type="checkbox"/>  <input type="checkbox"/>	<input type="checkbox"/>  <input type="checkbox"/>	<input type="checkbox"/>  <input type="checkbox"/>
Market behaviour	YES	NO	N.I.
<ul style="list-style-type: none"> <li>▪ Does your customer offer products or services at unusual prices?</li> </ul> <p>In a desperate effort to raise cash, a customer's "last stand" might be to resort to aggressive sales techniques, e.g. special offers with extremely high rebates.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market development	YES	NO	N.I.
<ul style="list-style-type: none"> <li>▪ Is there a greater competitive pressure on your client?</li> <li>▪ Do you believe that your customer fails to adapt adequately to market changes and innovative customer demands?</li> </ul> <p>Your customers' market environment plays an important role. Unfavourable risk factors, e.g. a slump in sales, recession in the relevant sector, as well as aggressive competitors need to be taken into account too when rating their creditworthiness.</p>	<input type="checkbox"/>  <input type="checkbox"/>	<input type="checkbox"/>  <input type="checkbox"/>	<input type="checkbox"/>  <input type="checkbox"/>

You cannot always identify impending dangers. This makes it all the more important to prepare yourself for worst case scenarios. Atradius offers a range of comprehensive credit insurance solutions geared to protect you against bad debts in the follow-up of customer insolvencies. Please don't hesitate to contact us. We will be glad to help you.

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